

Annual Report

2019–20



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Digital report

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30 September 2020



Senator the Hon Linda Reynolds CSC
Minister for Defence
Parliament House
Canberra ACT 2600

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
Canberra ACT 2600

The Hon Darren Chester MP
Minister for Defence Personnel
Parliament House
Canberra ACT 2600

Dear Ministers

On behalf of the Board of Directors, I am pleased to present Defence Housing Australia's (DHA) Annual Report 2019–20 for the year ended 30 June 2020 (the report).

The report has been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), related instruments and guidance material, including the *Public Governance, Performance Accountability Rule 2014* and *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*.

In the Board's opinion, the report is based on properly maintained records and accurately reflects DHA's performance against the purposes and performance measures set out in our Corporate Plan 2019–20 to 2022–23 and Statement of Corporate Intent 2019–20.

I trust that while this report is primarily a mechanism of accountability to the Australian Government, it will also be a valuable resource for DHA's customers, landlords, government organisations at all levels, industry and the general community.

I commend this report to you as a record of DHA's achievements and compliance, and request that you present it to the Parliament in accordance with section 46(1) of the PGPA Act.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sandy Macdonald', written in a cursive style.

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



About this report

This report is the Board of Directors' primary mechanism of accountability to the Parliament of Australia and has been prepared in accordance with legislative and parliamentary reporting requirements.

This report outlines Defence Housing Australia's performance against stated objectives and performance measures for the period 1 July 2019 to 30 June 2020 as set out in our Corporate Plan 2019–20 to 2022–23 (Corporate Plan 2019–20) and publicly available Statement of Corporate Intent 2019–20 (www.dha.gov.au/sci).

Guide to this report

- Part 1 Provides a review of the year from our Chairman and Managing Director and details of our significant highlights and achievements over the reporting period.
- Part 2 Provides an overview of our role, responsibilities, organisational structure, financial structure, services to Defence, services to landlords and our property portfolio as at 30 June 2020.
- Part 3 Contains our annual performance statement and detailed assessment of our performance in 2019–20.
- Part 4 Details our management and accountability processes, including corporate governance, external scrutiny and workforce management.
- Part 5 Contains our consolidated financial statements for 2019–20.
- Part 6 Contains appendices and reference information.

The appendices provide supplementary information on specific areas of the business, including some required under legislation.

The reference information includes a list of acronyms and abbreviations, a compliance index, a directory of our services and offices, and an alphabetical index.

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PART 1

Year in review

Chairman's review

Managing Director's review

2019–20 in summary

Awards and achievements

Chairman's review



Hon J.A.L. (Sandy) Macdonald

It gives me great pleasure to introduce Defence Housing Australia's (DHA's) Annual Report 2019–20.

DHA achieved a great deal in the past year, despite a number of challenges. The Managing Director will comment more specifically on DHA's operational achievements, however I wanted to highlight some key areas.

Operating environment

The context within which DHA operates is complex and constantly evolving. In 2019–20, we sought and received support from Shareholder Ministers to implement a revised business model which refocuses on our core purpose—providing Australian Defence Force (ADF) members and their families with housing services. We are working closely with the Departments of Defence and Finance, and are taking a phased approach to implementation to ensure alignment with government needs and minimise any potential impact on service delivery.

Audit of DHA operations

In April 2020, the Australian National Audit Office's (ANAO) performance audit into the Management of Defence Housing Australia was tabled in the Senate and published on the ANAO website. The ANAO made four recommendations in its report (refer to the External Scrutiny section for more detail). DHA agreed to all recommendations and is implementing them in consultation with the Department of Defence.

Natural disasters and COVID-19 pandemic

Natural disasters, such as the bushfires which engulfed much of south east Australia and the COVID-19 pandemic, challenged our traditional ways of doing business in 2019–20.

In response, we developed innovative ways of delivering services and ensuring a safe workplace. On behalf of the Board I extend special thanks to our staff across the country who united to ensure we continued to meet the needs of our customers. Their tireless efforts, flexibility and dedication was, and continues to be, extraordinary.

Support of the Australian Government

In 2019–20, DHA worked very closely with Shareholder Ministers and their departmental representatives to ensure we continue to meet the current and future needs of the Australian Government.

DHA will return a dividend of \$25.6 million for 2019–20, a substantial effort given the challenges I outlined above.

I would like to thank the Minister for Defence, Senator the Hon Linda Reynolds CSC, the Minister for Finance, Senator the Hon Mathias Cormann, and the Minister for Defence Personnel, the Hon Darren Chester MP, for their continued support of DHA.

Support of the Defence community

DHA acknowledges that our primary purpose is to provide adequate and suitable housing and related services for ADF members and their families. We are also proud members of the broader Defence community and play an important role in supporting Defence capability to defend our country.

In 2019–20, DHA was a proud partner of Integra Service Dogs Australia and their project which selects, trains and places assistance dogs with ADF veterans or members. We also supported various ADF sporting organisations, the Australian Military Wives Choir and the Prince's Trust.

As well as our major and sporting partnerships, we have a long history of supporting small community organisations that play a key role in the Defence community. In 2019–20, we supported the Randwick Family Centre in Sydney, Pearce Community Group in Perth, Duntroon Community Centre in Canberra and Karrakatta Community House in Perth.

Our presence at these events provides a positive interaction between DHA, ADF members and their families, and also highlights our brand and services to other Defence support groups and key stakeholders.

Support of the broader community

One of the most pleasing aspects of DHA's national operations is that we can contribute to local and regional economies. In 2019–20, we continued to employ local businesses and tradespeople wherever possible in maintaining our property portfolio, constructing new properties and creating new residential communities.

Appointments and acknowledgements

Board

The Australian Government appoints and reappoints DHA Board members to serve at their pleasure. The current composition of members brings together a diverse range of skills and experience, and I thank them for their service.

In 2019–20, I welcomed the reappointment of Ms Andrea Galloway and Mr Ewen Jones as commercial directors. I also welcomed the appointment of Brigadier Leigh Wilton AM as the nominee of the Chief of the Defence Force and Ms Kate Louis as the nominee of the Secretary of the Department of Defence. The Board and I value their knowledge and experience, especially in relation to residential property, the ADF and Defence industry.

I also acknowledge and thank former Board members, Commodore Vicki McConachie CSC RAN and Mr Martin Brady AO. Both brought considerable experience and pragmatism to the Board, especially in their respective roles as Chair of the DHA Advisory Committee and Chair of the Board Audit Committee. The Board and I will miss their wise counsel and wish them well in their future endeavours.

I wish to congratulate the Hon Alan Ferguson who was made a Member of the Order of Australia in the 2020 Queen's Birthday Honours for significant service to the Australian Parliament and the South Australian community.

Managing Director

I wish to acknowledge Mr Barry Jackson and his exemplary leadership of DHA over the past 12 months. The Board and I thank him for his efforts, particularly in relation to development and implementation of the revised business model, and oversight of DHA's response to the ANAO audit and operations throughout the COVID-19 pandemic.

Staff

I would like to acknowledge and thank the senior leadership team and all staff for their ongoing efforts and achievements in 2019–20.

The Board and I are consistently impressed and thankful for the professionalism and commitment to service that is displayed. DHA has highly motivated people at every level of the organisation and I thank them for their teamwork and commitment to our purpose.

There are always challenges in a business as large and complex as DHA, but I am confident we will continue to navigate them and deliver quality outcomes for ADF families, landlords and shareholders in 2020–21.



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

Managing Director's review



Mr Barry Jackson

In 2019–20, DHA continued to deliver strongly against our core purpose of providing housing and related services to ADF members and their families, while adapting to the dynamic environment we operate in.

Over the year we focused on reviewing our operations and implementing a revised business model to ensure DHA supports Defence capability, is sustainable and delivers value to the Australian Government. External factors continued to challenge our traditional ways of doing business. Unstable property markets in some regions, evolving housing preferences and rapid changes in the societal, technological, environmental and economic context compelled us to undertake a number of activities to address these challenges and better position DHA to continue to meet the housing needs of ADF members in a financially sustainable way.

We also experienced significant challenges due to bushfires, hailstorms and the COVID-19 pandemic, resulting in us developing innovative ways of delivering services to ensure we continued to meet the needs of our customers during these crises.

Performance highlights

Some of the highlights and achievements in 2019–20 include:

- › DHA met the targets for housing to be provided for Members with Dependents and continued to put customers at the centre of everything we do, exceeding all customer satisfaction performance measures.

- › Our financial results exceeded expectations, in part due to refocusing provisioning strategies on lower risk and less capital intensive methods, such as leasing. This was further supported by bringing forward the delivery of properties for sale in markets where demand was strong, for example the Akuna Vista development in Schofields (NSW).
- › Working with Defence to provide greater choice in housing options in response to ADF member preferences.
- › DHA supported the Defence Joint Taskforce response to the bushfires in 2019–20. Between October 2019 and February 2020, DHA provided assistance to 24 Defence bases and allocated 5,500 Living in Accommodation beds to civilian and Defence evacuees.
- › DHA staff quickly transitioned to home based work, where possible, in response to COVID-19. This was supported by cybersecurity awareness resources, video conferencing solutions, additional network capacity, a suite of system changes to enable increased digital customer engagement and property inspections conducted by phone. All face to face interactions and non-urgent maintenance were cancelled, with inspections carried out virtually.
- › Adopting a new technology strategy and initiating projects that will deliver scalable, sustainable and fit for purpose technology to support the revised business model.

Priorities for the year ahead

Our primary purpose remains. We will continue to put ADF members and their families at the heart of our operations. However, like other organisations, we face challenges and opportunities: property markets are more 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. With the world in which we operate continuing to evolve and facing new disruptions, we must continue to evolve and ensure we remain relevant by implementing more efficient and sustainable ways to deliver our services.

In the coming year, DHA will focus on:

- › continuing to support Defence capability by meeting the evolving needs of the ADF including through the ADF Employment Offer Modernisation program
- › refreshing our information technology systems and making it easier for ADF members and their families to do business with us when it suits them
- › implementing regional provisioning strategies that focus on flexibility and reduce exposure to volatile property markets

- › strengthening coordination and decision making processes to maintain a financially sustainable business
- › aligning our revenues to services delivered focuses on ensuring a clear link between DHA activities, their costs and the revenues earned from performing them
- › implementing a sustainable organisational structure and building the workforce capabilities required to deliver under the revised business model.

We will continue to adapt our approach to the dynamic environment in which we operate. As a national organisation, with our property portfolio spanning every Australian state and territory, we need to continue to be flexible in order to respond to environmental factors which impact our operations on local, regional and national levels.

The Leadership Team and I are committed to ensuring DHA builds and maintains a high performing culture that encourages inspiring leadership and supports our strategic direction. We expect our leaders to model Australian Public Service (APS) values, be accountable, visible, effective, trusted and make informed evidence based decisions.

DHA is committed to maintaining a safe workplace where any individual or group feels welcomed, respected, valued and able to fully participate and contribute. This includes a commitment to recognise, appreciate and celebrate our country's rich and unique Aboriginal and Torres Strait Islander cultures and cultural heritages across every facet of the organisation. We will do this through meaningful opportunities for Aboriginal and Torres Strait Islander peoples, for example by participating in the Indigenous Apprenticeships Program and increasing opportunities for Aboriginal and Torres Strait Islander suppliers in order to support improved economic and social outcomes.

Over 2019–20 there have already been significant changes to our business and there are more to come as we continue to improve and refine the housing services we provide. During the year I have been impressed by the commitment of DHA staff as they embraced the challenges and opportunities to innovate. Over the coming year we will continue to innovate to improve our processes, systems and ways of working.

I would also like to thank the Board and our Shareholder Ministers for their support while leading DHA through this period of significant reform.



Mr Barry Jackson
Managing Director

2019–20 in summary

Quality services for Defence Housing Australia customers



17,925

Properties under management



\$11.0 b

Market value of
property portfolio managed



58,446

Property inspections undertaken



17,313

ADF members in receipt
of rent allowance



8,954

Rent allowance applications



112,845

Maintenance Contact
Centre calls received



1,804

Property additions
to the portfolio



7,240

Housing allocations



13,185

Leases managed



208,631

Maintenance work orders raised



42,520

Living in Accommodation
calls received



449,443

Living in Accommodation bookings



330

Properties sold through
Property Investment Program



\$167.2 m

Revenue raised through
Property Investment Program



\$25.6 m

Dividend payments to
Australian Government



60,358

Survey invitations released with
a 42% response rate



\$4.9 m

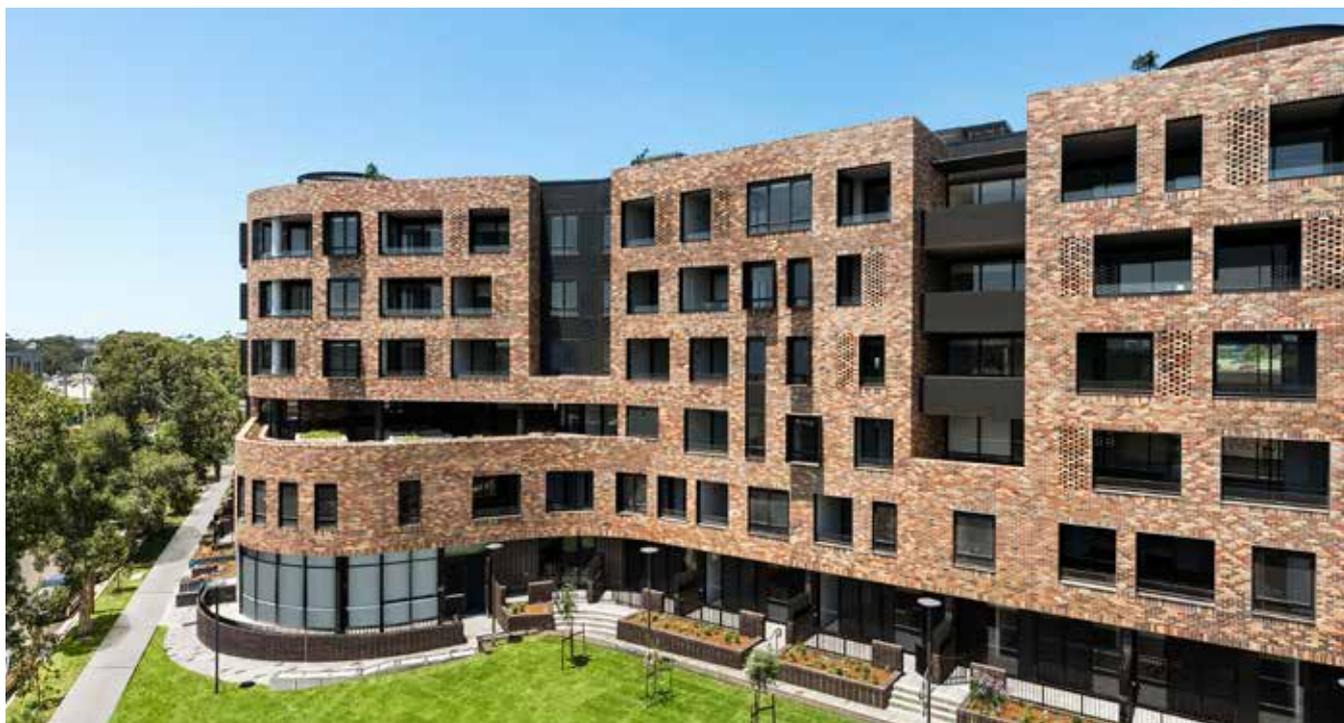
Revenue for Defence
from property sales



\$10.8 m

Revenue raised from
other property sales

Awards and achievements



Australian Institute of Landscape Architects

Winner — 2020 NSW Landscape Architect Awards for Gardens

Arkadia Apartments, entered by the project's landscape architect, Oculus

Australian Institute of Architects NSW Chapter

Winner — 2020 Sustainable Architecture Award

Winner — 2020 People's Choice Award for Life, Isolation Oasis category

Arkadia Apartments

Stormwater Queensland Awards for Excellence

Winner — 2019 Excellence in Infrastructure category

Torhaven Ephemeral Wetlands project

Sustainability Award

Finalist — 2019 Landscape and Biophilia category

Torhaven Ephemeral Wetlands project

Australian Water Awards

Finalist — 2019 Innovation category

Torhaven Ephemeral Wetlands project

Australian Marketing Institute

ACT finalist — 2019 Marketing Excellence

Invictus Games sponsorship marketing program

Australasian Reporting Awards

Gold Award for Distinguished Annual Reporting

Case study

Our response to COVID-19

In March 2020 Australia found itself in the grips of a novel coronavirus named 'COVID-19' as it spread across the world.

DHA worked quickly to ensure it could continue to support Defence capability through its operations, but in a very different way.

As soon as it became clear that the situation was rapidly evolving across Australia, DHA enacted a Command Activation Team (CAT). Under DHA's Business Continuity Framework the CAT is alerted and briefed if an event, threat or physical activity is expected to cause harm, or is likely to occur to DHA or its facilities. The CAT's key role for COVID-19 was to make decisions regarding DHA's operational activities, ensure the health and safety of staff and customers, and to ensure that all stakeholders were communicated with in a timely and responsible manner. Along with the Leadership Team, the CAT invited key business subject matter experts to attend including representatives from the Work Health and Safety, Human Resources, Communication and Media, and Information Technology teams as well as Operations.



In its first meeting the CAT established two key areas of focus as critical for business continuity: the ability to continue to provide housing and related services to ADF members, and the ability for the workforce to operate remotely.

In just a matter of weeks, the world changed. How we do business changed. While we already had plans in place to become better connected in the delivery of our services, the health emergency afforded us an opportunity to make some significant progress and accelerate these plans.

To keep pace with the ever-changing environment we switched to video conferencing to support the staff to work remotely, enhanced self-service options for ADF members, and started conducting property inspections online. Many of these changes simplified our operations and interactions with ADF members and will become business as usual processes into the future.

While the external environment is continuously changing at an increasingly rapid pace, internally we needed to ensure that our people were keeping up with the pace of change. A COVID-19 hub was established to provide staff with real-time information about the developing situation.

Within days of the Australian Public Service Commission directing public servants to work from home where possible, DHA had developed an interim COVID-19 home-based work policy and had more than 90 per cent of its workforce working remotely. Various other corporate policies and procedures were developed to support staff, including material on remote-based work, working from home safely and managing dispersed teams.

While business has continued, and the changes have been welcomed by both staff and customers, we have successfully established a new way of doing business for our future, in the face of a worldwide crisis.





PART 2

Agency overview

About us

Organisational structure

Financial structure

Services to Defence

Services to landlords

Housing portfolio

About us

Defence Housing Australia (DHA) was established in 1988 under the *Defence Housing Australia Act 1987* (DHA Act) and is a Corporate Commonwealth entity and Government Business Enterprise (GBE) in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule. DHA is a statutory agency under the *Public Service Act 1999* (Public Service Act) and is the only GBE to employ staff in accordance with the Public Service Act.

Refer to Part 4 of this report for more information about our legislative framework.

Our purpose

The 2019–20 Portfolio Budget Statement outlines DHA's primary purpose is to contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus. This outcome is broken down into two key purposes:

1. Provide quality housing and related services

We administer Defence housing policy and provide housing and related services to Australian Defence Force (ADF) members and their families in accordance with our Services Agreement with the Department of Defence. Our services under this purpose include:

- › provision of a property portfolio and manage and maintain housing
- › assist in finding a housing solution through our Housing Consultants located around Australia and Online Services system
- › provide a booking and allocation service
- › administer the payment of allowances for ADF members occupying rental accommodation
- › construct and acquire properties to meet Defence housing demands
- › redevelop properties to meet Defence standards.

2. Provide value to shareholders

We provide value for money services to Defence and seek to generate sufficient revenue to enable us to perform our role on a commercially sustainable basis. We do this while continuing to maintain an operational service delivery model, sound governance practices, a capable and productive workforce and integrated and responsive systems that deliver high quality and professional outcomes.

Refer to Part 3 of this report for our Annual Performance Statement and detailed assessment of our performance in 2019–20.

Organisational structure

Shareholder Ministers

DHA sits within the Defence portfolio of the Australian Government, and the responsible Minister is the Minister for Defence, who has delegated DHA operational matters to the Minister for Defence Personnel.

As DHA is a Government Business Enterprise, two Shareholder Ministers oversee the Australian Government's interests in DHA: the Minister for Defence Personnel and the Minister for Finance.

Refer to page 72 of this report for more information on our Shareholder Ministers.

Board

A Board of Directors (the Board) is established in accordance with Part III of the DHA Act and is the accountable authority of DHA under the PGPA Act. The Board is responsible for the proper and efficient performance of our functions. All non-executive Board members are appointed by our Shareholder Ministers following approval from the Australian Government. Members have a combination of Australian Public Service (APS), Australian Defence Force (ADF) and commercial experience.

Refer to Appendix A: Accountable Authority for further detail.

Managing Director

The Managing Director is appointed by the Board and is the only executive director of the Board. The Managing Director is responsible for conducting the 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 in accordance with the DHA Act. The Team's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan and ensure accountability of our activities. As at 30 June 2020, the group comprised seven direct reports to the Managing Director.

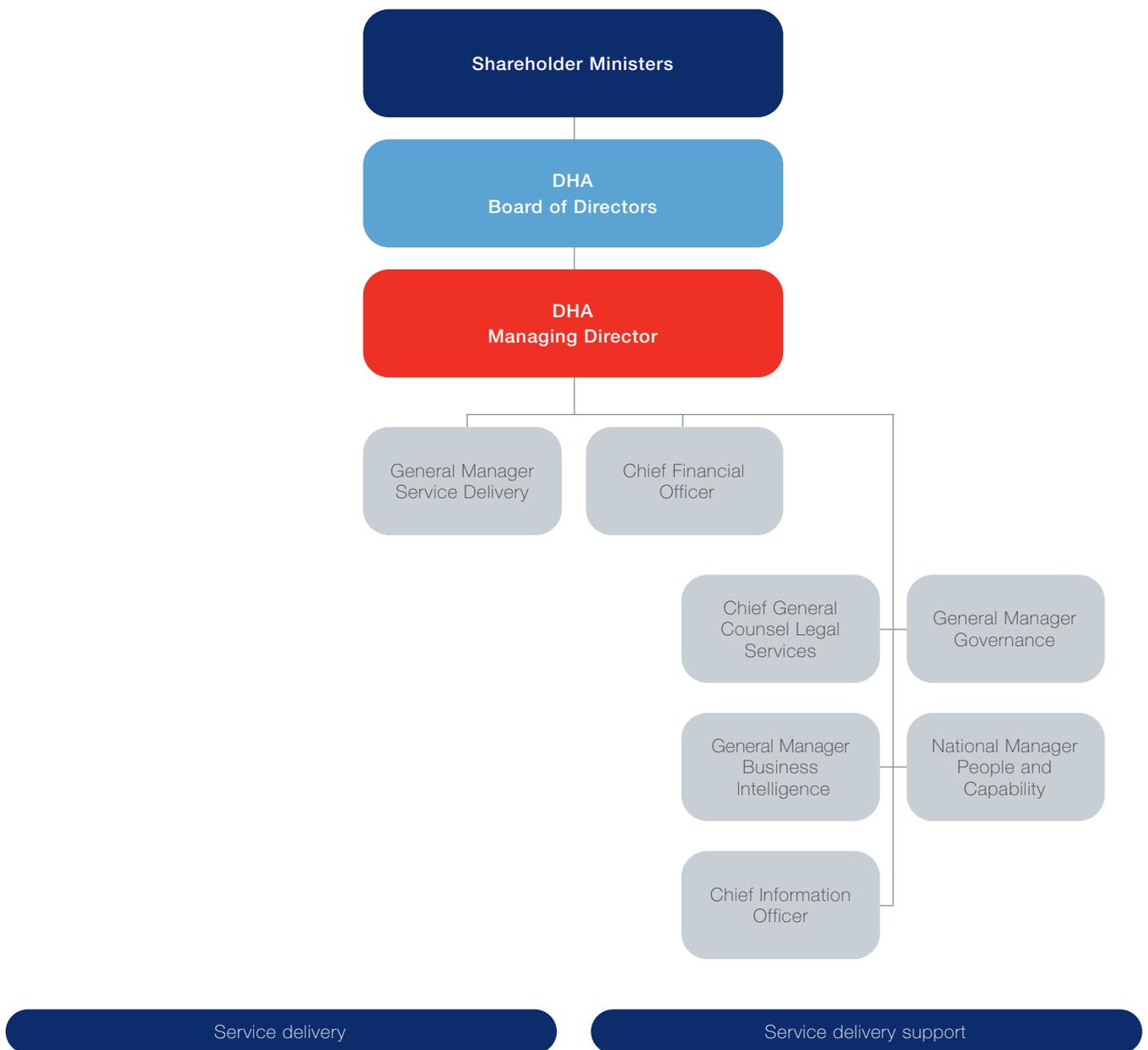
The Service Delivery Group is responsible for all additions and subtractions to the DHA housing portfolio, management of housing allocation, tenancy management, property sales and DHA's leasing activities. The Group is made up of two main functions comprising property activities and service operations.

The service operations team is responsible for delivering cost effective and timely property management, maintenance, housing allocation and leasing services. The property area is responsible for acquisition of residential property, heritage and upgrade projects, construction and development activity, disposals and the DHA Property Investment Program (PIP).

The Service Delivery Support Group is responsible for supporting the operations of the Service Delivery Group, effective decision making, resource allocation and accountability. This includes strategic planning, financial management, governance frameworks, legal advice, communication, human resources, information technology management and services, and implementation of the revised business model.

Figure 2.1

Organisational structure showing direct reports to the Managing Director 30 June 2020

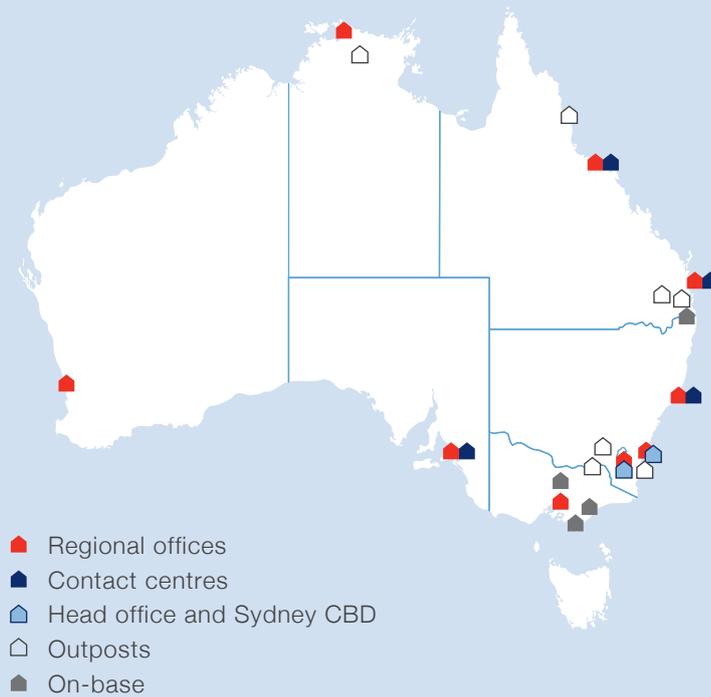


Our office network

DHA maintains offices in capital cities, major regional centres and on some ADF bases and establishments around Australia. ADF members utilise Online Services to access a range of housing services including allocations, rent allowance and home maintenance. Our contact centres provide more in-depth assistance for ADF members with complex queries. Regional offices provide property management services and manage relationships with local bases and ADF staff. Our head office is located in Canberra and provides operational, financial, information technology, human resources, communications and corporate support to the organisation.

Figure 2.2

Office network 30 June 2020



Our staff

Staff are critical to the organisation's success. As at 30 June 2020, we employed 541 staff across Australia.

Figures 2.3 to 2.6 show staff by gender, employment type, broadband classification and office type.

Refer to Workforce management (page 90) and Appendix B: Workforce statistics for more information about our workforce.

Figure 2.3

Staff by gender 30 June 2020



Figure 2.4

Staff by employment type 30 June 2020



Figure 2.5

Staff by broadband classification 30 June 2020

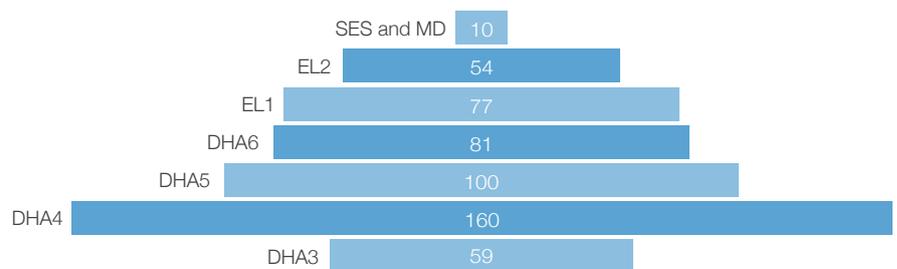


Figure 2.6

Staff by office type 30 June 2020



Financial structure

As a GBE, we are required to maintain a strong financial position and meet commercial return objectives, including the payment of dividends to the Australian Government. Our dividend for 2019–20 is 60 per cent of net profit after tax.

Our funding model

We do not receive funding directly from the Federal Budget. We fund our operations through the receipt of commercial rent, fees and charges from Defence for our services and generate revenue from:

- ▶ selling and leasing back properties through our Property Investment Program
- ▶ the disposal of excess land and completed properties from our developments
- ▶ the disposal of properties that no longer meet minimum Defence standards or provisioning requirements.

We have a loan agreement with the Commonwealth. As at 30 June 2020, we had 19 loans totalling \$509.6 million.

We are a full tax paying entity in relation to Australian Government taxes (e.g. corporate income tax, goods and services tax (GST) and fringe benefit tax (FBT)). We also pay state and territory based tax (e.g. stamp duty, land tax and payroll tax) equivalents in accordance with competitive neutrality requirements.

Refer to Part 3 for more information about our financial performance in 2019–20.

Our credit rating

Standard & Poor's Rating Services conducts an annual credit rating assessment of DHA.

The report issued on 28 May 2020 confirmed a corporate credit issuer rating of AA+/Negative/A-1+. This rating is reflective of their assessment of the effect of government ownership and the level of support implied by that ownership.

Standard & Poor's also provided a standalone credit profile rating for DHA of BBB+. This credit profile is one rating above the target for GBEs specified in the GBE Guidelines.

Services to Defence

Defence is responsible for determining pay conditions for ADF members, including their entitlement to subsidised housing. We administer Defence housing policy and provide housing solutions and related services to ADF members in accordance with our Services Agreement with Defence. In doing so, we contribute to ADF capability and operational goals.

Housing solutions

ADF members who do not own a suitable home in their posting location may be eligible for housing assistance. The type of accommodation a member is eligible for depends on their policy categorisation, rank, number of dependants, age and gender of dependants and their posting location.

Member with Dependants housing

Each year the Department of Defence provides us with a housing forecast known as the Defence Housing Forecast (DHF), which details the number of Members with Dependants (MWD) requiring housing for the next five years by location. The DHF includes MWD housed in service residences and those occupying private rental accommodation. Service residences provided by DHA are classified by market rent.

Based on the DHF, DHA prepares a three year provisioning plan. We plan to meet approximately 90 per cent of the total DHF. The remainder of ADF members rent accommodation privately and receive rent allowance administered by DHA on behalf of Defence or reside in their own home. Once negotiations are complete and Defence accepts the provisioning plan it is incorporated into our Corporate Plan. Under contractual arrangements with Defence, our target is to meet 99 per cent of the agreed MWD provisioning plan.

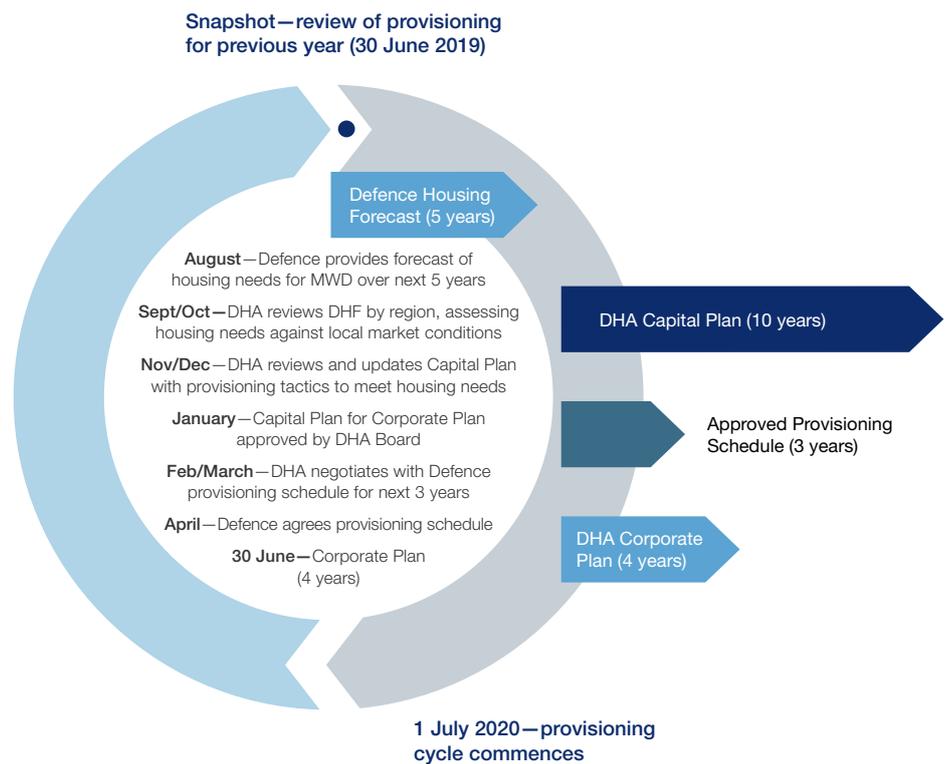
Member Choice Accommodation housing

Member Choice Accommodation (MCA) is designed for Members without Dependants (MWOD) as an alternative to finding housing through the private rental market. Unlike MWD housing, Defence does not provide us with a forecast of the number of MCA properties it requires. Defence nominates priority locations for MCA housing and a minimum number of properties in the priority locations for us to provision.

We use this information to develop a provisioning plan which sets out the proportion of MCA housing we can supply. It takes into account properties we own, lease and intend to add to our portfolio. Defence reviews the plan annually.

Figure 2.7

Annual provisioning planning cycle



Rent allowance

When an eligible ADF member cannot be provided with service accommodation, they and their family (if applicable) may be entitled to rent through the private rental market and receive rent allowance.

ADF members are responsible for finding the accommodation but must engage with DHA (on behalf of Defence) to seek rent allowance approval. DHA administers the rent allowance process on behalf of Defence.

Living in Accommodation

We manage the online booking system for approximately 34,500 Defence owned and maintained beds across 53 Defence bases and establishments. Living in Accommodation (LIA) caters for ADF members, reservists and Defence employees who require permanent, transit, temporary and course accommodation to fulfil Defence's operational needs.

Refer to Housing portfolio (page 24) for more information about our housing portfolio, housing solutions, MWD and MCA provisioning in 2019–20.

Related services

Property and tenancy management

We ensure there is a range of suitable properties in key locations to meet the housing needs of ADF members and their families. From the moment an ADF member receives their posting order, we provide information and support to assist them to find a home that best suits their needs in their posting location. We welcome members into their new home and conduct inspections to ensure the properties are well managed.

We manage external contractors who undertake all property maintenance. By using appropriate contractors, we offer prompt, quality service while supporting local and regional economies.

Property upgrades

On behalf of Defence, we coordinate upgrades of Defence owned properties on base and in regional and remote areas of Australia. Modernising the properties provides an appropriate standard of living to ADF members and their families who occupy the properties, and extends the life span of the properties by 10–15 years.

Commonwealth Heritage Listed properties

On behalf of Defence, we manage and conserve 61 Commonwealth Heritage Listed (CHL) properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). We also own 16 CHL properties and two CHL development sites. There are a further three development sites on the DHA Heritage Register. These properties are an important piece of Australia's history, as well as the history of the ADF defending our nation. We plan and undertake conservation activities in accordance with the EPBC Act, a heritage management framework and DHA Heritage Strategy.

Case study

Supporting Defence capability in times of crisis

In early 2020 Australia experienced unprecedented extreme weather events ranging from widespread catastrophic bushfires in New South Wales and Victoria to significant hail storms affecting Canberra in the Australian Capital Territory. The timing of these events at the heart of the posting period presented many challenges for DHA and ADF families.



Photo: Department of Defence

Over the years DHA has supported ADF members and their families through natural disasters, including cyclones, floods and bushfires. DHA's incident management and business continuity plans provide clear direction regarding emergency management and communication throughout an unfolding disaster and into the recovery stages.

DHA uses the Gold Silver Bronze command structure, which provides a clear and direct command and control response and allowing critical business tasks to be prioritised. The Gold command team takes overarching control of the incident, with the Silver command team coordinating operational strategies developed by the Bronze command team. The teams consist of specialists from across all areas of DHA and combine to deliver a unified response.

This approach requires all business units in DHA to provide support and take direction from the Gold command team, safeguarding staff, ADF members and their families while ensuring continuity of service.

As a devastating bushfire gripped the coast of Victoria leaving thousands of residents and holiday makers seeking shelter on the beach, DHA joined forces with the ADF to support the rescue of men, women, children and pets from the approaching fires. DHA answered the call to help source accommodation on Defence bases across the country. DHA's Living in Accommodation Contact Centre began the mammoth task of ensuring maximum availability by ascertaining all vacant rooms, relocating incoming ADF members to other accommodation, and liaising with service providers on the bases. These rooms were used to house displaced Australians at very short notice, including civilian firefighting crews and Defence Reservists responding to the emergency.

Administratively this was a significant operation requiring an agile response to safely house civilians at sensitive Defence bases. Despite these challenges, DHA was able to assist in providing safe haven accommodation for those affected by the bushfires.

Services to landlords

Landlords are important to us as they help us sustain a high quality, well located property portfolio and a healthy long term financial structure. We sell and lease back properties through our Property Investment Program, direct lease properties from private owners and negotiate with existing landlords to retain properties through a new lease or extension on a current lease.

Our lease agreement

Distinguishing features of our lease agreement include:

- › a long lease term (typically six to 12 years; greater when lease options are exercised)
- › a reliable rental income payable from the date of settlement and no loss of rental income if the property is not occupied¹
- › an extensive range of property care services provided during the lease term in return for a service fee.

Refer to Portfolio ownership type for (page 27) more information about the proportion of our housing portfolio that is leased.

Refer to Part 3 for more information about our services to landlords and investor (landlord) satisfaction.

¹ Rent may be subject to abatement in limited circumstances.

Housing portfolio

As at 30 June 2020, we managed 18,024 properties in all capital cities, major regional centres and remote locations of Australia where the ADF has a presence (refer to Figure 2.8).²

The majority of properties are integrated throughout the community, close to ADF bases and establishments, and close to a range of amenities and services such as transport, shopping facilities and schools.

Refer to Regional report on operational performance (page 58) for details on our housing portfolio by region.

Figure 2.8

National housing portfolio 30 June 2020³



National portfolio

SR/RBCH	16,386
MCA	1,426
Other	212
Total	18,024

² Total portfolio managed by DHA includes properties owned and leased by DHA, owned by Defence and annuity properties.

³ Property state information reported in this Figure is by physical location rather than Defence Housing Forecast (DHF).

Property type, amenity and location

Our Member with Dependants portfolio

Member with Dependants (MWD) service residences must comply with minimum Defence standards in terms of location and amenity. Depending on the Defence Housing Forecast (DHF) area, service residences are either classified by market rent (known as rent bands) or by property amenity. In general, service residences should not be more than the greater of 30 kilometres one way by road (or 150 minutes for a round trip using public transport) from the base or establishment where the ADF member works.

At a minimum, service residences generally comprise three to four bedrooms, separate lounge and dining areas, kitchen, laundry, bathroom, ensuite, single garage (or carport in the Northern Territory) and a 35 square metre backyard (or 25 square metre backyard in Sydney). Where newly constructed, service residences must achieve a minimum six star energy efficiency rating (EER).⁴

As indicated in Figures 2.9 to 2.11, the majority of our MWD portfolio features modern, free-standing houses that are up to 10 years old and have four bedrooms.

Choice housing

Our MWD portfolio also includes a portion of properties categorised as Rent Band Choice housing. These properties are generally inner city apartments and townhouses that do not meet Defence compliance standards. ADF members typically choose to live in Rent Band Choice housing because the location suits their lifestyle.

Figure 2.9

MWD portfolio by type 30 June 2020

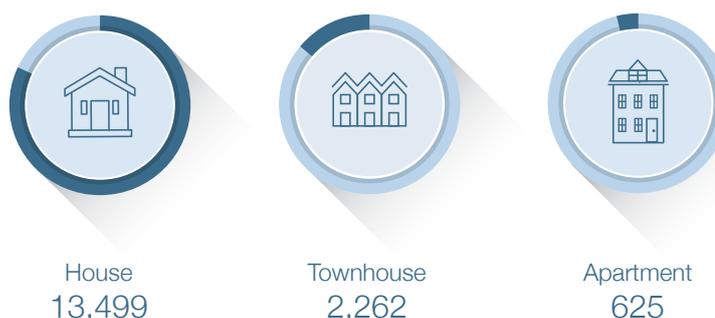


Figure 2.10

MWD portfolio by age (years) 30 June 2020

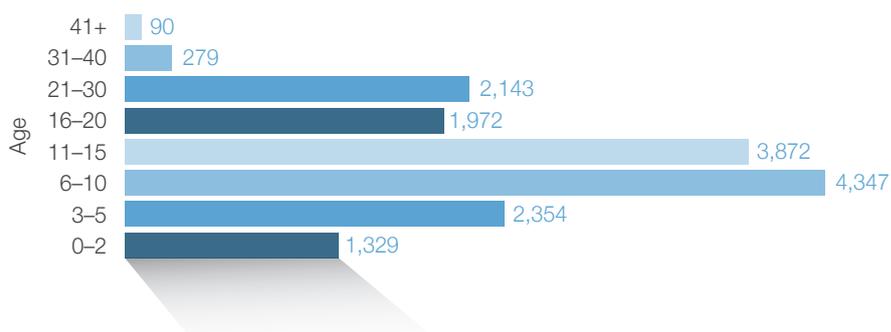


Figure 2.11

MWD portfolio by number of bedrooms 30 June 2020

Number of bedrooms	Number of properties
1	5
2	431
3	6,009
4	9,490
5	427
6	11
7	2

4 EER must be certified by an independent accredited assessor, using AccuRate (NatHERS replacement), other equivalent methods (e.g. state systems such as BERS Pro and BASIX) or, where permitted, Building Code of Australia Deemed-to-Satisfy provisions.

Our Member Choice Accommodation portfolio

Our Member Choice Accommodation (MCA) properties offer Members without Dependents (MWOD) and Members with Dependents Unaccompanied (MWD(U)) an attractive alternative to renting privately, including a simple move in move out process with no bond or rent required in advance. Eligible ADF members may also share properties with other eligible ADF members.

There are no minimum standards in Defence policy for MCA properties.

As indicated in Figures 2.12 to 2.14, the majority of our MCA properties are two bedroom apartments that are up to five years old.

Refer to Part 3 (page 47) for more information about our MWD and MCA portfolio provisioning performance in 2019–20.

Figure 2.12

MCA portfolio type 30 June 2020



Figure 2.13

MCA portfolio by age (years) 30 June 2020

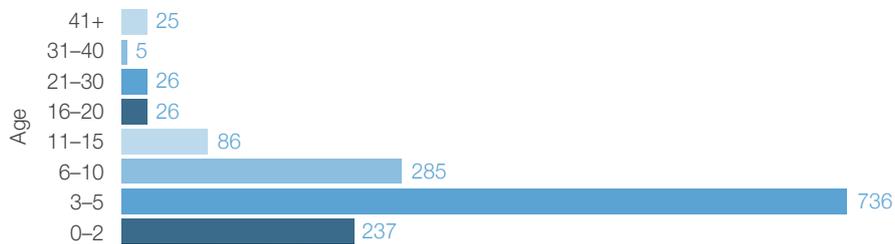


Figure 2.14

MCA portfolio by number of bedrooms 30 June 2020

Number of bedrooms	Number of properties
1	182
2	1,183
3	61

Portfolio ownership type

Ownership of our portfolio can be segmented into four categories:

Leased

The majority of our MWD and MCA portfolio is owned by private landlords and leased to us.

DHA owned

We retain a portion of our portfolio for strategic reasons. This includes well located properties that would be difficult to replace if sold, properties to hold for future redevelopment and properties that we choose to hold for financial reasons.

Defence owned

A portion of our MWD portfolio is owned by Defence. These properties are generally located on or near to ADF bases or establishments.

Annuity

A portion of our portfolio is classified as annuity properties. These are properties that we construct on base or acquire and/or construct off base in selected locations as directed by Defence. We pass the economic risk of holding capital in these markets onto Defence.

Figures 2.15 and 2.16 provide a breakdown of our MWD and MCA portfolios by ownership type.

Figure 2.15

MWD portfolio by ownership type 30 June 2020



Figure 2.16

MCA portfolio by ownership type 30 June 2020



Case study

The best of community, location and good design—Arkadia Apartments

The Minister for Defence Personnel the Hon Darren Chester MP joined our Chairman, the Hon J.A.L. (Sandy) Macdonald, on 20 February 2020 to officiate the much anticipated grand opening of Arkadia Apartments—DHA's residential project located in the inner Sydney suburb of Alexandria.

Comprising 152 apartments offering a mix of studio, one, two and three bedroom apartments and terraces, Arkadia Apartments brings spacious living to life. Open plan layouts create an airy flow from the kitchen to the balcony, while signature brick patterns and individual floorplans make every home a unique part of the neighbourhood.

The ethos of tight knit communities is supported by the development's cleverly composed buildings which house seven to eight apartments on each level. Each building has a communal vegetable garden and a separate rooftop recreational area complete with barbeque facilities. Arkadia Apartments encourages a connection to the local community through gathering spaces and small scale entrances. Landscaping and an integrated public pocket park seeks to give something back to the wider community.

The site, which is bordered by Huntley Street to the north and Sydney Park Road to the south, is situated directly opposite one of Sydney's most vibrant parks and close to Alexandria's thriving café scene with great access to the CBD, eastern beaches, the airport, night life and schools. Key drivers of demand for the properties include proximity to public transport, Sydney CBD, hospitals and universities.





Extensive research into the site's history, the community and the environment was undertaken to inform the design that sets a new benchmark for sustainable multi residential development in Australia. Built on the original footprint of a 1870s brickyard, the façade is almost entirely constructed from recycled brick and has been heralded as the largest recycled brick building in Australia. From world class weather sensitive design and air reticulation, to the thermal efficiency of the solid brick envelope—as well as a chicken run, plentiful bike spaces and drought tolerant planting—the sustainability features ensure a minimal environmental footprint.

A key initiative of the 2019–20 corporate strategy was to negotiate housing flexibility for major metropolitan areas. The ADF has a strong presence in Sydney's inner city with three Defence bases located only 10kms from this complex. Arkadia Apartment is a shining example of how DHA continues to deliver inspired, sustainable projects while also providing modern choices for ADF members and their families in central locations. As such, 55 per cent of Arkadia Apartments has been retained by DHA for Defence housing, comprising all two bedroom homes in the complex, along with a select number of one and three bedroom options.



Award winning design principles

In June 2020, the Australia Institute of Landscape Architects awarded Arkadia Apartments the NSW Landscape Architecture Award for Gardens from among a pool of 63 entries—a record number in the history of the state's program.

In July 2020, the NSW Chapter of the Australian Institute of Architects celebrated the state's best architecture, with a total of 41 awards presented across 13 categories. Arkadia Apartments was honoured with the Architecture Award in the category of Sustainable Architecture, celebrating the outstanding architectural collaboration of DKO Architecture with Breathe Architecture and Oculus.

A new category in this year's program was the People's Choice Awards for Life in 2020, which was created by the NSW Chapter in response to the ways COVID-19 has altered our relationship to housing, workplaces and the public domain. This marked the first time the public was able to have its say. Arkadia Apartments was voted the winner in the category of Isolation Oasis.





PART 3

Performance reporting

Planning and reporting framework

Annual Performance Statement

Regional report on operational performance

Planning and reporting framework

As a corporate Commonwealth entity and Government Business Enterprise (GBE), DHA plans and reports in accordance with the:

- › *Public Governance, Performance and Accountability Act 2013* (PGPA Act)
- › *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule)
- › *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* (GBE Guidelines).

The Australian Government does not appropriate funds directly to DHA in the Federal Budget, however, information about DHA is included in the Department of Defence's Portfolio Budget Statements as we are part of the Defence portfolio. The Defence Portfolio Budget Statements outlines the outcome and the two purposes that DHA works to achieve (see Figure 3.1).

Figure 3.1

DHA's purposes 2019–20

Purpose 1	Provide quality housing and related services
Purpose 2	Provide value to shareholders

DHA's approach to planning and reporting (refer Figure 3.2) is consistent with the requirements of the *Defence Housing Australia Act 1987* (DHA Act), PGPA Act and associated instruments and policies and the GBE Guidelines. DHA aims to provide high quality information to our Shareholder Ministers, the Parliament, our customers and the public through clearly linked and integrated planning and reporting.

Corporate Plan

In accordance with section 16E(4) of the PGPA Rule, the Board has chosen not to make our Corporate Plan publicly available to protect DHA's commercial interests. Rather, we prepare and publish a Statement of Corporate Intent annually, based on our Corporate Plan. The Statement of Corporate Intent 2019–20 provides a high level, plain English overview of DHA's key objectives and priorities for the financial year and was published in August 2019.

As set out in our Corporate Plan 2019–20, DHA developed a strategic canvas with four strategic priorities, goals, objectives and associated Key Performance Indicators (KPIs). The strategic canvas provides a framework for articulating the work we do to achieve the outcome mandated by Government through the fulfilment of our purposes (refer Figure 3.3).

Figure 3.2

DHA's approach to planning and reporting 2019–20

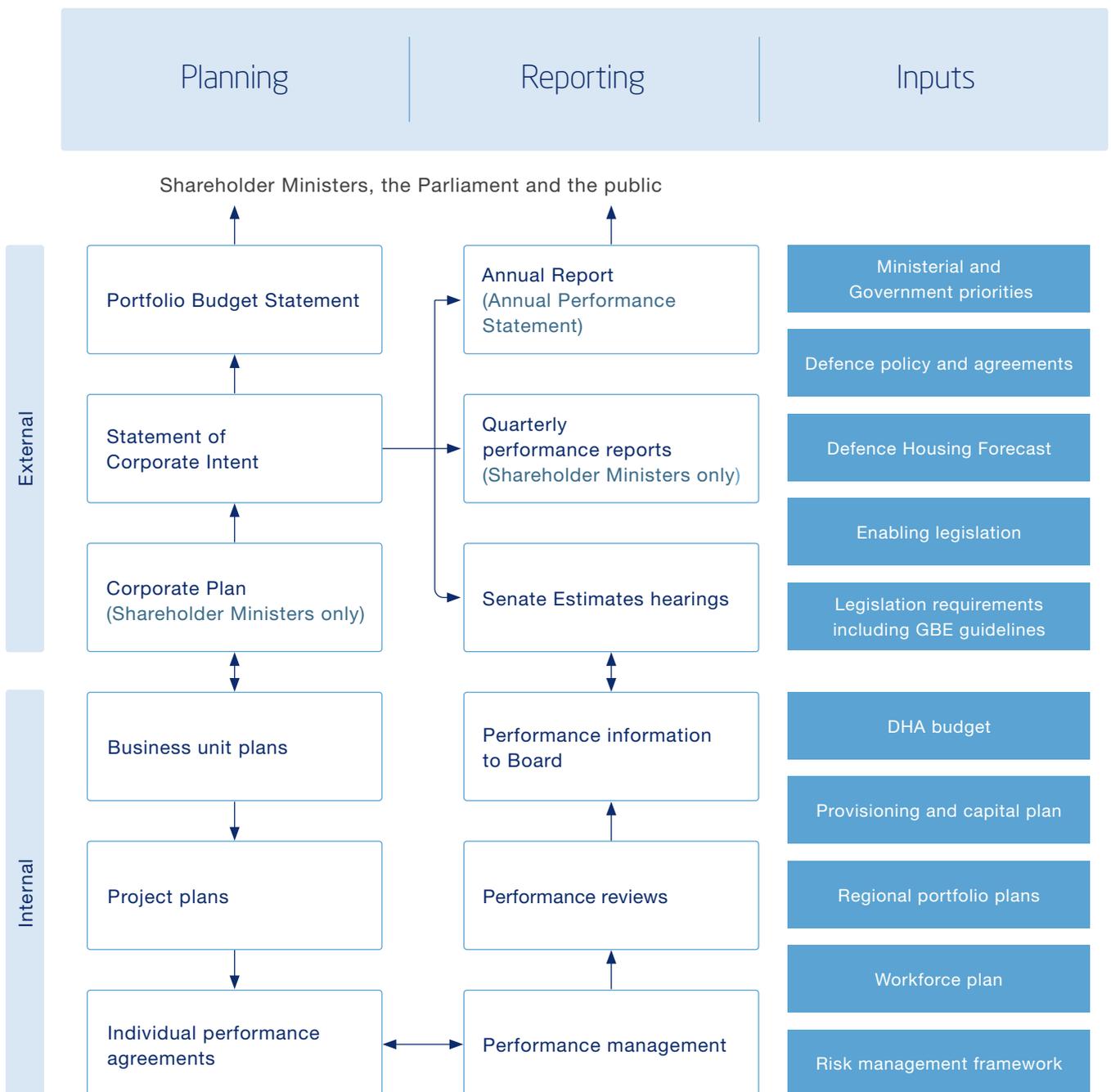
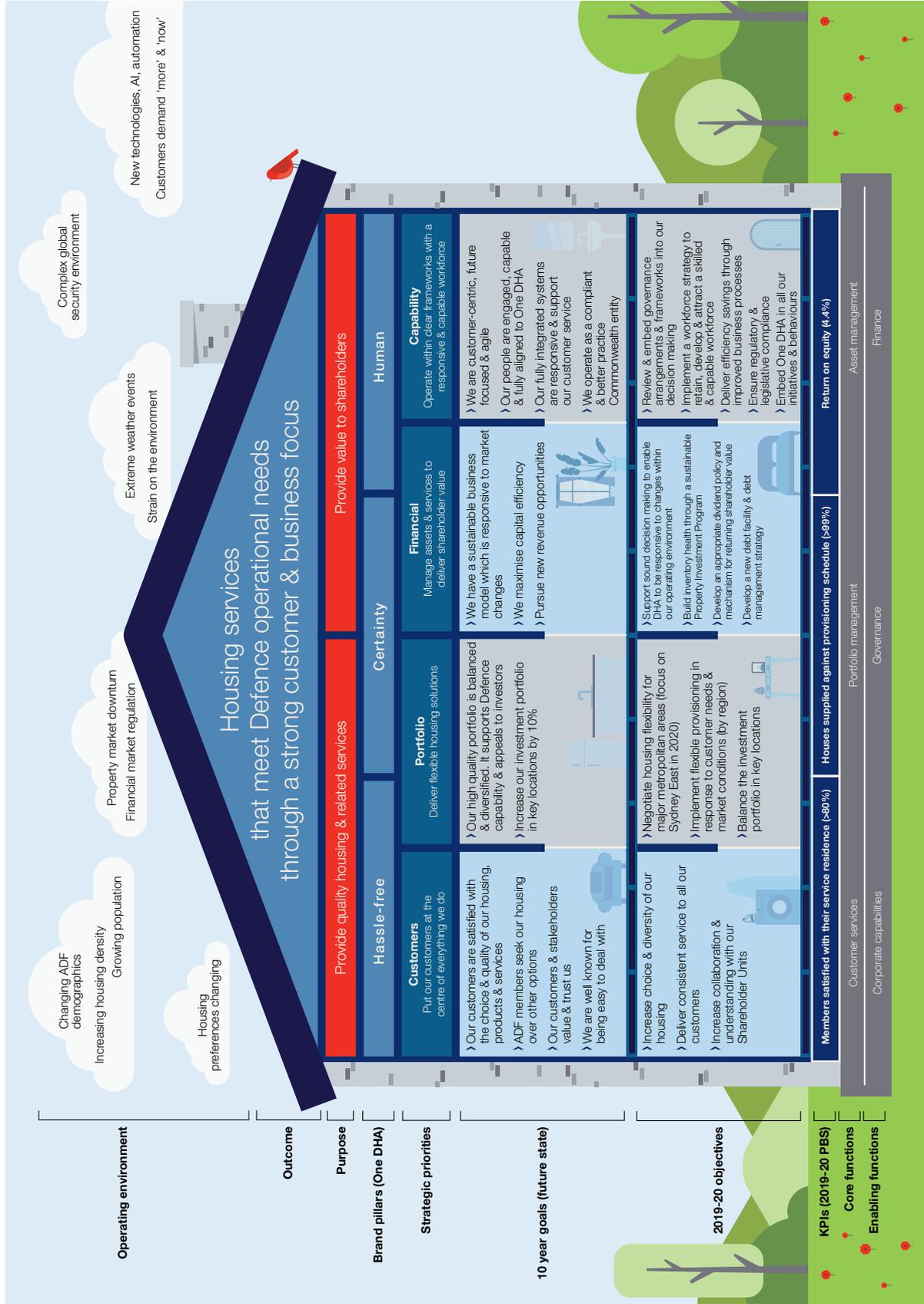


Figure 3.3

DHA's Strategic Canvas 2019–20



Annual Performance Statement

Our Annual Performance Statement has been prepared in accordance with guidelines provided by the Department of Finance and shows how we performed against the two purposes, and the goals and objectives of our four strategic priorities with associated KPIs as set out in our 2019–20 Corporate Plan. These KPIs are derived from the 2019–20 Defence Portfolio Budget Statements and the Department of Finance Guidelines for Government Business Enterprises (RMG 126).

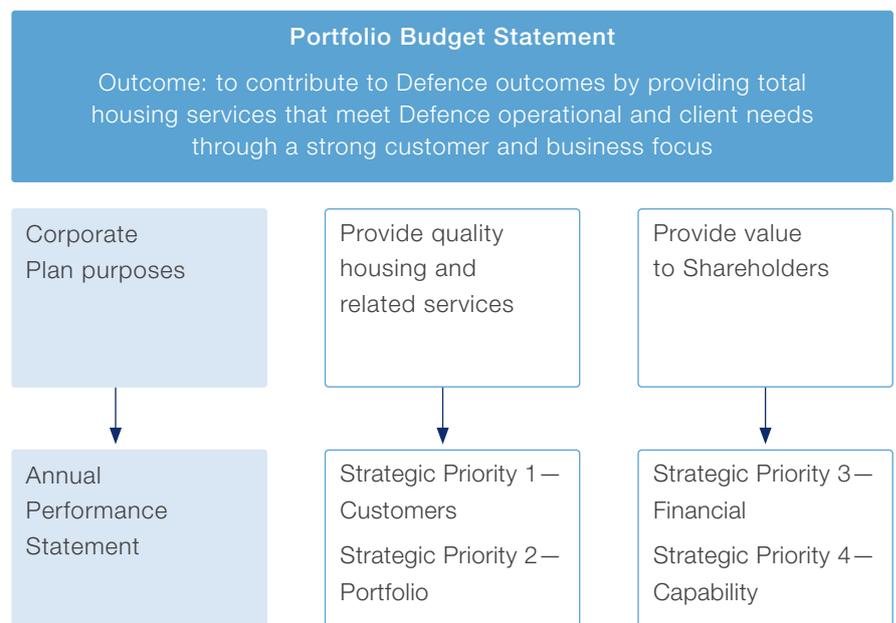
Following the performance results and analysis for the four strategic priorities, additional information is provided on the operational performance of our regional housing and related services.

Relationship between our Corporate Plan and Annual Performance Statement

Figure 3.4 sets out the relationship between reporting measures outlined in our Corporate Plan and the Annual Performance Statement for 2019–20.

Figure 3.4

Relationship between the Corporate Plan and Annual Performance Statement



Statement of preparation

On behalf of the Board, the accountable authority of DHA, we present the agency's 2019–20 Annual Performance Statement, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In the Board's opinion, based on advice from DHA's management and the Board Audit and Risk Committee, this Annual Performance Statement accurately reflects the performance of the agency and complies with subsection 39(2) of the PGPA Act.

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

30 September 2020

Mr Barry Jackson
Managing Director

30 September 2020

Our approach

This statement has been organised according to the two purposes in our Corporate Plan 2019–20 and shows our performance in the reporting period.

The following symbols are used to show our performance against the KPIs:

✓ Met target

✗ Did not meet target

Results snapshot

Purpose 1: Provide quality housing and related services

Table 3.1: Results against KPIs 2019–20

Strategic Priority 1—Customers		
Customer satisfaction	✓	Table 3.5
Members satisfaction with service residence	✓	Table 3.5
Investors satisfaction with customer service	✓	Table 3.5

Table 3.2: Results against KPIs 2019–20

Strategic Priority 2—Portfolio		
Houses supplied against provisioning schedule	✓	Table 3.7

Purpose 2: Provide value to Shareholders

Table 3.3: Results against KPIs 2019–20

Strategic Priority 3 – Financial		
Financial performance		
Total shareholder return	✓	Table 3.10
Return on equity	✓	Table 3.10
Net profit after tax	✓	Table 3.10
Leverage/solvency		
Gearing ratio	✓	Table 3.10
Interest cover	✓	Table 3.10

Table 3.4: Results against KPIs 2019–20

Strategic Priority 4 – Capability		
Staffing		
Staff retention and turnover rate	✗	Table 3.11
Staff engagement	n/a	Table 3.11
Total recordable injury frequency rate (TRIFR) and OHS incident rate	✗	Table 3.11
Wages and expense ratio	✓	Table 3.11

Overarching analysis of performance against our purposes

Our ability to achieve our KPIs is affected by our Services Agreement with Defence, their accuracy of housing requirements forecasting, their policy framework and decisions as well as regional property markets and economic factors. In particular, over 2019–20 bushfires, hailstorms and COVID-19 challenged our performance and drove innovation.

In 2019–20, with the support of Shareholder Ministers, DHA revised its business operating model to make it an efficient, contemporary service delivery organisation. The revised operating model was launched in February 2020. The central feature of the revised model is the creation of a centrally coordinated portfolio management function, underpinned by simplified business processes and refreshed information technology.

To ensure the revised operating model is sustained and to position the organisation for long term success, DHA is implementing a series of refresh initiatives to streamline its operations aligning its customer service practices to service level requirements. For example, we will improve efficiency in repairs and maintenance through the use of new technological and procurement solutions. Since the launch of the revised operating model in February 2020, DHA has made significant progress in implementing the initiatives:

- › **Centrally coordinate our portfolio management** to create one portfolio management function responsible for coordinating leasing, building and buying what we need and selling what we don't.
- › **Simplify our procurement model** to develop a consistent model to procure services and reduce administrative and contract management burden and deliver better value outcomes.
- › **Remove duplicate functions** to simplify how we operate, reduce effort and provide accountability for outcomes.

- › **Align our KPIs** across all business areas, so we're working towards the same outcomes.
- › **Simplify critical business processes** to define our core processes and simplifying these for streamlined operations.
- › **Align service delivery with service level requirements** to refocus our services and processes to meet service level requirements in a financially sustainable way. We will do this without compromising the quality and contracted level of service for ADF members.
- › **Build our workforce capability** through a future workforce plan that defines the profile and skills required, ensuring we have the right skills and people to achieve our Corporate Strategy.
- › **Rebuild our ICT** to provide technology that is fit for purpose and operationally efficient. This change enables a digital multi-channel strategy across DHA to make it easier for staff and customers to use the systems and deliver a better service to our customers across all points of contact.

Purpose 1: Provide quality housing and related services

We administer Defence housing policy and provide housing and related services to ADF members and their families in accordance with Services Agreement with Defence. A key planning document under the Services Agreement is the Provisioning Schedule. The schedule sets out the housing provisioning obligations including regional housing requirements. In 2019–20 DHA focused on providing adequate volumes of housing to support Defence with the majority of properties sourced through leasing activities. DHA met the housing provisioning target, and achieved this using lower levels of capital than forecast in the Corporate Plan.

During the 2019–20 financial year, DHA housed over 16,500 ADF members and families enabling members to live within reasonable proximity of their base. We also provided assistance to over 9,500 members in the administration of housing solutions across Australia, reducing the stress of moving. We actioned 208,631 maintenance requests to maintain housing quality to the standard required by the Services Agreement.

Strategic Priority 1—Customers

During 2019–20 DHA exceeded our customer service targets, and maintained service levels and a strong customer focus with the support of our dedicated staff. A number of improvement initiatives were implemented throughout the year to strengthen the focus on our customers. This included the development of a customer service strategy as well as organisational structural changes to align the business functions with customer service objectives. In addition, DHA continued strong collaboration with our shareholder units, and increased the diversity of housing for ADF members.

Performance results

Table 3.5: Strategic Priority 1 – Customers

Performance indicator	2019–20 Target	Result	Achievement
Customer satisfaction	>75%	94%	✓
<p>Annually, we survey ADF members and investors (landlords) who have had contact with DHA in the previous 12 months to measure their satisfaction with DHA. In 2019–20, 94% of 6,296 survey participants rated their experience with DHA as 'good' or 'very good'.</p>			
Member satisfaction with their service residence	>80%	89%	✓
<p>Annually, we survey ADF members (or their partner) who are residing in a service residence to measure their satisfaction with housing. In 2019–20, 89% of 2,622 survey participants were satisfied with their current service residence. This result is consistent with the result achieved last year (89%) and the results for the past five years have been consistently above the target rate of 80%.</p>			
Investor satisfaction with their customer service	>90%	97%	✓
<p>Annually, we survey investors (landlords) at all stages of their lease with DHA to measure satisfaction with customer service and aspects of property management. In 2019–20, 97% of 2,323 survey participants indicated that they were satisfied with their overall customer service experience. This result is significantly higher than the result from 2018–19 (94%).</p>			

Performance analysis

Delivering consistent service to all our customers

During 2019–20 DHA made a number of changes to align business functions with customer service objectives:

- › restructured the organisation to simplify our operations into Service Delivery and Service Delivery Support groups
- › aligned leasing activities, including the amalgamation of a number of separate leasing functions
- › commenced work to implement a centrally coordinated portfolio management function so we lease, build or buy what we need and sell what we do not
- › consolidated housing allocations functions into our contact centres to maximise utilisation of resources and provide a consistent member experience.

DHA also redeployed staff from across the business to assist with DHA refresh initiatives. Project outcomes across the year included:

- › reviewed contact centre operations including strategies to optimise customer experience
- › reviewed KPIs across the business to clearly align staff performance to our strategic objectives
- › removed duplicate functions across the business to offer a more consistent customer experience
- › process mapped critical business functions to simplify and improve processes and controls
- › reviewed DHA service levels against contractual obligations.

Customer satisfaction and surveys

We are committed to providing all stakeholders with quality customer service. Our commitment to customer service is set out in our service charter. The charter is available on our website (www.dha.gov.au/service-charter) and hard copies are available at our regional offices.

As set out in Table 3.5, we exceeded both ADF member and investor (landlord) customer service satisfaction targets, with results consistent with previous years.

In addition to seeking feedback via surveys, we invite general feedback from our customers, stakeholders and the public. We manage all complaints in accordance with the resolution process set out in our service charter and complaints management framework, which has been developed in accordance with international standard ISO 9001:2018. Wherever possible, complaints are resolved at a local level. We use the information gained from member feedback to inform business change and develop future initiatives to improve customer satisfaction. For a summary of DHA's complaints activity for 2019–20 refer to the section on the Commonwealth Ombudsman in Part 4 (page 89).

Online Services and information technology

Our web based system, Online Services, complements our traditional service delivery processes and provides ADF members, investors (landlords) and contractors with the ability to view various property related information and access our services. In 2019–20 DHA conducted a review of contact centre operations including strategies to optimise customer experience.

Key improvements implemented during 2019–20 to support customer service include:

- › ADF members can do more online (self service) such as downloading and uploading tenancy agreements and property condition reports.
- › Improved online ADF member enquiry forms, making it easier to navigate information and engage with DHA.

A number of reviews also commenced, to improve ADF member access to information, reducing unnecessary email notifications and refining communication channels with DHA. These improvements to our Online Services system offer improved usability for Defence members. We also improved our website information on rent allowance processes.

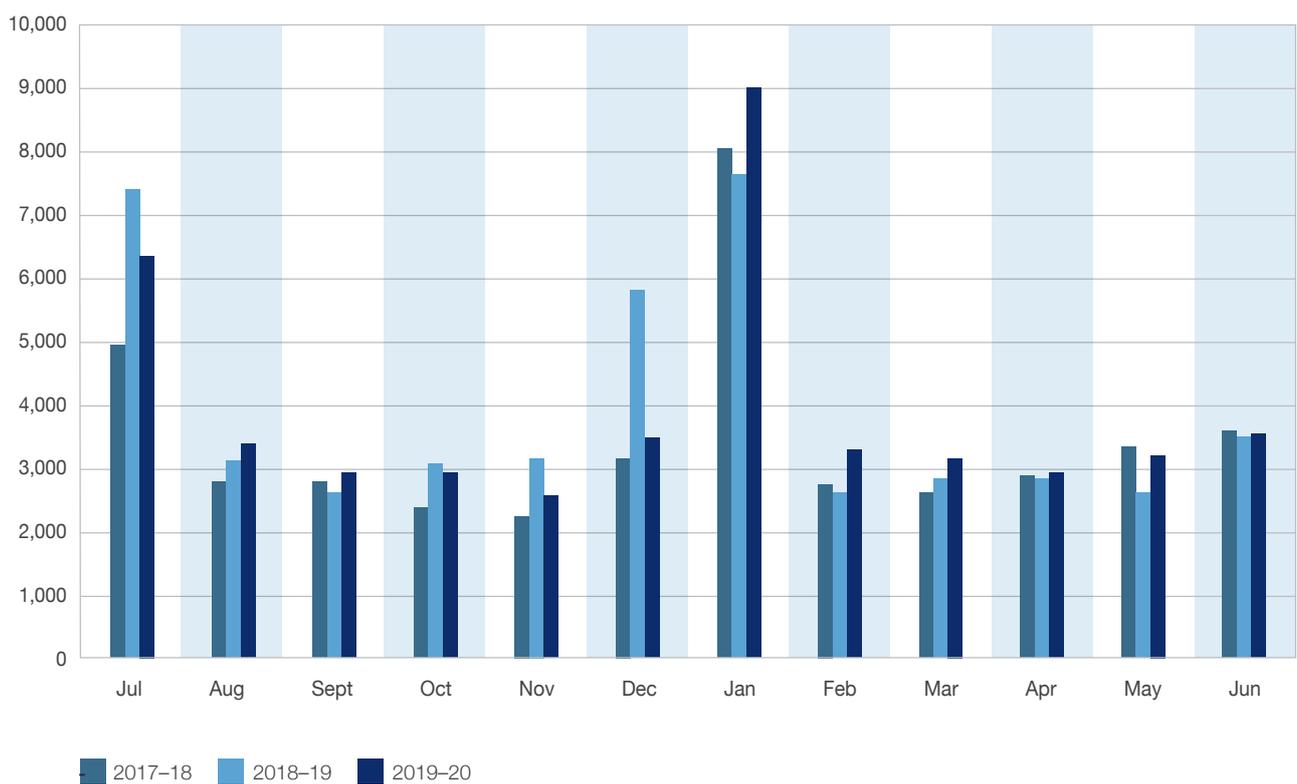
Figure 3.5

ADF member online service usage per month 2017–18, 2018–19 and 2019–20



Figure 3.6

Landlord online service usage per month 2017–18, 2018–19 and 2019–20



Housing services

DHA provides a suite of housing related services in accordance with Defence policy and the Services Agreement with Defence. Additionally, we provide a number of property care services to landlords in accordance with lease agreements.

Housing allocations

Our Online Services support the allocation of housing for ADF members relocated into a new location. Our system allows members to view properties that will become available as other Defence members vacate our houses. One measure of our success is the percentage of ADF members who, before they arrive in a new posting location, reserve a service residence. In the reporting period, 7,420 housing allocations were actioned with 94.58 per cent of ADF members allocated a home, prior to arriving in their new location. The pre-allocation process addresses some of the stress associated with finding accommodation in a new posting location.

Table 3.6: National property and tenancy services performance 30 June 2020

Property and tenancy management service	Number
Housing allocations	7,420
Property inspections	58,446
ADF members receiving rent allowance	17,313
Leases managed	13,185
Maintenance work orders raised	208,631

Property inspections

In 2019–20, we completed over 58,000 property inspections. More than 15,800 were annual inspections where we reviewed the condition of the property and, where applicable, provided an inspection report to our landlords.

The number of inspections conducted was lower than previous years due to restrictions resulting from the COVID-19 pandemic. We were able to support a safer environment for members, staff and contractors by using remote inspection processes. This resulted in 715 inspections occurring via telephone, with the ADF member (or their appointed agent) in attendance at the service residence.

Leased property management

In 2019–20, we managed 13,185 properties on behalf of landlords. Leasing plays an important role in ensuring DHA meets its housing portfolio requirements. We manage additions to the portfolio by negotiating new leases, renewing existing leases and exercising lease variations that exist within our agreements.

Repairs and maintenance

Under the Services Agreement with Defence, we maintain our properties to an agreed standard. For this reason, our current lease agreement with landlords includes a property care requirement, which provides a range of property related services we undertake on behalf of the landlord in return for a fixed service fee. In 2019–20 we revised our property care documentation to provide greater clarity on maintenance responsibilities.

In response to COVID-19, we adjusted our maintenance processes to ensure members and their families, DHA staff and our contractors were safe. Additionally, DHA also employed new ways of undertaking property inspections and processing maintenance requests.

Living in Accommodation (LIA)

In 2019–20, the LIA Contact Centre provided critical accommodation booking support to the ADF during the bushfire and COVID-19 events. Key improvements in the reporting of Defence's asset utilisation this year assisted Defence by providing greater visibility of room occupancy rates and availability.

Rent allowance

When a Member with Dependants (MWD) or Member with Dependants (Unaccompanied) (MWD(U)) cannot be provided with service accommodation (either a service residence or MCA property) at the member's entitlement, or if the property provided is not suitable for pets, an ADF member (and their family if applicable) may choose to rent through the private rental market.

ADF members are responsible for finding the accommodation but must engage with DHA (on behalf of Defence) to seek rent allowance approval. DHA administers the rent allowance process on behalf of Defence. DHA is then responsible for administering the rent allowance (RA) process.

In 2019–20, we administered 8,954 RA applications for ADF members nationally. The three locations with the highest number of RA housing solutions were: Sydney (4,470), Hunter (3,623) and Canberra (1,818). The majority of RA applications in these locations relate to Members without Dependants (MWOD) or MWD(U).

Providing choice and diversity in housing

Our MWD portfolio also includes a portion of properties categorised as Rent Band Choice housing (RBCH). These properties are generally inner city apartments and townhouses that do not meet the strict Defence compliance standards of service residences. ADF members typically choose to live in RBCH because the location suits their lifestyle. In 2019–20 we continued to support Defence and ADF members by extending the choice and diversity of housing available through well located RBCH properties.

Increase collaboration and understanding with our shareholder units

In 2019–20, we have continued to work closely with shareholder units to implement our revised business operating model, negotiate our loan agreement and address the Australian National Audit Office's (ANAO) recommendations. Our commitment to collaboration with shareholder units was further demonstrated by the creation of a tri-party governance arrangement between the Managing Director and his counterparts in the Department of Defence and the Department of Finance to guide the review of the Defence Services Agreement and policy improvements. DHA also welcomed both the Secretary of the Department of Defence, Mr Greg Moriarty and the Secretary of the Department of Finance, Ms Rosemary Huxtable PSM at our Annual Strategic Meeting on 18 June 2020.

Case study

A moving tale

When Taylah Pringle and her Army husband Josh moved to Brisbane last year they had more pressing needs than just finding a comfortable family home.

Of course, one priority was finding a good school for their four year old son Hunter. But more importantly, they needed to be close to the best available healthcare for Taylah, who has Cystic Fibrosis.

Taylah, a nursing student, and Josh are originally from Wollongong, NSW. Josh joined the Australian Army in 2016 and they moved to Albury, NSW, where he undertook his initial training as a Fitter Armament, before being posted to Brisbane, QLD, in September 2019.

Taylah was first diagnosed with Cystic Fibrosis when she was just two minutes old. Cystic Fibrosis is a recessive genetic condition affecting one baby born every four days. It primarily affects the lungs and digestive system. While there is no cure, treatments have improved significantly in recent years. They include regular physiotherapy, which is vital in maintaining optimal airway clearance, and medication.

'When we were looking for a house, we primarily looked at things like the accessibility of healthcare and schools,' said Taylah.



'I require regular medical care. A benefit of my husband being in the ADF is that we can access the best healthcare in Australia. DHA helped us to find a home in our preferred area to accommodate this.'

Hunter is set to start at his local school next year and Taylah is just minutes from the healthcare that she needs.

The family has benefited enormously by being part of the ADF community.

'We've been able to see more of Australia and lead an adventurous life,' said Taylah.

'We really love our life and lifestyle. Although it's not always easy, we're happy and wouldn't change anything.'

While Taylah finds it challenging when Josh is away and misses out on special events, the family has a strong network around them.

'Defence Community Organisation and Defence Special Needs Support Group have been really good in regards to giving us help, guidance and information,' said Taylah.

'We know Hunter will have even more support when he starts primary school next year with the in school support that Defence provides.'

Strategic Priority 2—Portfolio

DHA met its provisioning requirements for 2019–20 through strong management of DHA's leased housing stock and leasing activities, construction projects and acquisitions of new properties from the Australian residential market. DHA's focus on the management of existing leased properties and leveraging the market for new leases has reduced our reliance on acquisitions and construction activities. A review of the investment portfolio and property holdings further supported the judicious use of capital funds. In addition, DHA improved the diversity of housing provided for ADF members with a focus on well-located higher density housing.

Performance analysis

Flexible property provisioning

During 2019–20, substantial work was undertaken to support the development of an end to end asset strategy. DHA has developed a decision matrix for all asset decisions and established the framework for centrally coordinated portfolio management. The framework includes the requirement for asset management policy and asset management plans. This work will continue as a part of the DHA refresh initiatives. This new framework, supported by a stronger focus on strategic planning, will improve DHA's flexibility to meet housing provisioning requirements.

DHA is continuing to maintain a strong focus on delivering high performing leasing stock through both direct leasing activity and the retention of leases. In 2019–20 DHA increased focus on retaining leased and owned properties that met provisioning needs. This was achieved by reviewing the performance of properties to ensure DHA retained the right properties in the right location.

Performance results

Table 3.7: Strategic Priority 2—Portfolio

Performance indicator	2019–20 Target	Result	Achievement
Houses supplied against provisioning schedule	>99%	99.26%	✓
DHA managed a diverse portfolio of properties in support of Defence operations. Strong provisioning results were delivered with the overall provisioning level meeting the target in the Services Agreement with Defence.			

Negotiating flexibility in housing for major metropolitan areas

In 2019–20, DHA worked with Defence to increase housing flexibility and choice for ADF members. This has resulted in a stronger focus on providing alternative housing types such as townhouses. Townhouses can generally be provided in higher amenity areas that reflect the preferences of some ADF members and their families. We have also commenced discussions with Defence on a review of the existing contractual arrangements including the Services Agreement and the Member Choice Agreement.

Member with Dependants (MWD) provisioning summary

While DHA met the Provisioning Schedule target, the portfolio closing balance was marginally lower than the Corporate Plan. This was due to a lower opening portfolio balance from the previous year. DHA was able to maintain provisioning levels by closely managing the property additions and subtractions across the reporting period.

Member Choice Accommodation (MCA) provisioning summary

DHA has focused on attaining the minimum requirements for provisioning the MCA portfolio. This has seen a major focus on directly leasing products from the market, displacing anticipated capital expenditure on acquisitions.

Table 3.8: National MWD portfolio performance 30 June 2020

	Actual 2019–20	Corporate Plan 2019–20	Variance	Approved Provisioning Schedule (APS)
Opening balance (1 July 2019)	16,358	16,486	-128	16,543
Total additions	1,615	1,629	-14	1,631
Total subtractions	1,667	1,691	-24	1,747
Closing balance (30 June 2020)	16,306	16,424	-118	16,427

Table 3.9: National MCA portfolio performance 30 June 2020

	Actual 2019–20	Corporate Plan 2019–20	Variance	Revised APS
Opening balance (1 July 2019)	1,373	1,379	-6	1,405
Total additions	189	257	-68	247
Total subtractions	147	157	-10	157
Closing balance (30 June 2020)	1,415	1,479	-64	1,495

Balancing the investment portfolio

In September 2019, a review of all DHA owned properties was undertaken. The role of each property in the portfolio was assessed to ensure that high performing and strategically valuable stock was identified and held for the mid to long term.

As a result of the review:

- › 149 properties (valued at approximately \$99.65 million at the time) were reclassified as holding strategic value to be held on an ongoing basis.
- › 274 properties were made available for sale through the Property Investment Program (valued at approximately \$191.16 million). 45 of these properties have subsequently been sold generating \$23.73 million in sales proceeds.
- › 50 properties were identified for immediate disposal, with these properties moving out of the provisioned portfolio through private treaty sale as they became vacant.
- › A number of locations were identified as strategic targets for a buyback program to allow for future redevelopment in anticipation of mid to long term Defence housing needs.

Property upgrades

Sometimes older properties within our portfolio require a refurbishment or upgrade to ensure the property meets current standards.

In 2019–20, we completed upgrade work to 104 properties including:

- › 51 properties at Swanbourne in Western Australia
- › 20 properties in Sydney, New South Wales
- › 11 dwellings in Yallambie, Victoria
- › 11 properties in Exmouth, Western Australia.

Commonwealth heritage listed properties

As at 30 June 2020, on behalf of Defence, DHA managed 61 Commonwealth Heritage Listed (CHL) properties across Australia, including on ADF bases and establishments, in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). DHA owns 16 houses and three development sites which are also Commonwealth Heritage Listed.

DHA undertook conservation activities in accordance with the EPBC Act and the DHA Heritage Strategy. Implementation of the DHA Heritage Strategy is monitored through annual evaluation and requires:

- › the maintenance and conservation of any identified heritage property
- › heritage studies, conservation management planning and other activities relating to the identification, protection, conservation, presentation and transmission of any Commonwealth Heritage Values of a place
- › identification of Commonwealth Heritage Values on all DHA owned sites/properties.

In 2019–20, DHA continued a major program of works to conserve and upgrade Defence owned properties, including:

- › heating and air conditioning installation to properties
- › remediation of lead dust and lead paint issues
- › upgrade and refurbishment of properties at RMC Duntroon, Canberra, ACT.

Purpose 2: Provide value to shareholders

Our business is centred on providing value to shareholders by providing housing and associated services, aligning the needs and preferences of Defence and ADF members with property market opportunities for the provision of housing. Our business is self funded—we do not receive funding from the Federal Budget.

We seek to generate revenues that are sufficient to sustain, on an ongoing basis, the delivery of housing and related services, our property operations and to provide a return to shareholders. For 2019–20, DHA provided a dividend of 60% of net profit after tax to shareholders (\$25.6 million), with dividend yield and total shareholder return exceeding Corporate Plan targets.

DHA also aims to operate as a compliant, better practice Commonwealth entity, with sound governance practices, a capable and productive workforce and integrated and responsive systems to deliver high quality professional outcomes.

Strategic Priority 3—Financial

The 2019–20 year held significant challenges for DHA's business. The year began with poor property market and credit conditions and evolved to add further challenges, constraint and some opportunity through bushfires and COVID-19.

Notwithstanding these challenges to our business through 2019–20, DHA earned a profit before tax of \$59.7 million, exceeding expectations set ahead of the year. We will pay dividends of \$25.6 million to shareholders in accordance with our Dividend Policy established in line with GBE guidelines.

Our revenues of \$917 million comprise the rents and service fees associated with housing ADF members, the net result from management of DHA's property portfolio and associated property market activities.

We assess rents annually to ensure that we keep pace with market conditions. As anticipated, there was little change to rents through the 2019–20 review and rents totalled \$487.8 million for this financial year, closely matching expected results.

Performance results

Table 3.10: Strategic Priority 3 – Financial

Performance indicator	2019–20 Target	Result	Achievement
Financial performance			
Total shareholder return	4.9%	11.1%	✓
Shareholder return exceeded the target due to an outperformance of annual profit targets through increased revenue received from sales in the Property Investment Program and from development land.			
Return on equity	1.1%	2.8%	✓
The return on equity exceeded the target due to higher than targeted net profit as a result of increased revenue from sales.			
Net profit after tax (NPAT)	\$16.0m	\$42.7m	✓
NPAT exceeded the target due to higher than targeted net profit as a result of increased revenue from sales.			
Leverage/solvency			
Gearing ratio	26.0%	25.7%	✓
The gearing ratio was slightly lower than target as a result of the adjustment to equity required to adopt the AASB 16 Lease Accounting Standard in 2019–20.			
Interest cover	7.3	8.5	✓
Interest cover exceeded the target due to the favourable earnings before interest and tax outcome compared with annual interest expense, in line with budget expectations.			

Performance analysis

Financial results

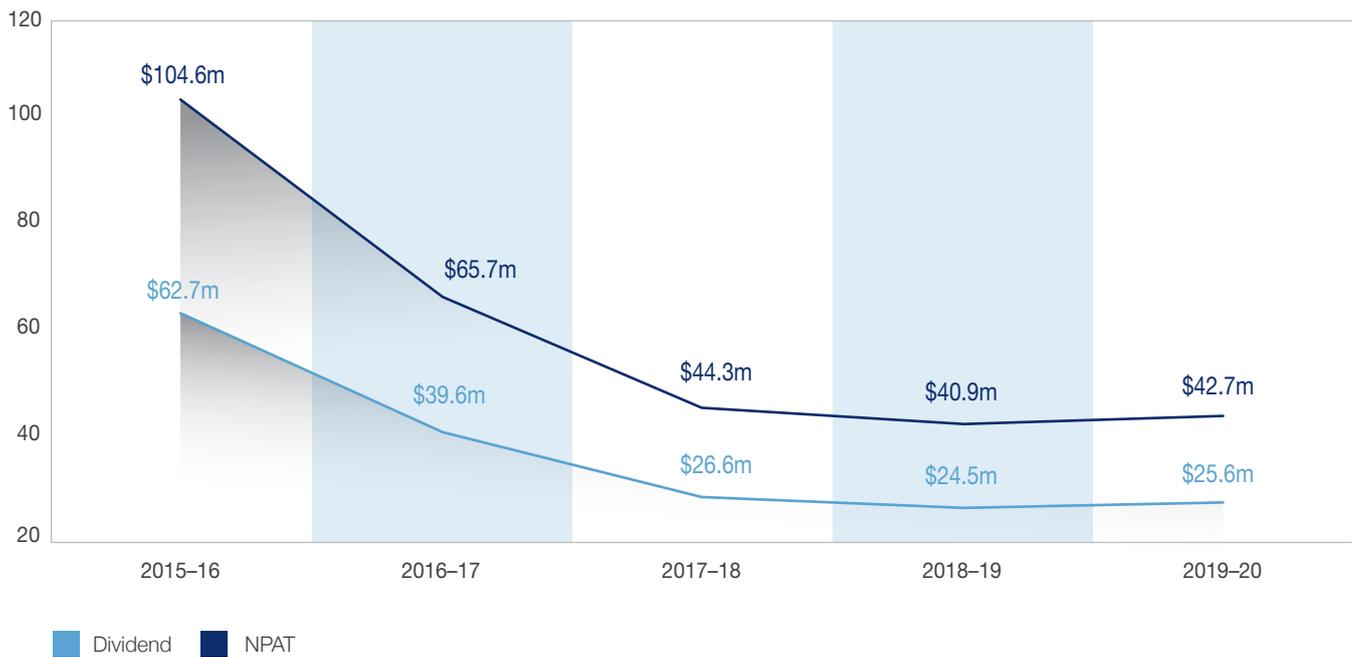
Property market constraints were exacerbated by further disruption through bushfires in regions in which we operate and subsequently the impact of the COVID-19 pandemic contributed to a significant thinning of property markets. Through the course of the year, we undertook a major review of our housing portfolio, property sourcing approaches and portfolio management activities to place additional weight on the retention of high performing and strategically important stock. The outcome of the review saw an increase in accessing existing housing available in the property market, a reduced reliance on revenues from our Property Investment Program (PIP) and a reduction in the number of underperforming properties or those not operationally viable.

While meeting our targets for the provision of housing, we exceeded our expectation of directly sourcing leased property from the market. This direct market access reduced capital investment requirements for more than 180 properties and reduced the need for PIP revenues throughout the thin market conditions of the financial year. Our PIP product has retained value with profits from the program totalling \$10.6 million—exceeding both revenue and profit targets.

The overall condition of property markets was not uniform through 2019–20, with some segments performing strongly, despite broader constraints. Strong demand in the Sydney and Newcastle regions underpinned our revenue performance and contributed \$117.9 million to our full year result. Whereas lower levels of demand were experienced in the Darwin, Ipswich and Townsville.

Figure 3.7

Net profit after tax (NPAT) and annual dividend payments 2015–16 to 2019–20



Returns to the Australian Government

We monitor total shareholder return which measures the total return to our shareholders arising from dividends, together with the growth in the value of the business. The 2019–20 year saw the initial application of AASB 16 Leases accounting standards which, due to the large number of leases (approximately 13,000) had significant impact on DHA's reported financial outcomes. To meet the compliance challenge of applying the new

standard, we consolidated various aspects of the accounting standards implementation and business improvement activities into a single project to upgrade our financial systems. Application of AASB 16 Leases has resulted in adjustments to opening asset, liability and equity balances. After allowing for these adjustments, we achieved a return of 11.1 per cent in 2019–20.

Taxation

DHA fully complies with the Australian Government's income tax, fringe benefit tax and goods and services tax legislation. We comply with the government's competitive neutrality policy ensuring that we do not gain a commercial advantage resulting from tax exemptions flowing from our status as a GBE. In accordance with this policy, we make tax equivalent payments in respect of state and territory taxes that would apply if the exemption from state and territory taxation was not in the DHA Act.

Our current tax expense represents amounts paid and payable to the Australian Taxation Office in the order of \$17.0 million for 2019–20. We also paid a state tax equivalent amount to the Commonwealth of \$35.5 million for 2019–20.

Capital efficiency and debt management

DHA has collaborated extensively with its shareholder units to establish a revised debt facility. The facility will enable more flexible repay-redraw arrangements for DHA and is expected to be established by 1 October 2020. In addition to allowing better management of our ongoing debt requirements and funding costs, establishment of the facility will also enable us to better manage our capital structure and returns to government.

Supporting sound decision making

We continued to review, reform and improve our business operations across 2019–20, improving business analytics and identifying opportunities for operational efficiencies. We achieved cost savings of \$6.2 million, contributing to the higher than expected financial performance outcomes.

Strategic Priority 4—Capability

During 2019–20 DHA continued its revised business model, resulting in a higher retention and turnover rate, a trend which is likely to continue over coming financial years as DHA aligns workforce capability with its operational needs. We were unable to measure staff engagement in 2019–20, due to COVID-19, the APSC Census survey

will be conducted in the second half of 2020. The total recordable injury frequency rate is just above the target, however, the majority of incidences were minor resulting in a reduction in the lost time injury frequency rate in 2019–20. The wages and expense ratio was met in 2019–20. COVID-19 necessitated DHA to quickly transition

its workforce to home based work, with planned technology initiatives brought forward and new technology capability deployed to enable the change. DHA continues to refresh its technology to support strategic priorities and key initiatives.

Performance results

Table 3.11: Strategic Priority 4—Capability

Performance indicator	2019–20 Target	Result	Achievement
Staff retention and turnover rate	15%	16.7%	✗
The 2019–20 actual staff retention and turnover rate exceeded the target by 1.7%. The major drivers for employee separation were resignation, ongoing transfer to other agencies and redundancies. The staff retention and turnover rate over the next three financial years is likely to increase as DHA implements the revised business model. The reform program will involve rightsizing the organisation and addressing capability gaps in the workforce that will result in increased staff movements and changes as the structure and capability profile adjusts to meet emerging operational needs.			
Staff engagement	70%	N/A	N/A
Staff engagement was not measured during the reporting period as the Australian Public Service Commission (APSC) did not conduct the Australian Public Service (APS) Employee Census in May 2020, due to COVID-19. The census will be conducted in October 2020.			
Total recordable injury frequency rate (TRIFR) and OHS incident rate	<7	8.54	✗
TRIFR combines all recorded fatalities (of which there were none), lost time injuries, cases or alternate work and other injuries requiring treatment by a medical professional. In DHA's case, TRIFR includes all employee, contractor/visitor and ADF member or dependant injuries where the incident occurred in a DHA office or DHA property (i.e. DHA-managed accommodation or a DHA construction site). In 2019–20, DHA exceeded the TRIFR target of fewer than 7. The majority of incidents were minor slips, trips and falls and required minimal time off work (DHA's Lost Time Injury Frequency Rate was 3.11 in 2019–20 compared with 5.49 in 2018–19). The result highlights DHA's positive safety culture in that the incidents were reported as well as the impact of COVID-19, where employees and ADF members were working from home more than usual. Proactive safety campaigns, including a 'slips, trips and falls' safety alert, were undertaken to mitigate further incidents and staff were reminded of applicable safe work processes.			
Wages and expense ratio	9.3%	9.3%	✓
Total wages and expense, as a proportion of total revenue, is in line with Corporate Plan targets.			

Delivering efficiency savings through improved business processes

As part of the implementation of DHA's new business model, we developed a technology strategy to inform DHA's future information technology (IT) direction and support digital transformation. The strategy and supporting roadmap will guide our decisions around technology design, delivery and sustainability to make sure DHA's technology is fit for purpose and adaptable.

The strategy will make it easier to:

- › invest in digital technology and automation to drive efficiencies
- › leverage data as a strategic asset to inform evidence based decision making
- › deliver fast, clear and simple services to ADF members and their families through multiple digital channels.

Since committing to developing a cloud ready deployment platform by April 2020, DHA embarked on its business model refresh and developed a technology strategy. We are refreshing our enterprise hardware, which will allow DHA to position itself to leverage cloud technology and deliver scalable solutions into the future. This will be complemented by a cloud strategy to provide a strategic approach for the adoption of the cloud, which we will develop in 2020–21. In developing our strategy, we identified initiatives relating to technology, data and information security governance to be delivered to support our transition to the cloud.

Reviewing and embedding governance arrangements and frameworks into our decision making

In implementing our technology strategy, we are producing a business led strategic vision for the use of data in alignment with DHA's strategy. Improving the quality of our data and providing consistent access to data across the organisation will enhance our capability to report quality information to the Board, enabling strategic discussion and decision making.

As we launch into a period of significant investment in our technology program we have refreshed the IT governance framework. This will enable us to exercise greater control over and management of information security risk.

Additionally, we have established a management level IT Risk Committee to evaluate IT risks, determine appropriate risk mitigation strategies and monitor the implementation and effectiveness of controls. This committee reports to the Board Audit and Risk Committee to ensure that the Board has the information it needs to appropriately manage IT and associated security risk.

Ensuring regulatory and legislative compliance

In response to the introduction of Accounting Standards AASB 16 Leases, a joint team of accounting and IT technical experts designed a system to automate the complex accounting transactions relating to the inception, variation and expiry of DHA's approximately 13,000 leases and ensure legislative compliance with the accounting standard. In 2019–20, the system accurately calculated approximately 2 million complex lease accounting transactions and created and interfaced journals to the finance system, which otherwise would have been calculated and manually entered by DHA finance staff. The system's second phase has also been successfully implemented in preparation for the 2020–21 financial year, improving functionality and augmenting the strong internal controls built in the first phase.

During 2019–20 we also delivered the first phase of a program to increase DHA's maturity level in the Australian Cyber Security Centre's Essential Eight strategies to mitigate cybersecurity incidents. This program has implemented 17 remediation activities across five mitigation strategies to progress toward or achieve our target maturity levels. The program's second phase commences in 2020–21.

As part of our broader cyber security program, we delivered a full suite of policies across IT security and infrastructure operations management as part of a Board approved information security policy governance framework. This will ensure that we maintain our target maturity levels and continue to appropriately manage cybersecurity risks.

Operational workforce planning

The DHA Operational Workforce Plan 2020–21 (the workforce plan) was delivered in April 2020. The workforce plan outlines the strategies required to build a highly capable, flexible and efficient workforce that will enable DHA to successfully deliver our strategic objectives and support our long term success. The workforce plan:

- › identified the critical roles needed to support DHA, including data and analytical professionals, capital planning professionals, property portfolio professionals and procurement professionals

- › identified the six critical capabilities required across our workforce, including change management, business acumen, strategic thinking, influencing and negotiating and digital ability and literacy
- › conducted a gap analysis to identify emerging workforce capability needs
- › considered emerging workforce risks and identified mitigation strategies to address these risks.

We are taking action to address the risks and emerging needs from the workforce plan. To date we have:

- › implemented a build, borrow or buy approach to addressing workforce capability gaps
- › commenced rightsizing functions to ensure resources match our operational needs
- › focused our learning and development activities on the critical capabilities needed
- › developed a recruitment strategy to ensure we are able to attract the talent needed.

Case study

2019 interns continue to build a legacy at DHA

Just over a year ago, Ronan Gotch and Julian Turner commenced work at our head office in Canberra, ACT, as a part of DHA's 2019 Legacy Internship Program.



'Overall, the experience has been educational as well as rewarding,' Ronan said.

'This internship provided me with a variety of new skills and a lifestyle shift.'

'If you want to try something different and develop a range of administrative skills in an office environment in an entry level role, this would be a good place to start.'

DHA's Legacy Internship Program offers 12 months of employment which provides for the completion of a Certificate III in Business. The internship program is available to dependents of current or past ADF members who are beneficiaries of Legacy Australia.

The program offers valuable on the job training and work experience. It is designed to provide our interns with a foot in the door to start their working life.

The Legacy Internship Program demonstrates DHA's responsibility in supporting ADF members and their families, and provides an opportunity for us to give back to the community.

With their 12 month placements completed in January 2020, both Ronan and Julian have now moved into roles across the business.

'I initially viewed the internship as a stepping stone in my career, however after experiencing various types of work between business areas and meeting lots of wonderful people, it was an easy decision to stay,' Julian said.

'I enjoy being part of a team and seeing the effort I put in having a positive effect on the team's objectives.'

One of Julian's most enjoyable experiences in the past year was working with Corporate Strategy and Enabling Services on DHA's 2018-19 Annual Report.

'Holding a physical copy of something I contributed to which reflects the business is something I am proud of,' Julian said.

Julian has taken up the position of an Administrative Support Officer, while Ronan is working as a Leasing Support Officer. Ronan returned to the Leasing team after an introduction to this part of our business during his internship rotations in 2019—an experience which taught him new skills in time management, professional writing and business etiquette, as well as establishing a healthy work life balance.

Regional report on operational performance

This section provides a detailed report on our operational performance by region in 2019–20.

Northern Territory region

As at 30 June 2020, DHA managed 1,773 properties in the Northern Territory (NT) region. The majority were located in Darwin and Tindal and were freestanding three and four bedroom houses. We managed a number of townhouses and high rise apartments located within close proximity to the Darwin CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including RAAF Base Darwin, RAAF Base Tindal and Larrakeyah Barracks.

Table 3.12: NT region property provisioning and related services 2019–20

	Darwin	Tindal Alice Springs	Total
Property provisioning			
MWD constructions/acquisitions	0	1	1
MCA constructions/acquisitions	0	0	0
Closing balance (30 June 2020)			
MWD properties	1,223	353	1,576
MCA properties	197	0	197
Property and tenancy services			
Housing allocations	561	129	690
Property inspections	4,180	1,238	5,418
ADF members receiving RA	1,419	69	1,488
Leases managed	870	0	870
Maintenance work orders raised	19,529	6,153	25,682

North Queensland region

As at 30 June 2020, DHA managed 1,741 properties in the North Queensland (NQLD) region. The majority were located in Townsville and Cairns and were freestanding three and four bedroom houses. We managed a number of townhouses and high rise apartments located within close proximity to the city centre. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including Lavarack Barracks and HMAS Cairns.

Table 3.13: NQLD region property provisioning and related services 2019–20

	Townsville	Cairns	Total
Property provisioning			
MWD constructions/acquisitions	9	0	9
MCA constructions/acquisitions	0	0	0
Closing balance (30 June 2020)			
MWD properties	1,427	194	1,621
MCA properties	98	22	120
Property and tenancy services			
Housing allocations	697	91	788
Property inspections	4,970	722	5,692
ADF members receiving RA	1,399	304	1,703
Leases managed	1,411	177	1,588
Maintenance work orders raised	23,404	3,375	26,779

South Queensland region

As at 30 June 2020, DHA managed 3,403 properties in the South Queensland (SQLD) region. The majority were located in Brisbane and Ipswich and a smaller number were located in Toowoomba and the Gold Coast. The majority of properties were freestanding three and four bedroom houses. We also managed a number of townhouses and high rise apartments. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including Gallipoli Barracks, Kokoda Barracks and RAAF Base Amberley.

Table 3.14: SQLD region property provisioning and related services 2019–20

	Brisbane	Ipswich	Toowoomba	Total
Property provisioning				
MWD constructions/acquisitions	3	43	5	51
MCA constructions/acquisitions	0	0	0	0
Closing balance (30 June 2020)				
MWD properties	1,865	1,070	184	3,119
MCA properties	251	33	0	284
Property and tenancy services				
Housing allocations	824	462	86	1372
Property inspections	6,632	3,343	601	10,576
ADF members receiving RA	1,792	1,108	194	3,094
Leases managed	1,775	915	177	2,867
Maintenance work orders raised	26,252	11,991	2,065	40,208

New South Wales region

As at 30 June 2020, DHA managed 4,617 properties in the New South Wales (NSW) region. The majority were located in Sydney and a smaller number were located in the Hunter Valley (Newcastle and Singleton) and Nowra. The majority of properties were freestanding three and four bedroom houses. Our Sydney property portfolio comprises a mix of freestanding houses, townhouses and high rise apartments, reflective of the region's higher population and housing density. Our properties accommodated ADF members working at a number of ADF bases and establishments, including Holsworthy Barracks, School of Infantry Singleton, RAAF Base Williamtown, HMAS Creswell and the broader Fleet Base East.

Table 3.15: NSW region property provisioning and related services 2019–20

	Sydney	Hunter Valley	Nowra	Total
Property provisioning				
MWD constructions/acquisitions	100	50	12	162
MCA constructions/acquisitions	60	1	0	61
Closing balance (30 June 2020)				
MWD properties	3,044	964	370	4,378
MCA properties	203	36	0	239
Property and tenancy services				
Housing allocations	1,142	391	151	1,684
Property inspections	10,595	3,676	1,671	15,942
ADF members receiving RA	4,470	3,623	747	5,697
Leases managed	2,034	841	289	3,164
Maintenance work orders raised	29,519	13,185	4,682	47,386

Australian Capital Territory

As at 30 June 2020, DHA managed 2,867 properties in the Australian Capital Territory (ACT) and Riverina region. The majority were located in the Canberra region, which includes properties in adjacent NSW cities. A smaller number were located in Wagga Wagga (NSW), Albury (NSW) and Wodonga (VIC). The majority of properties were freestanding three and four bedroom houses, however we managed a number of townhouses and high rise apartments located close to the Canberra CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including HMAS Harman, Headquarters Joint Operation Command, Kapooka, Latchford Barracks, Royal Military College, Duntroon and the administrative headquarters of the ADF at Russell.

Table 3.16: ACT region property provisioning and related services 2019–20

	Canberra	Wagga Wagga	Albury/Wodonga	Total
Property provisioning				
MWD constructions/acquisitions	57	5	3	65
MCA constructions/acquisitions	0	0	0	0
Closing balance (30 June 2020)				
MWD properties	2,008	289	298	2,595
MCA properties	272	0	0	272
Property and tenancy services				
Housing allocations	1,022	169	178	1,369
Property inspections	6,515	1,314	1,343	9,172
ADF members receiving RA	1,818	213	207	2,238
Leases managed	1,885	179	257	2,321
Maintenance work orders raised	23,143	3,475	4,037	30,655

Victoria and Tasmania region

As at 30 June 2020, DHA managed 1,187 properties in the Victoria (VIC) and Tasmania (TAS) region. The majority were located in Victoria including greater Melbourne, Puckapunyal, Frankston and Sale. We managed 28 properties in Hobart. The majority of properties were freestanding three and four bedroom houses, however, we managed a number of townhouses and high rise apartments located close to the Melbourne CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments, including Simpson Barracks, Victoria Barracks, Puckapunyal Military Area, RAAF Williams, HMAS Cerberus, and RAAF Base East Sale.

Table 3.17: VIC and TAS region property provisioning and related services 2019–20

	Victoria	Tasmania	Total
Property provisioning			
MWD constructions/acquisitions	11	0	11
MCA constructions/acquisitions	0	0	0
Closing balance (30 June 2020)			
MWD properties	1,137	28	1,165
MCA properties	22	0	22
Property and tenancy services			
Housing allocations	541	0	541
Property inspections	3,749	55	3,804
ADF members receiving RA	1,058	0	1,058
Leases managed	440	6	446
Maintenance work orders raised	13,057	276	13,333

South Australia region

As at 30 June 2020, DHA managed 1,105 properties in the South Australia (SA) region. The majority were located in and around Adelaide and were freestanding three and four bedroom houses. We managed a number of townhouses and high rise apartments located close to the Adelaide CBD. Properties in the region accommodated ADF members working at a number of ADF bases and establishments including RAAF Base Edinburgh, Keswick Barracks and Woodside Barracks.

Table 3.18: SA region property provisioning and related services 2019–20

	Total
Property provisioning	
MWD constructions/acquisitions	28
MCA constructions/acquisitions	0
Closing balance (30 June 2020)	
MWD properties	939
MCA properties	166
Property and tenancy services	
Housing allocations	544
Property inspections	4,118
ADF members receiving RA	998
Leases managed	898
Maintenance work orders raised	12,771

Western Australia region

As at 30 June 2020, DHA managed 1,028 properties in the Western Australia (WA) region. The majority were located in Perth and Rockingham, and a small number of properties were located in Broome, Exmouth, Geraldton, Karratha and Pearce. The majority of properties were freestanding three and four bedroom houses, however we managed a number of townhouses and high rise apartments. Properties in the region accommodated ADF members working at a number of ADF bases and establishments including Fleet Base West, RAAF Base Pearce, Irwin Barracks and Campbell Barracks.

Table 3.19: WA region property provisioning and related services 2019–20

	Total
Property provisioning	
MWD constructions/acquisitions	0
MCA constructions/acquisitions	0
Closing balance (30 June 2020)	
MWD properties	913
MCA properties	115
Property and tenancy services	
Housing allocations	432
Property inspections	3,724
ADF members receiving RA	1,037
Leases managed	623
Maintenance work orders raised	11,817





PART 4

Management and accountability

Legislative framework

Corporate governance structure

Risk management,
internal audit and compliance

Procurement and consultancies

External scrutiny

Workforce management

Information management and systems

Legislative framework

The legislative framework in which DHA operates influences our corporate governance.

The most important pieces of legislation by which DHA is governed are as follows:

Defence Housing Australia Act 1987

Defence Housing Australia (DHA), formerly known as the Defence Housing Authority, was established as a statutory authority⁵ on 1 January 1988 under the *Defence Housing Authority Act 1987* (Cth).

On 23 November 2006, in accordance with the *Defence Housing Authority Amendment Act 2006* (Cth), the Authority was renamed Defence Housing Australia and our principal Act was renamed *Defence Housing Australia Act 1987* (DHA Act).

The DHA Act sets out our functions, powers, corporate structure and delegations. In accordance with section 5 of the DHA Act, the main function of DHA is to provide adequate and suitable housing for, and housing related services to:

- › members of the Defence Force and their families
- › officers and employees of the Department of Defence and their families
- › persons contracted to provide goods or services to the Defence Force and their families

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

In accordance with section 6 of the DHA Act, DHA may provide housing and housing related services to non-corporate Commonwealth entities other than Defence in order to meet the requirements of that entity. DHA did not provide any such services in 2019–20.

5 A statutory authority is a generic term for an Australian Government body established through legislation for a public purpose.

Public Governance, Performance and Accountability Act 2013

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and its associated instruments, policies and guidance set the standards of governance, performance and accountability for Commonwealth entities and companies. The PGPA Act also imposes specific duties on our Board members and officials relating to the use and management of resources.

In accordance with the PGPA Act, DHA is a corporate Commonwealth entity.⁶ As a corporate Commonwealth entity, DHA must comply with the following PGPA Act associated instruments and policies:

- › *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule)
- › *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
- › any government policy orders.

Significant issues relating to non-compliance with finance law

In accordance with section 19 of the PGPA Act, the Board (as the accountable authority of DHA) must notify our responsible Minister as soon as practicable after a significant non-compliance with finance law⁷ issue is identified. We must also include a statement of any significant issues reported to the responsible Minister in our Annual Report for that reporting period.

To assist the Board in fulfilling this requirement, DHA conducts a bi-annual finance law compliance reporting process. Informed by this completed reporting process, the Board did not determine any instances of significant non-compliance with the finance law for the 2019–20 reporting period.

Table 4.1: Significant non-compliance with the finance law

Description of non-compliance	Remedial Action
N/A	N/A

DHA as a Government Business Enterprise

In accordance with section 5 of the PGPA Rule, DHA is one of nine Government Business Enterprises (GBEs).⁸ As a GBE, DHA is expected to comply with *Resource Management Guide No. 126 Government Business Enterprises (GBEs)* (RMG 126).

RMG 126 provides guidance in relation to board and corporate governance, planning and reporting, financial governance and other governance matters. A principal objective for each GBE is that it adds to shareholder value.

6 A corporate Commonwealth entity is a body corporate, established by a law of the Commonwealth but legally separated from it. Corporate Commonwealth entities can act in their own right and exercise certain legal rights such as entering into contracts and owning property.

7 Finance law incorporates the PGPA Act, any rules covered by the PGPA Act, any instrument under the PGPA Act and an Appropriation Act.

8 A Government Business Enterprise (GBE) is a commercially-focused government owned business that is established to fulfil a Commonwealth Government purpose.

Other applicable legislation and processes

DHA is the only GBE that employs staff under the *Public Service Act 1999*. As an Australian Government employer, we must adhere to the provisions and statutes of various Commonwealth employment related legislation including, but not limited to, the *Fair Work Act 2009* and the *Work, Health and Safety Act 2011*.

As a statutory agency, we must also operate in accordance with Commonwealth legislation including, but not limited to, the following Acts:

Freedom of Information Act 1982

Individuals can submit a request to DHA under the *Freedom of Information Act 1982* (FOI Act) to access documents we hold and seek to obtain copies of those documents.

Our responsibilities and functions under the FOI Act are delegated to a core group of staff. All new staff are required to complete FOI Act training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually.

In 2019–20, DHA received six requests for access to documents under the FOI Act. Of these, access was granted in full for one request and in part for four requests. One request was withdrawn by the applicant. There were no requests outstanding as at 30 June 2020.

Consistent with the Information Publication Scheme, an agency plan and FOI disclosure log is published on our website (www.dha.gov.au/foi).

Privacy Act 1988

Personal information related to the administration of DHA's programs and services is protected by the *Privacy Act 1988* (Privacy Act). To this end, we have comprehensive policies and processes in place to protect the personal information of our customers and staff.

Our responsibilities and functions under the Privacy Act are delegated to a core group of staff. All new staff are required to complete Privacy Act training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually.

Our privacy policy is published on our website (www.dha.gov.au/policies/privacy) and sets out:

- › how we collect, hold, use and disclose personal information
- › how individuals may seek to access or correct personal information
- › how individuals can make a complaint if they believe we have breached our obligations under the Privacy Act.

As we develop new projects and programs, we undertake privacy impact assessments to:

- › minimise privacy risks and impacts
- › ensure compliance with statutory obligations.

In 2019–20, we managed 441 privacy queries and 63 minor privacy breaches or investigations that largely resulted from human error. DHA was not the subject of any Office of the Australian Information Commissioner (OAIC) reviews and there were no eligible data breaches reported to the OAIC under the Notifiable Data Breaches scheme.

Public Interest Disclosure Act 2013

DHA is committed to the highest standards of ethical and accountable conduct. The *Public Interest Disclosure Act 2013* (PID Act) allows for investigations of alleged wrongdoing by public officials⁹ and provides protections for individuals who disclose or report suspected wrongdoing.

Our responsibilities and functions under the PID Act are delegated to a core group of staff. All new staff are required to complete PID Act training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually.

In 2019–20, we managed six disclosures.

Modern Slavery Act 2018

In 2018–19, the Government introduced the *Modern Slavery Act 2018*. The Act requires entities based or operating in Australia, with an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, as well as actions taken to address those risks. As the Act is likely to apply to DHA, we are undertaking the steps necessary to ensure reporting compliance. The first statements required under the *Modern Slavery Act 2018* are due by 31 December 2020.

9 A public official includes current and former staff and DHA contracted service providers.

Corporate governance structure

DHA's corporate governance structure ensures we deliver outcomes in a controlled, transparent and accountable manner.

Our governance framework comprises the principles, practices and tools needed to ensure our approach to governance is consistent and coordinated.

Our performance framework provides strategic direction and alignment across the business through a clear line of sight through all planning and reporting activities, including:

- › coordinated business planning as reflected in our Corporate Plan strategic priorities, goals and objectives
- › performance monitoring and reporting through regular reviews of strategic and organisational performance measures—refer to our Annual Performance Statement (page 35).

Shareholder Ministers

The Australian Government's interests in DHA are overseen by two Shareholder Ministers: the Minister for Defence Personnel and the Minister for Finance. As DHA sits within the Defence portfolio of the Australian Government, the Minister for Defence is our responsible minister. The Minister for Defence delegated responsibility for DHA operational matters to the Minister for Defence Personnel.

In accordance with the DHA Act and a ministerial determination, DHA must seek approval of the Minister for Defence (or their delegate) for any contracts we wish to execute which are greater than or equal to \$15 million in value.

Shareholder Ministers in 2019–20

DHA's Shareholder Ministers for the reporting period were as follows:

- › Minister for Defence Personnel: the Hon Darren Chester MP
- › Minister for Finance: Senator the Hon Mathias Cormann.

Ministerial directions and policy orders in 2019–20

DHA did not receive any new ministerial directions or policy orders in 2019–20.

DHA continues work to meet the April 2018 ministerial direction to relocate all of our Australian Capital Territory offices (head office and ACT regional office) to the Gungahlin Town Centre by no later than 18 March 2022.

Following a competitive tender process, G1 DHA Pty Ltd was selected as the successful tenderer to construct and fit out DHA's new office accommodation. The office will be located on the site bound by Hibberson, Hinder, Kate Crace and Efkarpidis Streets and will hold a five-star NABERS rating. Construction works are scheduled to commence in August 2020.

Board of Directors

The Board is established in accordance with Part III of the DHA Act and is the accountable authority for DHA under the 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 our Corporate Plan.

Board members

In accordance with section 12 of the DHA Act, our Board consists of:

- › eight non-executive members with a mix of APS, Defence and commercial members
- › one executive member who is also the DHA Managing Director.

Refer to Appendix A: Accountable Authority for further details as required by the PGPA Rule.

Board members as at 30 June 2020



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

Mr Macdonald was appointed as a member of the Board in July 2008 and was appointed Chairman in February 2015. He has considerable public and private company experience. He was elected to the Australian Senate in 1993 and served multiple terms before retiring in 2008. His Parliamentary service includes eight years as Chair of the Senate Foreign Affairs, Defence and Trade Committee, and periods as Deputy Leader of the National Party in the Senate, Parliamentary Secretary for Defence and Parliamentary Secretary for Trade. He is a wool and beef producer near Quirindi (NSW).



Mr Barry Jackson
Managing Director

Mr Jackson was appointed as Managing Director in May 2019. Prior to DHA he was Deputy Secretary, Service Delivery Operations at the Department of Human Services (DHS). His Australian Public Service career includes senior executive roles within the DHS, the Department of Finance and the Department of Foreign Affairs and Trade. He also has over 25 years' experience in the private sector, primarily in the areas of construction, property, strategic and business process management. Prior to re-joining the public service he was Chief Executive Officer of UGL Services Australia and New Zealand, which was Australia's largest provider of property management services. He is the Vice Chair of Goodwin Aged Care Services, the ACT's largest not for profit aged care provider. He is also on the Board of Koomarri, an ACT/NSW based not for profit organisation specialising in supporting people with an intellectual disability or acquired brain injury to achieve their life goals.



Brigadier Leigh Wilton AM
Director

Brigadier Wilton was appointed to the Board as the nominee of the Chief of the Defence Force in December 2019. She graduated from the Royal Military College to the Royal Australian Army Ordnance Corps in 1991. Her early appointments included regimental and staff positions as a supply officer and as a project manager. Her command experience includes a posting as the Officer Commanding Supply Company, 7th Combat Service Support Battalion and the inaugural Commanding Officer/Chief Instructor of the Army School of Ordnance. She has held a range of staff appointments at both Lieutenant Colonel and Colonel. She has held positions as the Senior Officer Manager within the Career Management Agency, directing staff at both the Australian Command and Staff College and the Centre for Defence and Strategic Studies, and as the Chief of Staff for Headquarters 633—Afghanistan and Chief of Staff for Army Headquarters. Brigadier Wilton was appointed as the Director General Career Management—Army in 2019. She was made a Member of the Order of Australia (AM) in 2018 for exceptional service and contributions to Army's personnel capability.



Mr Simon Lewis AO PSM CSC

Director

Mr Lewis was appointed to the Board as the nominee of the Department of Finance Secretary in April 2019. He had a distinguished career in the Australian Public Service spanning more than four decades, including a five year term as the Secretary of the Department of Veterans' Affairs and senior roles at the Department of Defence and the Department of Finance. He was made an Officer of the Order of Australia (AO) in 2019 for distinguished service to public administration, transformational change and organisational design. He was awarded a Public Service Medal (PSM) in 2007 for outstanding public service and the Centenary Medal in 2001 for his contribution to Australian society and government. His former board appointments include President of the Repatriation Commission, Chairman of the Military Rehabilitation and Compensation Commission and a member of the ANZAC Centenary Advisory Board.



Ms Kate Louis

Director

Ms Louis was appointed to the Board as the nominee of the Department of Defence Secretary in June 2020. She has 20 years' experience in the Department of Defence including appointments as Director, Chief of Staff and Assistant Secretary within the Capability Development Group. In 2014, she was appointed as the Assistant Secretary White Paper Enterprise Management to develop industry related Defence policy including shipbuilding and the Defence industry policy statement. From November 2015, she was the First Assistant Secretary Defence Industry Policy Division. In this role she was responsible for the effective implementation of the Government's approach to Defence industry policy. In August 2017, she joined the Australian Industry Group (AI Group) as the Executive Director of their Defence Council and is now also Head of Industry Development. She is a member of the Centre for Defence Industry Capability Advisory Board.



Hon Alan Ferguson

Director

Mr Ferguson was appointed to the Board as a commercial director in February 2015. He was elected to the Australian Senate in 1992 and served three full terms before retiring in 2011. He served on a number of Senate and Joint Committees, including more than eight years as Chair of the Joint Committee on Foreign Affairs, Defence and Trade. He also served as President of the Senate in 2007 and 2008, and represented the Parliament on many delegations. He was made a Member of the Order of Australia (AM) in 2020 for significant service to the Parliament of Australia and to the community of South Australia. Before entering politics, he was a farmer and self-employed insurance consultant. He is currently chair of the Australian Political Exchange Council.



Mr Robert Fisher AM
Director

Mr Fisher was appointed to the Board as a commercial director in February 2016. He had a distinguished career in the public service spanning more than four decades, including being a member of the Australian Trade Commissioner Service and Chief Executive Officer or Director General of various Western Australian (WA) government departments. He was Agent General for WA, based in London, from 2001 to 2006. He was one of five commissioners on the Australian Government's National Commission of Audit in 2013–14. He was made a Member of the Order of Australia (AM) in 2003 for service to the public sector in WA.



Ms Andrea Galloway
Director

Ms Galloway was appointed to the Board as a commercial director in November 2016. She has over 30 years of executive management experience for national and multinational commercial organisations, including leading Spherion, Lucent Technologies and AT&T in the Asia Pacific and South Pacific. She was most recently Managing Director of Evolve Housing, one of Australia's largest community housing providers, from 2011 to 2019. She is on the board of Coleman Greig Lawyers, Tennis Australia (NSW) and is a member of the Advisory Board for The Salvation Army Australia—NSW/ACT. In 2014, she was awarded the Australian Telstra Business Woman of the Year and the NSW Telstra Business Woman of the Year for Innovation.



Mr Ewen Jones
Director

Mr Jones was appointed to the Board as a commercial director in December 2016. He was elected as the Federal Member for Herbert, an electorate in Townsville (QLD), in 2010 and served until 2016. He was a member of several House of Representatives Standing Committees and the Joint Standing Committee on Foreign Affairs, Defence and Trade. He was Government Whip from October 2015 to May 2016. He is an auctioneer by trade, with a strong real estate and corporate finance background. He is currently Manager of Business Development at Pickerings Auto Group, a Townsville multi-franchise motor dealership, and a member of the National Film and Sound Archive Australia Board.

Board and legislated committees

In accordance with section 26(1) of the DHA Act, the Board may establish committees to assist in the discharge of its duties. 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 charters and the composition of committees periodically.

Amendments to the DHA Act in 2006 established the DHA Advisory Committee to advise on the performance of DHA's functions (refer to Part IIIA of the DHA Act).

Table 4.2: Board committees 2019–20

Committee	Role	Members
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	S Lewis (Chair) A Galloway P Logan ¹
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 our legislative obligations, contractual obligations with Defence and our commercial interests	R Fisher (Chair) A Ferguson A Galloway E Jones
Nomination and Remuneration Committee (NRC)	Assist the Board to review the Managing Director's remuneration and performance, consider key appointments, and inform Shareholder Ministers of impending reappointments or vacancies on the Board, including recommending possible candidates, where appropriate	J Macdonald (Chair) R Fisher S Lewis ²
Future Business Committee (FBC)	Assist the Board and Managing Director provide strategic input and guidance into DHA's submission to Shareholder Ministers on a future business model	B Jackson (Chair) S Lewis A Galloway
DHA Advisory Committee (DHA AC)	Provide general advice and information on the performance of DHA's role	L Wilton (Chair) DHA representative (currently the Managing Director) National Convenor of Defence Families of Australia (DFA) Up to three persons appointed by the Chief of the Defence Force

Notes

1. P Logan is an independent member of the BARC appointed by the Board.
2. S Lewis was appointed to the NRC on 22 June 2020.

Board and legislated committee meetings 2019–20

Table 4.3: Board meetings and member attendance 2019–20

Board member	Scheduled meetings held and number of meetings attended					
	Board	BARC	BIC	FBC	NRC	DHA AC
	9	6	7	2	2	3
J Macdonald ¹	9	n/a	1	n/a	2	n/a
B Jackson	9	n/a	n/a	2	n/a	3
M Brady ²	9	6	n/a	1	2	n/a
S Lewis ³	9	6	n/a	2	-	n/a
V McConachie ⁴	3	3	n/a	2	n/a	0
L Wilton ⁵	3	n/a	n/a	n/a	n/a	2
K Louis ⁶	-	n/a	n/a	n/a	n/a	n/a
A Ferguson	8	n/a	6	n/a	n/a	n/a
R Fisher	9	-	7	n/a	2	n/a
A Galloway	9	5	7	2	n/a	n/a
E Jones	8	-	6	n/a	n/a	n/a
P Logan ⁷	n/a	6	n/a	n/a	n/a	n/a

Notes

1. J Macdonald left the BIC in July 2019.
2. M Brady's term on the Board expired on 21 June 2020.
3. S Lewis was appointed to the NRC on 22 June 2020.
4. V McConachie's term on the Board expired on 4 December 2019.
5. L Wilton was appointed as the Chief of the Defence Force nominee to the Board on 5 December 2019.
6. K Louis was appointed to the Board on 21 June 2020 after the final Board meeting of the 2019–20 financial year.
7. P Logan is an independent member of the BARC appointed by the Board.

Board member related party transactions 2019–20

A related party transaction is where a Board member approved payment for a good or service from another entity or provisioning of a grant to another entity where the member is a director of DHA's Board and a director of the other entity, and the value of the

transaction (or if more than one transaction, the aggregate value of those transactions) exceeds \$10,000 (GST inclusive). In 2019–20, DHA Board members did not disclose any related party transactions.

Board Audit and Risk Committee

Information on DHA's Board Audit and Risk Committee (BARC) is provided below in accordance with section 17BE(taa) of the PGPA Rule.

The charter determining the functions of the BARC is published on our website (www.dha.gov.au/about-us/our-organisation/governance).

Table 4.4: Board Audit and Risk Committee 2019–20

Member name	Qualifications, knowledge, skills or experience (include formal and informal as relevant)	Number of meetings attended/ total number of meetings	Total annual remuneration
S Lewis	<p>Qualifications</p> <ul style="list-style-type: none"> › Bachelor of Arts (Economics, Statistics) › Graduate Diploma of Computing Studies › Graduate Diploma in Administrative Studies › Graduate Diploma of Strategic Studies › Completed the Harvard and Wharton Business School's Advanced Management Programs › Graduate of the Australian Institute of Company Directors (AICD) <p>Experience</p> <ul style="list-style-type: none"> › Various executive and senior roles in the Australian Public Service › Secretary of the Department of Veterans' Affairs (2013–2018) › Other board appointments 	6/6	\$82,861.41
A Galloway	<p>Qualifications</p> <ul style="list-style-type: none"> › Bachelor of Business Administration › Diploma of Computer Networks › Graduate of the Executive Program (University of Michigan) › Fellow of the AICD › Justice of the Peace › Licensed Real Estate Agent <p>Experience</p> <ul style="list-style-type: none"> › 30+ years in executive management for national and multinational commercial organisations › Former Managing Director and CEO of Evolve Housing › Winner of the Australian and NSW Telstra Women's Award 2014 (Business Innovation category) › Other board appointments 	5/6	\$78,668.02

Member name	Qualifications, knowledge, skills or experience (include formal and informal as relevant)	Number of meetings attended/ total number of meetings	Total annual remuneration
P Logan ¹	<p>Qualifications</p> <ul style="list-style-type: none"> › Bachelor of Commerce › Fellow Certified Practising Accountant (CPA) <p>Experience</p> <ul style="list-style-type: none"> › 25+ years' experience in the air traffic management and civil aviation safety industry across finance, senior management and executive roles 	6/6	\$0
M Brady	<p>Qualifications</p> <ul style="list-style-type: none"> › Bachelor of Arts (Honours) › Bachelor of Fine Arts › Member of the AICD <p>Experience</p> <ul style="list-style-type: none"> › 28+ years in the departments of Foreign Affairs and Defence › Director of Signals Directorate (1994–1999) › Chairman of the Defence Intelligence Board (1999–2001) › Consultant on intelligence issues, technology requirements and arms exports 	6/6	\$78,053.82
V McConachie ¹	<p>Qualifications</p> <ul style="list-style-type: none"> › Bachelor of Arts/Law › Master of Laws › Graduate of the AICD <p>Experience</p> <ul style="list-style-type: none"> › Member of the Royal Australian Navy Reserve › Various senior appointments, including Commanding Officer of HMAS Kuttabul, Director General ADF Legal Service › Operational service as Deputy Staff Judge Advocate Multinational Force—Iraq › Lead of an Australian Government legal division 	3/3	\$0

Note

1. The Commonwealth employs V McConachie and P Logan on a full time basis. For this reason, in accordance with sub-section 7(11) of the *Remuneration Tribunal Act 1973*, they are not entitled to be remunerated for holding a part time office or independent member of the Board Audit and Risk Committee respectively. They can receive travel allowance for official travel associated with fulfilling the requirements of the office.

Leadership

Managing Director

The Managing Director is appointed by the Board in accordance with Part VI (Division 1) of the DHA Act and is its only executive member.

The Managing Director is responsible for conducting the affairs of DHA in accordance with the DHA Act and any policies determined and directions given by the Board. The Managing Director oversees 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. The team's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan and ensure accountability of DHA's activities.

Executive profiles as at 30 June 2020



Mr Barry Jackson

Managing Director

New Zealand Certificate in Quantity Surveying | Quantity Surveyors Registration | Member of the AICD

Mr Jackson was appointed as Managing Director in May 2019. Prior to DHA he was Deputy Secretary, Service Delivery Operations at the Department of Human Services (DHS). His Australian Public Service career includes senior executive roles within the DHS, the Department of Finance and the Department of Foreign Affairs and Trade. He also has over 25 years' experience in the private sector, primarily in the areas of construction, property, strategic and business process management. Prior to re-joining the public service he was Chief Executive Officer of UGL Services Australia and New Zealand, which was Australia's largest provider of property management services. He is the Vice Chair of Goodwin Aged Care Services, the ACT's largest not for profit aged care provider. He is also on the Board of Koomarri, an ACT/NSW based not for profit organisation specialising in supporting people with an intellectual disability or acquired brain injury to achieve their life goals.

Key responsibilities:

- › operational affairs in accordance with the DHA Act and policies or directions of the Board
- › strategic direction and achievement against the Corporate Plan
- › compliance oversight with the PGPA Act, Public Service Act and other relevant legislation
- › key stakeholder relationship management with Shareholder Ministers, departmental Secretaries and the Chief of the Defence Force
- › management of the Leadership Team
- › oversight of organisational structure, staff and performance.



Mr Paul Groenewegen

Chief Financial Officer (CFO)

Bachelor of Commerce | Graduate Diploma of Applied Corporate Governance | Certified Practising Accountant | Graduate Member of the ACID

Mr Groenewegen joined DHA in August 2018, initially as interim CFO before being permanently appointed to the position in September 2019. He is an experienced executive and consultant with a background in governance practice, strategy development and implementation, fiscal management, compliance and risk activities and government operations involving regulation and policy. His previous roles include governance and review work with government and industry organisations, executive roles with prudential regulators and several financial management roles involving a range of functions from the oversight of whole of government payments through to the financial management of complex multi-program organisations.

Key responsibilities:

- › strategic planning, valuations and capital planning
- › financial management services and budgets
- › investment management and funding strategies
- › financial and taxation compliance
- › performance reporting.



Mr Brett Jorgensen
General Manager, Service Delivery

Master of Business | Bachelor of Engineering (Honours) | Advanced Business Diploma | Real Estate Management Diploma | Diploma of Contract Management

Mr Jorgensen joined DHA as the National Manager, Governance in August 2008. He was appointed General Manager, Property and Tenancy Services in May 2012 and General Manager, Property Provisioning Group in August 2018. In February 2020, he was designated General Manager, Service Delivery. Before joining DHA, he held a number of appointments at the Department of Defence as a civilian and was a member of the Royal Australian Air Force.

Key responsibilities:

- › housing portfolio management, including property development, construction, acquisitions, heritage, upgrades, sales and marketing
- › service operations, including property management services, contact centre operations, maintenance and leasing activity
- › strategy and design.

Executive and national committees or groups

The Managing Director and the Leadership Team establish executive and national committees as needed to assist them in the discharge of their duties. Each committee has a charter or terms of reference that sets out its purpose, composition, and meeting and administrative arrangements.

Table 4.5: Executive and national committees 2019–20¹

Committee	Role	Members
Command Activation Team (CAT)	Established to provide a management mechanism that ensured reporting lines and responsibilities were clear following activation of DHA's Business Continuity Plan in response to the COVID-19 pandemic	General Manager, Service Delivery (Chair) Leadership Team and selected staff

Note

1. Table 4.5 does not include committees and groups that have governance oversight of projects or programs.

Case study

LIA Contact Centre specialist awarded DHA Employee of the Year

Living in Accommodation (LIA) Contact Centre Base Liaison Officer, Thomas Martin, spent the early part of July 2019 bunking down in RAAF quarters in Townsville for Exercise Talisman Sabre. Four months later he was presented with the Outstanding Customer Service Award and named Employee of the Year at DHA's Annual Awards.

Both honours are tributes to Thomas' exceptional record of service to key Defence customers and his commitment to improving DHA's processes and procedures in line with our customer service charter.

Thomas joined the team at the LIA Contact Centre in 2015 and his work has been integral to building and maintaining strong relationships with key stakeholders at Defence bases across the country.

His determination to deliver the best outcomes for the ADF, DHA's primary customer, has never been more evident than during Exercise Talisman Sabre—the largest military exercise on the ADF calendar, involving thousands of Australian and international Defence personnel.

RAAF Townsville is command centre for the exercise and Thomas was requested specifically to provide hands on assistance with LIA requirements for participating forces. Thomas attended twice daily briefings for the planned exercise activities to provide regular reports on accommodation availability or alternate



LIA solutions. Thomas drew on his understanding of base policies and processes to help provide unique solutions to accommodation issues. Additionally, Thomas' work demonstrated that our LIA booking system is capable of handling the large number of special requests required during the course of a major exercise.

Another of his key achievements has been the process he developed to improve efficiencies by creating automatic LIA allocations for incoming trainee ranks at Defence bases nationally.

DHA's Annual Awards recognise and celebrate outstanding team and individual accomplishments in the service of DHA's strategic priorities. Recognition is an important part of the overall priority we place on people at DHA, as is championing team work and collaboration.

Risk management, internal audit and compliance

DHA operates in a complex environment
and recognises that risk is inherent in all that we do.

We proactively identify, engage with and manage risk at all levels and across all facets of our business to create or protect value in support of improving performance, encouraging innovation and support in achieving our purposes, objectives and strategic priorities. The function is supported by a co-sourced internal audit function that provides independent assurance of the systems of control.

We have established formal, fit for purpose accountability and responsibility for risk and internal audit at an organisational level that is broadly consistent with risk principles.

The Board, as accountable authority for DHA under the PGPA Act, maintains oversight of organisational risk, management systems and internal controls.

The Managing Director and Leadership Team are responsible for implementing appropriate risk systems and ensuring resources and capability support effective risk management and its integration in decision making processes.

Risk management

Sound risk management continues to be an important and integral element that supports achievement of our purpose, objectives and strategic priorities.

In 2019–20, we delivered a revised fit for purpose Risk Management Framework (the Framework) which was approved by the Board. The Framework is a set of components that provide the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

DHA is committed to maintaining an effective, efficient and tailored Framework inclusive of supporting policies such as fraud control, business continuity management, workplace health and safety management and code of conduct.

The Framework assists DHA to meet the requirements of section 16 of the PGPA Act and the Commonwealth Risk Management Policy issued by the Department of Finance. It follows the International Standard on Risk Management (ISO 31000:2018).

DHA has continued to mature our risk philosophy and approach, embedding risk principles into our culture. A key element of this approach is increasing the risk capability at all levels of the organisation. To achieve this, we are educating and empowering our people to have the knowledge, judgment, confidence and support to make more informed risk based decisions. All new staff are required to complete risk management training as part of our induction process. In addition, ongoing staff complete mandatory refresher training annually.

We are confident increased risk based decision making will make our business better—more efficient, agile and responsive. However, we recognise that we need to continuously improve. To this end, we are developing measures to build, test and refine our approach. These measures will complement our integrated business planning and will assist us to better understand how we prioritise our resources.

Fraud control and anti-corruption

We are cognisant that fraud and corruption can damage the performance and reputation of our business. As a GBE, we consistently monitor and update our fraud and corruption control framework, which is consistent with the Commonwealth fraud control framework (section 10 of the PGPA Rule).

Fraud and corruption control is a subset of DHA's risk portfolio and the disciplines reflect our risk philosophy and principles. We continue to prevent, detect, monitor and encourage our staff to report potential fraudulent or corrupt conduct.

Increased staff awareness has resulted in increased reporting of potential fraudulent or corrupt conduct, with seven allegations reported in 2019–20. As at 30 June 2020, there were two active investigations.

Resilience

Resilience consists of business continuity, disaster recovery, crisis and emergency management. Despite being a standalone discipline, resilience forms part of our overarching risk management portfolio and we are improving it as a subset of our maturing risk philosophy and principles.

In accordance with improvements we are making to our risk management framework, we undertook significant steps to revise our approach to all resilience disciplines in the reporting period. We are undertaking further work to continue to progress maturity of DHA's approach and to ensure it continues to remain consistent with the Government's Protective Security Policy Framework and Australian National Audit Office guidance.

Internal audit

Internal audit is a central component of our governance framework. Audit strengthens accountability and promotes good governance and transparency through independent and objective assurance.

Each year, we develop a risk based rolling work program of internal audit priorities for the coming 12 months. The program is developed in consultation with the Managing Director, Leadership Team and the BARC, and is designed to ensure broad coverage of business areas and activities. The program of work is revised biannually to ensure alignment with current and emerging risks. The program assists the BARC to review organisational systems and procedures for managing performance, and to meet its performance reporting obligations in accordance with the PGPA Act.

In 2019–20, EY continued to provide internal audit services under a co-sourced arrangement. They completed reviews on our development and retail acquisition process, delegations, complaints management, repairs and maintenance contractors, fraud risk management, recruitment processes, business continuity management, financial processes and information management systems.

Procurement and consultancies

Our approach to procuring goods and services, including consultancies, reflects the core policies and principles of the Commonwealth Procurement Rules.

We advertise open tender opportunities via AusTender (tenders.gov.au) to procure a range of goods and services. We use AusTender to manage our tenders, including releasing tender opportunities, issuing addenda and receipt of tender submissions. Interested parties can register their details with AusTender to receive notifications about our tenders.

Senate Order on Entity Contracts

As a Corporate Commonwealth entity, from 1 July 2017 DHA complies with the Senate Order on Entity Contracts and publishes a list of contracts over \$100,000 (GST inclusive) on our website for the relevant reporting period. Refer to our website (www.dha.gov.au/entitycontracts) to read the report.

Consultancies

We engage consultants as required when specialist expertise is not available in house and the services are required for a defined period of time. In 2019–20, we entered into 41 new consultancy contracts worth \$4.67 million (GST inclusive).

The majority of these contracts related to property provisioning and construction activities, including architectural design, town planning, quantity surveying, impact assessment (heritage, flora and fauna, etc.), social and cultural planning, legal services and graphic design services.

Remaining contracts were for corporate related items including strategic planning and executive recruitment strategy services.

External scrutiny

DHA's operations are subject to scrutiny from a number of Parliamentary committees and external entities.

This section outlines the external scrutiny mechanisms under which we operate on which we report in accordance with the PGPA Rule.

Parliamentary committees

Senate Standing Committee on Foreign Affairs, Defence and Trade

In 2019–20, DHA was not the subject of any inquiries or reports by the Senate Standing Committee on Foreign Affairs, Defence and Trade (the Committee). DHA officers and the Minister for Defence appeared before the Committee on 23 October 2019 and 4 March 2020. DHA responded to Questions on Notice.

Parliamentary Standing Committee on Public Works

In March 2014, in accordance with subsection 6A(3) of the *Public Works Committee Act 1969*, DHA received exemption from scrutiny by the Public Works Committee (PWC) for works we undertake in providing housing and related services for ADF members and their families.

We notify or refer any projects we undertake on behalf of Defence on Commonwealth land to the PWC as follows:

- › medium works with a proposed cost of over \$15 million but fewer than \$75 million
- › major works with a proposed cost of more than \$75 million.

In 2019–20, we did not make any new submissions to the PWC. We progressed work on the following PWC endorsed projects:

- › Seaward Village, Swanbourne (WA)
- › Randwick Barracks (NSW).

Government agencies

Australian National Audit Office (ANAO)

DHA was the subject of an ANAO Performance Audit (Management of Defence Housing Australia) which commenced in April 2019. On 9 April 2020, the report was tabled in the Senate and published on the ANAO website. In its report, the ANAO identified four recommendations and some further findings. DHA's Accountable Authority agreed with all recommendations.

We will continue to work closely with the Department of Defence, particularly to meet the recommendations regarding housing philanthropic organisations, addressing key performance indicators, and the study of comparative costs of a service residence and rent allowance.

DHA has convened a working group with representatives from both DHA and Defence; to prosecute the acquittal of the recommendations and findings. The BARC is providing regular oversight and reports through to the DHA Board.

In accordance with the ANAO's better practice guidelines, in 2019–20 DHA representatives and BARC members considered a number of published reports on other agency operations that were relevant to DHA, including:

- › Cyber resilience of government business enterprises and corporate Commonwealth entities (Report No. 1 of 2019–20)
- › Defence's administration of travel allowances and entitlements paid to APS employees (Report No. 2 of 2019–20)
- › Defence's Quarterly Performance Report on Acquisition and Sustainment (Report No. 3 of 2019–20)
- › OneSKY: Contractual Arrangements (Report No. 4 of 2019–20)
- › Implementation of ANAO and Parliamentary committee recommendations (Report No. 6 of 2019–20).

Commonwealth Ombudsman

DHA maintains a collaborative and productive working relationship with the Office of the Commonwealth Ombudsman. We review any reports published and monitor any recommendations implemented.

In 2019–20, the Commonwealth Ombudsman received 19 complaints related to DHA. As at 30 June 2020, the Ombudsman's office had investigated one complaint. The remaining 18 complaints were managed using early resolution tools, including referring complainants to DHA (as they had not previously sought assistance from DHA) or referring complainants to another oversight agency for consideration.

The Commonwealth Ombudsman did not publish any reports relating to DHA under section 15 of the *Ombudsman Act 1976* in the reporting period.

Information Publication Scheme

DHA is subject to the *Freedom of Information Act 1982* (FOI Act) and publishes information in relation to the Information Publication Scheme on our website (www.dha.gov.au/foi). The published information includes a disclosure log and information about the FOI Act and DHA's Information Publication Scheme Agency Plan.

Office of the Australian Information Commissioner

DHA maintains a collaborative and productive working relationship with the Office of the Australian Information Commissioner (OAIC). We review any reports published and monitor any recommendations implemented.

In 2019–20, DHA was not subject to any OAIC reviews and there were no eligible data breaches reported to the OAIC under the Notifiable Data Breaches Scheme.

Workforce management

At an operational level, the Managing Director and Leadership Team are accountable for our workforce. They are committed to maintaining a skilled and productive workforce and a safe workplace contributing to high quality and professional outcomes.

During 2019–20 we focused on building organisational culture and capability to effectively lead and grow our people and to support the reform program. The initiatives implemented in 2019–20 included:

- ▶ Introducing a capability framework to define the core capabilities required across the organisation and ensure employees understand the capabilities required for their role. The core capability framework is utilised to inform investment in our learning and development activities, recruitment activities, succession management and performance management.
- ▶ Improving employee accountability through effective performance management. In September 2019 DHA launched the Performance and Learning Portal. This system supports the development of clear performance objectives and enables better alignment of employee effort to corporate priorities.
- ▶ Introducing an online learning portal that provides modules supporting core capabilities and technical skills required across the organisation.
- ▶ Enhancing management capability in performance management. We delivered approximately 20 structured performance management training sessions, supported 78 processes to address performance and behavioural issues, implemented two targeted coaching and conflict resolution programs in response to census results and developed a number of toolkits to raise performance management capability.
- ▶ Implementing a more rigorous and proactive early intervention process that resulted in more structured case management support to injured and ill employees. Since the inception of the new process, no workplace injuries sustained during 2019–20 have yet progressed into a compensation claim and 31 employees successfully returned to their pre-injury duties.
- ▶ Building a respectful and inclusive workplace through launching a Workplace Inclusion online training suite. DHA partnered with Job Access to conduct a review of our recruitment practices and process to ensure our roles are accessible for people living with disability.
- ▶ Engaging two interns under the Indigenous Apprenticeship Program. This program provides the opportunity for DHA to provide a pathway for Aboriginal and Torres Strait Islander People seeking to start their careers in the APS.
- ▶ Launching an internal employee mobility register, to provide opportunities for employees to enhance their capabilities and experience through moving to a new role.
- ▶ Developing an operational workforce plan to build workforce capabilities required to deliver the refreshed business model.

Workforce summary

Employment conditions

The DHA Enterprise Agreement 2015 (EA) provides a suite of employment conditions, including leave entitlements, flexible working arrangements, learning and development opportunities and employee wellbeing and assistance programs.

The EA nominally expired on 10 January 2019, but continues to operate until replaced by a new agreement, or terminated by the Fair Work Commission. Rather than negotiate a new agreement, a decision was made to provide pay increases of two per cent per annum, to DHA employees under a determination made under section 24(1) of the *Public Service Act 1999*, an option available under the Australian Government's *Workplace Bargaining Policy 2018*.

DHA will develop a new EA with employees and their representatives during the 2020–21 financial year.

Remuneration

DHA's remuneration arrangements are unique because we are the only GBE to employ its employees under the *Public Service Act 1999*. As such, DHA plans and reports in accordance with the PGPA Act, related instruments and policies including the PGPA Rule, and the GBE Guidelines.

Our remuneration strategy supports the strategic purposes of the organisation, and enables performance based reward and recognition of capable employees. The remuneration strategy is aligned to market practice and supports the interests of our shareholders. Our remuneration is determined based on level and role.

In summary:

- › The EA sets out conditions of service for employees employed from DHA Level 1 to DHA Executive Level 2, including salary rates for new employees.
- › The remuneration and conditions of service of Senior Executive Service (SES) officers is set by the Managing Director in accordance with section 24(1) of the *Public Service Act 1999*.¹⁰

- › The remuneration of the Managing Director is set by the DHA Board in accordance with the parameters of the Remuneration Tribunal's determination for Principal Executive Office holders (refer to section 50 of the DHA Act).¹¹
- › The remuneration of Board members is decided upon by the Remuneration Tribunal's determination for holders of part time public office (refer to section 17 of the DHA Act).
- › Each remuneration package consists of a base salary (or fees in the case of Board members) and employer superannuation contributions in accordance with applicable legislation and fund requirements.
- › Employees are paid allowances (e.g. travel and motor vehicle) in accordance with the EA or Remuneration Tribunal determinations for the Managing Director and Board members. Employees and the Managing Director accrue leave and may be entitled to a potential performance bonus.

Refer to Appendix B: Workforce statistics for more information about salary rates and full disclosure on executive remuneration.

¹⁰ Senior executive service roles are benchmarked with comparable roles in the market. External benchmarks are determined by researching disclosed data from relevant Australian listed companies, the Australian Public Service Commission (APSC), industry data and other GBEs.

¹¹ The Remuneration Tribunal is an independent statutory body established under the *Remuneration Tribunal Act 1973* that oversees the remuneration of key Commonwealth offices.

Employee performance management framework and payments

During 2019–20 DHA implemented a new Performance Management Framework (the Framework) which captured the shared responsibility of employees and managers to foster a high performance culture. The Framework operates over a 12 month performance review cycle. To support the Framework, a new online performance and learning portal (the Portal) was implemented which mapped individual performance objectives against DHA's strategy and organisational objectives.

The Portal strengthened the governance of organisational performance by providing a more effective reporting functionality that contributed to:

- › improved accountability to ensure managers and employees are meeting their performance management responsibilities
- › increased transparency in monitoring progress and the application of performance ratings
- › snapshot of employee effort against corporate objectives and organisational outcomes
- › growth in the frequency and quality of employee performance conversations.

All employees employed for three months or more are required to prepare a performance development agreement (PDA). Formal performance reviews were conducted mid-year and at the end of the financial year to assess whether individual targets were exceeded, met or not met. This assessment informs performance bonus payments provided for in the EA.

In 2019–20, DHA adopted a more rigorous moderation process of each employee's end of year performance rating and performance bonus. The process ensured there was consistency in performance assessments across DHA, and performance ratings were reflective of the achievement of individuals against DHA's strategic priorities. Performance rating and bonus moderation were conducted by group managers and the Managing Director with consideration to DHA's organisational performance and operating environment.

To further enhance management capability in performance management, manager and employee toolkits were developed which was supplemented with structured performance management training sessions. In 2019–20, we saw improved management capability and willingness to address performance and behavioural issues.

Managing Director

In accordance with the Tribunal's Determination for Principal Executives Offices, the Managing Director is eligible for performance pay of up to 20 per cent of total remuneration. Performance requirements and related performance assessments are determined annually by the Board's Nomination and Remuneration Committee and referred to the Board for approval.

Senior Executive staff

Senior Executive Service (SES) employees have traditionally had the opportunity to receive potential performance bonuses of up to 15 per cent of their annual gross base salary. The Managing Director reviews performance measures for SES employees at least biannually to ensure alignment with DHA's organisational strategies, corporate goals and workforce resources. DHA is phasing out bonuses for SES employees, SES appointments made during the financial year do not have eligibility for a performance bonus.

Refer to Appendix B: Workforce statistics for further detail on performance payments.

Salary packaging

Board members are entitled to salary packaging, whereby they may elect to have all or part of their fees paid to a complying superannuation fund as a pre-tax salary deduction.

The Managing Director and all other staff are entitled to salary packaging, whereby they can elect to receive part of their salary in forms other than cash. At DHA, salary packaging options include cars (novated lease), additional superannuation and head office car parking. Salary packaging is subject to internal approvals.

Travel and related allowances

DHA coordinates Board members' and the Managing Director's official business travel and pays related allowances in accordance with the Tribunal's principal determination for official travel by office holders. DHA uses whole of government procurement arrangements to access competitive travel rates for senior executive members and other staff ensuring value for money in accordance with the PGPA Act and Australian Government travel policies.

Flexibility arrangement

In accordance with Part F (Flexible Working Arrangements) of the EA staff members employed under the EA may agree to enter into an Individual Flexibility Agreement (IFA) to vary arrangements about when work is performed, overtime rates, penalty rates, allowances, remuneration and leave. An IFA must meet the genuine needs of DHA and the employee in relation to one or more of the aforementioned items and be agreed to by DHA and the employee in writing. IFAs are reviewed at least every 12 months.

Refer to Appendix B: Workforce statistics for further details on employment instruments.

Building a diverse workforce

This year DHA continued to drive awareness of diversity and inclusion to help ensure we have a workplace free from discrimination, where employees feel able to come to work in a safe and supportive environment where they can be themselves and contribute to DHA to their full potential.

Initiatives to build a diverse workforce are supported by the DHA Diversity and Inclusion working group (the working group). The working group comprises up to 12 self-nominated employees in different locations, business areas, roles and backgrounds. Members are expected to consult with and represent the views of employees at meetings and to support initiatives to improve inclusiveness in DHA.

The working group also provides advice to DHA on workplace and workforce issues impacting on the diversity of employees and that of the community in which we operate and meets quarterly or as required.

Table 4.6: Workforce summary 2018–19 and 2019–20

Indicator	2018–19	2019–20
Headcount		
Total number of staff employed ¹	646	541
Wages expense ratio	7.9%	9.3%
Diversity (as a percentage of the workforce)²		
Identify as a male	36%	35%
Identify as a female	64%	65%
Identified as Aboriginal or Torres Strait Islander	1.3%	1%
Identified as having a disability	1.45%	2%
Retention		
Staff retention and turnover rate	13.6%	16.7%
Engagement		
Staff engagement ³	74%	N/A

Notes

1. Figures include ongoing and non-ongoing staff at their substantive classification as at 30 June 2019 or 30 June 2020. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded.
2. Diversity figures as identified by staff. These figures exclude the Managing Director, and Board members. No staff have identified as Indeterminate.
3. As measured by our Engagement Employee Index score in the APSC employee Census. Results for 2019-20 is unavailable as the survey was delayed due to COVID-19.

Some key highlights of diversity and inclusion activities included:

- ▶ introducing affinity groups across DHA to help facilitate conversation about relevant topics and networking amongst colleagues
- ▶ holding a virtual National Reconciliation Week event with special guests from the Indigenous Literacy Foundation to understand and promote the important work they do for Indigenous communities around Australia
- ▶ partnering with JobAccess to review our current recruitment practices and ensure people living with a disability are confident to apply for jobs within DHA
- ▶ implementing a LGBTQI+ Action Plan and appointing a LGBTQI+ Champion to support our LGBTQI+ community
- ▶ launching a series of e-learning modules which focus on improving employees' understanding of diversity including Aboriginal and Torres Strait Islander people, LGBTQI+, gender, age, disability and cultural diversity
- ▶ engaging with the DHA Reconciliation Action Plan working group to develop DHA's Innovate Reconciliation Action Plan.

DHA's reconciliation actions are supported by the Reconciliation Action Plan (RAP) working group. This group comprises 12 employees who self-nominate through an interest in reconciliation and making reconciliation a positive force for cultural, work practice and core business changes. Members are expected to play a proactive role in raising awareness and sharing information across DHA.

The RAP working group also includes DHA's RAP Champion, Paul Groenewegen, the Chief Financial Officer and meets at least quarterly to discuss and evaluate reconciliation initiatives within DHA.



Case study

On the road to reconciliation

Two years into DHA's inaugural Reconciliation Action Plan (RAP), we have introduced a number of important initiatives to ensure we not only promote awareness, but truly embed reconciliation into our work culture.

DHA welcomed our first Indigenous apprentices through the Australian Public Service Indigenous Apprentices Program (IAP) run by Services Australia. Two apprentices commenced in our Darwin regional office in late January 2020 and are training to fulfil one of our critical front line roles as a property manager. In addition, they are studying to complete a Diploma in Government which is a nationally recognised qualification. The IAP is a 12 month engagement providing apprentices with on the job training and formal external studies. This year marks our inaugural participation in IAP and we look forward to welcoming more apprentices in the future.

In early 2020, DHA partnered with the Indigenous Literacy Foundation (ILF) by including this charity in our staff Workplace Giving Program. The ILF is now one of nine not for profit organisations that staff can make donations too. This is facilitated by our payroll operations where staff can make donations directly from their salary. We strengthened our partnership with the ILF in May and June by celebrating National Reconciliation Week 2020 with a 'Great Book Swap' to raise funds for the ILF's inspirational work with remote Indigenous communities to close the literacy gap.

This year we launched an online inclusion training program which has been designed to provide all staff with core skills and knowledge around the importance of inclusion and diversity in our workplace. The modules include Aboriginal and Torres Strait Islander, LGBTQI+, gender, age, disability and cultural diversity. It has been designed to provide all DHA staff with core skills and knowledge around the importance of inclusion and diversity and to create a more inclusive workplace and work practices in our organisation.

We have embarked on a rigorous review of our procurement policy to ensure it continues to align with the Australian Government's Indigenous Procurement Policy and provides the best opportunity to utilise our membership with Supply Nation. In December 2019, DHA awarded a contract to Indigenous cleaning company, Pacific Facility Services for the provision of cleaning services to 11 of DHA's offices around the country. DHA is now also participating in the Commonwealth Indigenous Procurement Discussion Group. Established in 2019, its purpose is to share best practice, resources and lessons learnt in relation to each agency's procurement with Indigenous businesses. The group provides an opportunity to build networks between Australian Government procurement practitioners who have oversight for the implementation of the Indigenous Procurement Policy or supplier diversity within their respective agencies.

Our RAP working group and Leadership Team have worked closely with Reconciliation Australia over the previous 12 months to draft our Innovate Reconciliation Action Plan which will drive the second phase of our reconciliation journey.



Developing our workforce and people

We are committed to developing the skills and knowledge staff need to undertake their current role and build capability to meet future challenges.

Formal learning and development

Staff can access a range of formal learning to develop their leadership skills, personal effectiveness or functional capability. In addition, staff must complete mandatory training on matters of legislative and policy compliance. In 2019–20, all staff were required to complete refresher modules on governance and compliance, with a completion rate of 97 per cent across the organisation.

Programs are delivered via e-learning, face to face or a blend of both. They are presented by external providers and internal specialists, ensuring we have the right balance of expertise and corporate knowledge to provide staff the personal development they need to be successful in their role.

The Performance and Learning Portal implemented in 2019–20 provides a wide range of online learning modules supporting the development of core capabilities and technical skills across the business.

In response to the COVID-19 pandemic, a large range of online courses dealing with remote work and effectively managing remote teams were 'pushed' to employees and managers to facilitate a smooth transition to this new way of working across the business.

Table 4.7: Learning and development 2018–19 and 2019–20

Indicator	2018–19	2019–20
Percentage of salaries spent on training staff	1.1%	1.1%
Internal learning events completed by staff	9,710	10,020
Staff undertaking supported studies	59	39

Note

1. Supported study includes study, research, training or other educational activities conducted in Australia by a higher education provider or registered training organisation.

Approximately 20 structured performance management training sessions were held to raise the performance management capability of DHA managers.

Studies assistance

We encourage ongoing staff to undertake relevant formal study in approved fields relevant to our business operations. Where approved, staff are supported through financial assistance, paid study leave and paid exam leave. In 2019–20, 39 employees undertook supported studies.

Recruitment and panel training

During 2019–20, DHA delivered a comprehensive training workshop targeted to DHA employees involved in recruitment activities. This included training to become a panel member of a selection committee or a hiring manager. The one day workshop was delivered in house. It covered understanding and commencing recruitment, the selection process and how to get the best candidate for a role. The workshop continued to

support DHA's recruitment platform and was attended by 20 employees during the course of the year.

Engaging with our employees

DHA's commitment to consult with employees is outlined in the DHA Enterprise Agreement 2015 and includes the operation of a Staff Consultative Group (SCG). The SCG comprises 20 elected employee representatives, a Community and Public Sector Union representative, and a management representative Secretariat support to the SCG is provided by DHA.

The SCG meets quarterly and provides a forum for discussion between employees and management on workplace issues. Through representatives of the SCG, staff members are encouraged to raise workplace concerns and suggestions and work cooperatively to discuss issues and recommend solutions.

Maintaining a safe workplace

We are committed to maintaining the highest possible standard of health and safety for everyone who enters our workplace, whether it is in an office, a construction site or one of the properties in our portfolio.

Table 4.8 provides a comparative overview of our work, health and safety (WHS) performance in 2018–19 and 2019–20. In 2019–20:

- › We exceeded the TRIFR benchmark target of fewer than seven. The majority of incidents were slips, trips and falls by staff in the field and required minimal time off. Proactive safety campaigns were undertaken to mitigate further incidents and staff were reminded of applicable safe work processes.
- › The total number of incidents reported declined. This was largely due to a change in the process for recording potential gas leaks to improve the accuracy of incident reports. All potential gas leaks reported are now assessed by the Safety, Health, Environment and Quality (SHEQ) team in the first instance to determine whether they are WHS related incidents or standard maintenance requests.

Table 4.8: WHS performance 2018–19 and 2019–20¹

Indicator	2018–19	2019–20
Total recordable injury frequency rate (TRIFR) ²	7.84	8.54
Lost time injury frequency rate	5.49	3.11
Total incidents reported	677	473
Work health safety incidents	155	174
Staff	62	57
Contractors	34	23
ADF members or dependants	59	94

Notes

1. Incidents are reported from the date of occurrence. Figures in Table 4.8 can vary from previous DHA Annual Reports as incidents which occurred in one financial year may be reported in another year, incidents may be reclassified following investigation, or figures may be varied following greater data analysis (i.e. to remove duplicate reports). The variances are not considered material or statistically significant.
2. TRIFR is the number of recordable injuries per million work hours.

- › The total number of WHS incidents increased. The largest variance related to ADF member and dependant reporting of incidents. This is attributed to greater home based work during the bushfires and COVID-19 pandemic.

Refer to Appendix C: Work, health and safety for more detailed information on DHA's WHS performance in 2019–20.

Response to bushfires

During the 2019–20 bushfire season, the south east coast of Australia experienced extreme weather conditions resulting in a significant number of bushfires burning simultaneously across New South Wales (NSW), the Australian Capital Territory (ACT), Queensland, Victoria, South Australia and Tasmania. We issued safety alerts to staff, provided personal protective equipment and amended our operations by deferring all non-essential inspections. There were no reports of injuries to DHA staff or ADF members.

Response to hailstorms

During January 2020, some ACT suburbs and parts of the surrounding NSW area were affected by a significant hailstorm. We issued safety instructions to staff immediately following the storm to prevent injury in the wake of considerable vehicle and property damage. A small number of DHA staff members and a contractor endured minor injuries as a result of the storm and received medical attention.

Response to the COVID-19 pandemic

DHA activated our Business Continuity Plan in early March 2020 to safeguard staff and the ensure continuity of service to ADF members and their families in light of the pandemic. In accordance with government and health advice, we implemented various health, safety and welfare policies and procedures to support staff, including an interim COVID-19 home based work policy which enabled the majority of staff to transition to home based work. Staff were permitted to take some equipment home to facilitate, so far as reasonably practicable, a suitable ergonomic set up. In addition, a rostering system allowed critical staff working from DHA offices to adhere to strict Government enforced physical distancing requirements. We also ceased non-critical inspections, repairs and maintenance as needed to safeguard the health and wellbeing of staff and ADF members.

Contributing to our community

Individual giving

In July 2016, we launched DHA CommUNITY, a program of corporate initiatives designed to help employees support each other and the communities we live in. Key initiatives of the program included:

- › Workplace Giving Program whereby all employees have the opportunity to voluntarily donate to charities through a once off or fortnightly donation directly from their pay.
- › Shared Benefits Scheme whereby employees can donate an amount of their accrued personal leave to a registry for the benefit of other employees who require an extended leave of absence, most often due to serious personal or family illness. More than 662 hours of personal leave was donated to the Shared Benefits Scheme during the reporting period.

- › DHA partnered with the Indigenous Literacy Foundation early in 2020 by including this charity in our Workplace Giving Program. DHA recognised National Reconciliation Week 2020 by supporting the Indigenous Literacy Foundation's 'Great Book Swap'. By participating in the Great Book Swap DHA employees donated \$560 to help close the literacy gap in remote Indigenous communities.

In 2019–20, DHA employees made donations to the following organisations:

- › Assistance Dogs Australia
- › Beyond Blue
- › Fred Hollows Foundation
- › Cancer Council Australia
- › Legacy Australia
- › Make-A-Wish Foundation
- › RSPCA Australia
- › Indigenous Literacy Foundation
- › Salvation Army
- › Starlight Children Foundation Australia
- › Soldier On.

Volunteering

Employees are encouraged to undertake volunteer work in the local community and, subject to operational requirements, may enter into a flexible work agreement or take paid or unpaid leave to do so.

Case study

DHA in the community

Over the year, DHA developed a community engagement program to support and enhance the lives and communities of ADF members and their families.

We have supported Defence related organisations that align with DHA's broader sponsorship strategy to support ADF families, especially women and children, with a particular focus on mental health support initiatives.

One of the most enjoyable and rewarding aspects of partnering with community organisations is the opportunity for DHA staff to take part in events and interact with local Defence communities. In 2019–20 DHA staff took part in 51 Defence events and Defence Community Organisation welcome days, as well as hosting our own events at DHA residential developments to strengthen community spirit among residents.

These engagements are an active expression of our corporate commitment to put our Defence customers at the centre of everything we do.

The following is a snapshot of highlights from our 2019–20 community engagement program.



Partnerships

Earlier this year DHA was proud to announce a partnership with Integra Service Dogs Australia. DHA's support has contributed to a project to select, train and place a Labrador assistance dog with an ADF veteran or member. Integra commenced work on this project in late March 2020 and has progressed the selection and placement of two dogs with a veteran in Melbourne and Canberra. Integra is continuing to provide training and support to these clients.

DHA also supported sporting organisations that bring the ADF community together through sponsorship of the Navy Football Federation Australia, ADFSA Netball Association and ADFRL Women's Rugby League. Our support has gone towards the hire of training facilities, team uniforms and equipment. These partnerships complement our commitment to inclusivity and diversity and championing sport and wellbeing.

We are proud to have supported organisations such as the Australian Military Wives Choir to hold their annual national workshop in Canberra in October 2019, and the Prince's Trust Australia with the launch of their volunteer and mentoring platform for veterans and ADF family members participating in enterprise programs.

Community

In 2019–20 DHA provided financial support to several organisations that play a key role in the Defence community. This included arts and crafts resources, office equipment and safe furniture for small community centres such as the Karrakatta Community House and Pearce Community Group, WA, Larrakeyah Neighbourhood House, NT, and Duntroon Community Centre, ACT. We have also been able to assist in providing toys and games for a number of school Defence clubs in regional communities and towards the building of a memorial garden at Willows State School, QLD.



Welcome and family open days

DHA staff participated in 21 Defence Community Organisation (DCO) welcome days this year. Staff attended as stall holders meeting new residents and answering any questions about DHA. Rex D. Dog also attended 18 DCO events and hosted six Rex Activity Workshops.

The DCO welcome days took place between January and March 2020 and ranged from 500 to 10,000 attendees at iconic venues and locations across Australia, including Adelaide Zoo, Cairns Wildlife Dome, Sydney's Luna Park, Townsville Stadium and SciTech in Perth.



At the end of 2019, DHA supported regional communities with the opportunity to host their end of year celebrations for local ADF members and their families at the Randwick Family Centre, NSW, Wagga Defence, NSW, and Tindal RAAF Base, NT.

DHA has also fostered community engagement by hosting a series of events at our development areas. These events included a night of movies under the stars at Breezes Muirhead, QLD, a Halloween party and outdoor movie night at Wirraway Community Park, NSW, and a Spring Fling at Torhaven, Deebing Heights, QLD.

Rex D. Dog school visits

Our Rex D. Dog mascot visited six schools this year, including the Southern Cross Catholic School and the Middle Ridge State School, QLD, Thornton Public School, NSW, and the Trinity Christian School, ACT.

Rex loves to entertain Defence children across Australia, reading his 'Sticking Together' storybook, taking part in activities at school fetes and posing for every available photo opportunity.

DHA participated in 24 Defence events and family days held at regional Defence bases across the country. These events reinforce DHA's role in supporting ADF members and their families during posting cycles. Events this year included RAAF Edinburgh Air Show and 1ARMD Family Day in SA, HMAS Cerberus Family Fun Day and the Simpson Barracks Family Day in VIC, Gallipoli Barracks Open Day in QLD, HQJOC Defence Family Day in ACT, Singleton Military Area Family Day and RAAF Glenbrook Welcome Day in NSW.

Information management and systems

We are committed to improving our information governance and service delivery through the use of technology and making our information and Online Services accessible to as many people as possible, regardless of ability.

Enterprise systems

We are maximising investor (landlord) and member engagement by expanding and enhancing digital channels. We are supporting Defence with the implementation of Posting Connect, which allows members to access Defence, Toll and DHA in a single platform for all post-in and post-out activities. Posting Connect is expected to become available in 2020–21 and we will continue to work with Defence to ensure exceptional member experiences.

We have completed the migration of key processes and data from a legacy property management system into our whole of business enterprise platform for asset management. As part of our technology strategy, we are maximising current investments by transitioning business functionalities, such as procurement, travel, accounts payable and financial delegations, into our financial management information system.

Staff remote working capability

In 2019–20, we brought forward planned upgrades to our remote working technology capability to ensure staff have all the tools they need to work remotely, particularly in response to COVID-19. We enabled a seamless transition from office based to home based work for 90 per cent of staff.

Our remote working technology capability has been further supported through a rigorous cyber program, including staff awareness training and a range of projects aimed at strengthening our security posture.

Information security governance

In 2019–20, the Board approved an Information Security Policy Governance Framework, which defines a policy based governance process to ensure the relevance and currency of our information security policies and supporting documentation. We have developed and begun operationalising a suite of information security policies to model our approach to information security on the Australian Government's Information Security Manual.

This framework forms part of DHA's Cyber Security Program, which focuses on building maturity across the Australian Signals Directorate Essential Eight controls.





Your role

- Prepare a scope of services
- what you need from the client
- The client needs to identify a key approach
- Get approval from your client
- the number of staff you need
- Evaluate the responses from client to preferred business recommendations for your firm
- Get approval from your client
- preferred business (e.g. 200 staff)
- The client needs to identify a key approach
- Date of documentation: 2023



PART 5

Financial statements

Defence Housing Australia

ABN 72 968 504 934

Annual Report

For the year ended 30 June 2020

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence and the Minister for Finance

Opinion

In my opinion, the financial statements of the Defence Housing Australia (the Entity) for the year ended 30 June 2020:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2020 and for the year then ended:

- Statement by Directors, Managing Director and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chairman of the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Chairman of the Board is also responsible for such internal control as the Chairman of the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chairman of the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chairman of the Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
28 August 2020

Statement by Directors, Managing Director and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2020 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Defence Housing Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Directors.



The Hon. J A L (Sandy) Macdonald
Chairman



Mr Barry Jackson
Managing Director



Mr Paul Groenewegen
Chief Financial Officer

27/8/20

Defence Housing Australia
Statement of Comprehensive Income
For the year ended 30 June 2020

Statement of Comprehensive Income

	Notes	2020 \$'000	2019 \$'000
Income			
Revenue			
Revenue from contracts with customers	3	426,047	437,057
Housing services lease rentals	4	487,815	484,734
Interest received	5	3,450	5,760
Other income		104	104
Total revenue		917,416	927,655
Gains			
Gains from disposal of investment properties	6	5,360	7,676
Impairment loss reversal on financial instruments		-	99
Total gains		5,360	7,775
Total income		922,776	935,430
Expenses			
Employee expenses	7	69,880	68,710
Housing services lease rentals		-	307,932
Rates, repairs and maintenance	8	142,019	140,058
Depreciation and amortisation	9	299,067	19,884
Cost of inventories sold		224,488	257,730
Finance costs	10	53,109	24,506
Net write down and impairment of assets	11	45,359	14,155
Impairment loss on financial instruments		56	-
Other expenses		29,073	46,148
Total expenses		863,051	879,123
Share of joint venture profit/(loss) accounted for using the equity method		(2)	76
Profit before income tax on continuing operations		59,723	56,383
Income tax expense	12a	17,050	15,475
Profit after income tax		42,673	40,908
Other comprehensive income		-	-
Total comprehensive income		42,673	40,908

The above statement should be read in conjunction with the accompanying notes.

Defence Housing Australia
Statement of Financial Position
As at 30 June 2020

Statement of Financial Position

	Notes	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	13	379,143	212,924
Trade and other receivables	14a	23,557	14,001
Investment properties held for sale	15	13,419	1,918
Inventories	16	428,139	488,824
Other current assets	17	2,206	29,854
Total current assets		846,464	747,521
Non-current assets			
Inventories	16	327,113	489,733
Investment properties ¹	18	2,616,999	1,037,730
Property, plant and equipment ¹	19	21,837	6,244
Intangibles		4,530	4,526
Deferred tax assets	12c	81,842	28,314
Investments accounted for using the equity method		-	7
Other receivables		520	678
Total non-current assets		3,052,841	1,567,232
Total assets		3,899,305	2,314,753
Liabilities			
Current liabilities			
Trade and other payables	20	39,781	60,712
Dividend payable	21	25,604	24,545
Borrowings	22	135,000	150,000
Lease liabilities	23	258,239	-
Provisions	24	53,019	26,731
Current tax liabilities		11,839	3,251
Other financial liabilities	25	34,530	20,317
Total current liabilities		558,012	285,556
Non-current liabilities			
Borrowings	22	374,580	359,580
Lease liabilities	23	1,387,196	-
Provisions	24	107,698	101,697
Other financial liabilities	25	-	386
Total non-current liabilities		1,869,474	461,663
Total liabilities		2,427,486	747,219
Net Assets		1,471,819	1,567,534
Equity			
Contributed equity		403,863	403,863
Retained Earnings		1,067,956	1,163,671
Total equity		1,471,819	1,567,534

¹ Right of use assets are included in the Investment properties and Property, plant and equipment balance.

The above statement should be read in conjunction with the accompanying notes.

Defence Housing Australia
Statement of Changes in Equity
For the year ended 30 June 2020

Statement of Changes in Equity

	Retained Earnings \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance as at 1 July 2018	1,147,308	403,863	1,551,171
Profit for the year	40,908	-	40,908
Other comprehensive income	-	-	-
Total comprehensive income	40,908	-	40,908
Transactions with owners			
Return of capital			
Dividends	(24,545)	-	(24,545)
Balance as at 30 June 2019	1,163,671	403,863	1,567,534
Balance at 1 July 2019	1,163,671	403,863	1,567,534
Adjustment on initial application of AASB 16 ¹	(112,784)	-	(112,784)
Adjusted opening balance as at 1 July 2019	1,050,887	403,863	1,447,870
Profit for the year	42,673	-	42,673
Other comprehensive income	-	-	-
Profit for the year	42,673	-	42,673
Total comprehensive income	42,673	-	42,673
Transactions with owners			
Return of capital			
Dividends	(25,604)	-	(25,604)
Balance as at 30 June 2020	1,067,956	403,863	1,471,819

1. Adjustment required on initial implementation of AASB 16 Leases. Refer Note 2 Changes in Accounting Policies for details.

The above statement should be read in conjunction with the accompanying notes.

Defence Housing Australia
Statement of Cash Flows
For the year ended 30 June 2020

Statement of Cash Flows

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Cash received			
Sales of goods and services		608,579	676,772
Sales of inventory		375,092	331,600
Interest		3,457	5,745
Stamp duty and land tax equivalents received		25,898	34,653
GST received		13,806	19,000
Total cash received		1,026,832	1,067,770
Cash used			
Employees		85,872	89,462
Suppliers		163,156	517,143
Borrowing costs		20,808	24,506
Interest on leased assets		31,970	-
Income taxes paid		13,562	17,022
Acquisition and construction of inventories		176,194	276,709
Stamp duty and land tax equivalents paid		35,726	36,950
GST paid		26,583	20,556
Other expenses		8,111	15,049
Total cash used		561,982	997,397
Net cash from operating activities	26	464,850	70,373
Cash flows from investing activities			
Cash received			
Proceeds from sale of investment properties		33,759	20,442
Investment in associates		-	611
Total cash received		33,759	21,053
Cash used			
Acquisitions and construction of investment properties		24,511	36,763
Acquisition of property, plant and equipment		3,450	2,998
Total cash used		27,961	39,761
Net cash from/(used by) investing activities		5,798	(18,708)
Cash flows from financing activities			
Cash used			
Principal repayment on leased assets		279,884	-
Dividend paid		24,545	26,555
Total cash used		304,429	26,555
Net cash from/(used by) financing activities		(304,429)	(26,555)
Net increase in cash and cash equivalents			
		166,219	25,110
Cash held at the beginning of the financial year		212,924	187,814
Cash and cash equivalents at end of financial year	13	379,143	212,924

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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1. Overview and significant accounting policies

(a) Objectives of DHA

Defence Housing Australia (DHA) is an Australian Government (Government) controlled for profit entity. The objective of DHA is to provide housing and related services for members of the Australian Defence Force (ADF) and their families in line with the Department of Defence (Defence) operational requirements.

DHA is structured to meet one outcome:

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

The continued existence of DHA in its present form and with its present operations is dependent on Government policy. DHA receives no appropriations or receipts from Government, and is considered 'Departmental' for Government reporting purposes.

(b) Basis of preparation of the financial statements

The financial statements are required by section 42 of the PGPA Act and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR);*
and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

DHA is classified as a Government Business Enterprise (GBE) as stipulated in section 5(1)(c) of the PGPA Act and is a for-profit entity. It should also be noted that DHA is governed by the *Defence Housing Australia Act 1987 (DHA Act)*.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

1. Overview and significant accounting policies (continued)

(c) New and amended accounting standards adopted by DHA

No accounting standard has been adopted earlier than the application date as stated in the standard.

In the current year, DHA adopted all new and revised standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Adoption of *AASB 16 Leases* required DHA to change its accounting policies where DHA is the lessee. DHA elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in *Note 2 Changes in Accounting Policies*.

Several other new standards and amendments apply for the first time from 1 July 2019, but these do not have a material impact on the financial statements.

Lease accounting

DHA has changed its accounting policy for leases where DHA is the lessee. The new policy is described in *Note 23 Lease Liabilities* and the impact of the change in *Note 2 Changes in Accounting Policies*.

Lease income from operating leases where DHA is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the Statement of Financial Position based on their nature.

(d) COVID 19 impact risk assessment

DHA has considered the emerging risk arising from the uncertainty surrounding the COVID-19 global risk. In response to the COVID-19 crisis, DHA management activated the Business Continuity Plan and established a team to monitor the rapidly changing impacts on DHA business. Early predictions of a significant downturn in the Australian property market and contraction of the rental market have not eventuated. Internal and external market data indicates low interest rates and government support for borrowers have helped insulate the market from a significant downturn. Market uncertainty remains in the medium term as the pandemic is not yet under control and restrictions are currently being re-imposed in some jurisdictions after a period of slight easing. DHA has identified the following potential financial implications:

Fair value of inventory and investment assets

DHA measures its inventory and investment stock based on market value assessment, a market downturn could result in an impairment adjustment. To mitigate the risk of estimate uncertainty, DHA management closely monitor external reporting on property market indicators and the sale price outcomes of DHA stock compared to the 31 December 2019 independent market valuation. Property market reporting at the date of publication of these financial statements support a stabilisation of property values in line with the ten year averages and a recovery from the market lows reported in April 2020. In addition, the sales price achieved on DHA properties sold during the period 1 January 2020 to 30 June 2020 are in line with the 31 December 2019 independent market valuation. Impairment recognised at 30 June 2020 is appropriately updated to reflect market conditions.

1. Overview and significant accounting policies (continued)

Investment Stock and Leased Investment Properties

Recoverable amount calculations for investment properties and right of use leased investment properties use a discount rate that reflect the market property risks. Changes in the market capital values and rental returns could result in an additional impairment. As noted above, DHA management closely monitor external property market reports and internal sales outcomes to mitigate the risk of estimate uncertainty.

Expected credit losses

DHA calculates expected credit losses using historical rates of default rate to estimate future probability of default. DHA does not expect a material change as the majority of rental income is derived from Defence. However, DHA has factored the increased credit risk on private rental default into the expected credit loss calculation.

Going Concern

The financial statements have been prepared on a going concern basis. DHA management has reviewed the financial model to ensure DHA remains financially sustainable through the COVID-19 crisis by implementing measures to limit expenditure. In addition, the Defence rent bill revenue and payment to investors are known and not considered to be at risk. The directors of DHA are of the opinion that DHA has adequate resources to continue as a going concern and pay its debt when they fall due and payable.

2. Changes in accounting policies

This note explains the impact of the adoption of *AASB 16 Leases* on DHA's financial statements.

DHA adopted *AASB 16 Leases* from 1 July 2019. The new accounting policies are disclosed throughout the notes to the financial statements.

On adoption of *AASB 16 Leases*, DHA recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average of DHA's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.73%.

(a) Practical expedients applied

In applying *AASB 16 Leases* for the first time, DHA has adopted the modified retrospective transitional approach, with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

DHA is not required, or permitted, to reassess sale and leaseback transactions entered into before the date of initial application to determine whether the transfer of the underlying asset satisfies the requirements of *AASB 15 Revenue from Contracts with Customers* to be accounted for as a sale. DHA accounts for sale and leaseback transactions as a sale as all the risks and rewards of ownership transferred to the new owner at the date of sale. Using the practical expedient, provided in *AASB 16 Leases* relating to sale and leasebacks, DHA accounts for the leaseback in the same way it accounts for any other operating lease that exists at the date of initial application.

In line with the requirements of applying the modified retrospective approach, DHA has:

- applied the Incremental Borrowing Rate (IBR) to discount the lease payment when calculating the lease liabilities to recognise on transition; the IBR is the rate DHA would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment;
- elected to use the practical expedient and is using a single discount rate for leases that have similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment; and
- assessed whether the right of use assets recognised on transition relating to leases previously classified as operating leases need to be impaired in accordance with the requirements of *AASB 136 Impairment of Assets*; DHA has not relied on its assessment of whether leases are onerous when applying *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment assessment.

DHA has not elected to use the recognition and measurement exemptions available under the standard for lease contracts where the lease term ends within 12 months from the date of initial application or for lease contracts where the underlying asset is of low-value. At 1 July 2019, DHA did not have any leases over low value assets or lease terms shorter than 12 months.

2. Changes in accounting policies (continued)

(b) Measurement of right of use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 1 July 2019.

(c) Adjustment recognised on the Statement of Financial Position as at 1 July 2019

The change in accounting policy affected the following items on the Statement of Financial Position on 1 July 2019. All numbers stated below are in \$'000s:

- right of use leased investment properties – increase by \$1,619,657
- right-of-use assets property plant and equipment – increase by \$17,942
- lease incentives - decrease by \$781
- deferred tax assets – increase by \$48,428
- prepayments – decrease by \$26,041
- lease liabilities – increase by \$1,771,989

The net impact on retained earnings on 1 July 2019 was a decrease of \$112,784.

(d) Lessor accounting

DHA did not need to make any adjustments to the accounting for assets held as lessor under operating leases (see *Note 18 Investment Properties*) as a result of the adoption of *AASB 16 Leases*.

3. Revenue from contracts with customers

	2020 \$'000	2019 \$'000
Revenue from Defence		
Allocation services provided	13,928	13,149
Defence property management services	59,630	59,029
Construction services	32,725	19,275
Defence other charges	6,989	7,930
Total revenue from Defence	113,272	99,383
Revenue from other customers		
Sale of inventories ¹	307,145	334,256
Lessor management fee revenue	5,532	3,312
Non-Defence other charges	98	106
Total revenue from other customers	312,775	337,674
Total revenue from contracts with customers	426,047	437,057
Timing of revenue recognition		
Over time	111,913	94,871
At a point in time ¹	314,134	342,186
Total revenue from contracts with customers	426,047	437,057

¹. In the 2018-19 Sale of inventory was disclosed separately on the face of the Statement of Comprehensive Income.

Accounting policy

Revenue recognition accounting policies with respect to DHA's business activities within the scope of AASB15 *Revenue from Contracts with Customers* are as follows:

Revenue from Defence

Allocation services provided
Defence property management services
Defence other charges
Construction services revenue

Revenue from Non-Defence Customers

Constructions services
Sales of inventories
Lessor management fee revenue

Timing of revenue recognition

Over time
Over time
Point in time
Over time
Over time
Point in time
Over time

Allocation services provided

DHA provides the service of allocating ADF members to available and suitable accommodation under: the Allocation and Tenancy Management contract (ATM) or off-base accommodation; and the Living In Accommodation contract (LIA) or on-base accommodation based on Defence's requirements and policies. For these services, DHA receives annual fixed fees from Defence as per the ATM and LIA contracts which form part of the overall Services Agreement. The transaction price relating to the provision of each of these services comprises fixed annual amounts which remain unchanged across the contract term and cover a specified number of annual allocations. Additional fees are receivable by DHA should allocations exceed the annual amount. There is also an annual performance payment which DHA may be entitled to receive from Defence should specific KPIs be met. This performance payment relates to all services provided to Defence under the Services Agreement which includes the housing (leasing) services plus the services provided under the ATM and LIA contracts.

The provision of the Allocation Services under the ATM and LIA contracts each represent a series of distinct services that are substantially the same and have the same pattern of transfer to Defence and are each treated as one performance obligation satisfied over time. The fixed fees DHA receives for these services are considered to be the stand-alone selling price for the services being provided. All fees receivable under these arrangements will be recognised in full within the financial year.

For allocations above the specified contractual annual amounts, DHA will receive an additional fee. DHA considers the additional services in relation to the ATM contract to be options to purchase additional goods and services. Therefore, these will only be recognised as revenue as and when the additional allocation services are provided. The additional amounts relating to the LIA contract are considered to represent a material right to receive additional services at a discount and hence a separate performance obligation. However, the underlying services and the related revenue are not recognised until the option is exercised (so no amount of consideration for these transactions is estimated and included in the transaction price initially allocated). In all situations, revenue recognised in a year will relate to all allocations performed during that year. DHA invoices Defence on a monthly basis for the services provided and Defence pays within 30 days.

The performance payment is regarded as variable consideration at contract inception and fully constrained at this date given the nature of the payment. However, by the end of each financial year, the uncertainty of the performance payment is resolved as the performance payment is recognised using the variable consideration allocation exemption. It is allocated between the Allocation Services Provided, the other services provided to Defence, and other services which are in scope of AASB 15, i.e., the Defence property management services. DHA invoices Defence for such performance payments and Defence pays within 30 days.

Defence Property Management Services

DHA receive a range of fees and charges for managing and maintaining residential properties owned by Defence used to house ADF Members. DHA receives payments:

- weekly, when a property is tenanted by an ADF member
- annually, for properties managed by DHA

- ad hoc, on an actual cost incurred basis plus a management fee percentage.

The management services provided under this part of the Services Agreement are considered to be a series of distinct services that form a single performance obligation that is recognised over time. The transaction price is variable as it depends on: how many properties are managed by DHA and for how many years; how often the property is tenanted; and what costs are incurred by DHA in providing specific services. The variable allocation exemption is used to allocate the variable consideration to the services provided in each month. DHA invoices Defence on a monthly basis for the services provided and Defence is required to pay within 30 days; State Taxes are invoiced quarterly and paid by Defence within 30 days.

Defence Other Charges

Defence Other Charges include expenses which are recovered from Defence under the Services Agreement. In the prior year, this included amounts such as: Defence funded capital projects; upgrades to the properties; reimbursements of rates, municipal charges, insurance and utilities incurred by DHA on behalf of Defence.

When incurring these costs, DHA assesses whether it is principal or agent in such transactions. DHA is the principal if DHA controls the good or service before the good or service is transferred to Defence. Where DHA is the principal, the consideration received from Defence is recognised as revenue when the service is performed.

Where DHA is the agent, the consideration received and the expense incurred will have no net impact on profit or loss as these amounts are reimbursed by Defence on a cost recovery basis with no margin or commissions retained by DHA.

Revenue received in relation to Defence funded capital projects is presented as construction services revenue (refer below).

Revenue received to upgrade properties to the required Defence standard is considered to be a distinct performance obligation satisfied at the point in time when the property is first tenanted by an ADF member, as this is when control of the upgrade is transferred to Defence. DHA receives a fixed fee for these services depending on the nature of the property being upgraded. DHA invoice Defence on a monthly basis for the services provided and Defence is required to pay within 30 days.

Construction Services

DHA will often manage the construction of property developments on behalf of Defence and at times non-Defence customers. These services involve DHA project managing the construction using sub-contractors for on-base housing constructions and particular off-base properties for Defence and non-Defence customers. The transaction price DHA receives represents the costs incurred plus a management fee.

Defence - Construction Services

When DHA provides construction services to Defence it either receives cash in instalments over the construction period, or under annuity arrangements whereby Defence makes payments over a fixed period (typically 3-4 years) commencing after construction is completed.

Non-Defence Customers - Construction Services

The construction services DHA provides to non-Defence customers may involve either cash or non-cash consideration, usually being land DHA can use for future developments. Where non-cash consideration is provided, it is valued at fair value at the commencement of the contract. If actual construction costs incurred plus the specified margin is less than the fair value of the non-cash consideration determined at contract inception, DHA is required to refund the difference to the customer in cash, if the costs plus the margin are more than the fair value of the non-cash consideration, the customer is required to pay DHA the additional amount in cash.

The construction services provided for each project represent a single performance obligation satisfied over time, as DHA is creating or enhancing an asset that is controlled by Defence or other non-Defence customers as the construction occurs. The transaction price is determined based on the estimated construction costs plus a specified margin. It is considered variable as the final transaction price will depend on the actual construction costs incurred. At contract inception, DHA estimates variable consideration using an expected value method and this estimate is updated at each reporting period. Revenue is recognised over time using an input method, being the costs incurred to date on the project compared to total costs expected to be incurred, in determining how much of the performance obligation has been satisfied throughout the construction period. Any adjustment to the transaction price is recognised as part of revenue in the period the adjustment occurs.

For construction services involving non-cash consideration, DHA determines the fair value at contract inception using an external market valuation of the land being transferred to DHA.

DHA has applied the contract modification practical expedient available under AASB 15 to construction services contracts. The application of this practical expedient means DHA will not retrospectively account for any contract modifications occurring before the date of initial application. The application of this practical expedient will not have a material impact on DHA at transition or an ongoing basis.

Sale of Inventories

DHA develops properties with the primary purpose of using these properties to house ADF members. In the event that DHA has properties which become surplus to its requirements for meeting this purpose, properties will be disposed and sold to third parties.

Where DHA sells property that has been developed as inventory, it considers each sale of property to be single performance obligation which is satisfied at a point in time i.e. when control of the property transfers to the customer. This is deemed to occur upon final settlement. The transaction price is fixed and is determined at completion of the auction process. There are no significant payments terms as cash is exchanged at settlement.

Lessor Management Fee Revenue

DHA receives a fixed percentage management fee based on the rent paid to lessors in exchange for performing management and maintenance services on the property.

The lessor management fee that compensates DHA for the provision of separate services is recognised as lessor management fee revenue. DHA considers these services to be a series of distinct services that form a single performance obligation that is recognised over time. The transaction price is calculated as a set percentage of the monthly rent paid and will increase when the annual market rents are reset and the variable allocation exemption is used to allocate the variable consideration to the services performed in each month.

These lessor management fees are deducted from the monthly rental bill paid by DHA to the lessor.

Significant Accounting Judgement and Estimates

Lessor Management Fee Revenue

DHA has analysed the services provided in return for lessor management fees and applied judgement to conclude that some activities do not represent the transfer of goods or services from DHA to the lessor. Specifically, bill paying services and market rent review services were considered a performance obligation and recognised as revenue under *AASB 15 Revenue from contracts with customers*; while property administration, annual market rent reviews as defined by the lease and maintenance and restoration services are part of the overall lease related to DHA's use of the property and accounted for as a reduction to rental expense under *AASB 16 Leases*.

Judgement was required in determining the split between the portion that represents the transfer of goods or services to the lessor (herein called 'lessor management fee revenue') and the portion that relates to the lease. DHA utilised internal business and product line costing methodologies across historical financial data, to determine the split.

Sale of Inventories

DHA standard Sale and Leaseback (SLB) arrangements have been assessed to ensure they meet the criteria of a sale under *AASB 15 Revenue from contracts with customers*. These arrangements typically grant DHA, as the seller-lessee, a first right to purchase the property in the event the lessor intends to sell. This option is controlled by the investor and not DHA. DHA has made a key judgement that the conditional repurchase option does not represent a substantive repurchase option that would preclude them from being accounted for as a sale under *AASB 15 Revenue from contracts with customers*.

SLB transactions executed on terms above or below market have specific accounting treatments under *AASB 16 Leases*. Prior to the implementation of *AASB 16 Leases*, DHA offered increased rents on leaseback arrangements to achieve a desired sales price, the sales achieved were usually made with an acceptable range to the independent market value assessment. DHA has applied judgement to conclude these SLB transactions completed prior to the date of initial application,

do not represent above or below market terms. All SLB transactions completed after the date of initial adoption are assessed by property with reference to the independent market assessment of price and rent.

In relation to a SLB transaction, *AASB 16 Leases* only refers to the concept of recognising a gain or loss rather the revenue or expense; DHA has recognised revenue and cost of sales for the portion of the asset that relates to the rights transferred to the buyer-lessor. Management estimates are required to determine portion of revenue and cost of sales to be recognised such that they only reflect the portion rights transferred to the buyer-lessor (investor).

4. Housing services lease rentals

	2020 \$'000	2019 \$'000
Housing services lease rentals		
Defence rent	476,347	473,796
Other rentals	11,468	10,938
Total housing services lease rentals	487,815	484,734

Accounting policy

Defence Rent

This represents lease revenue received from Defence for properties provided under the Services Agreement and Members Choice Accommodation Agreement and is accounted for on a straight line basis.

Other Rentals

Other Rentals comprise rental income received from the private rental market, where there are excess rental properties, not currently occupied by ADF members. Revenue is recognised when a property is tenanted and occupied by a civilian on a monthly basis for the term of the tenancy.

Significant Accounting Judgement

AASB 16 Leases states that a lease is present if a contract “conveys the right to control the use of an identified asset for a period of time in exchange of consideration.” *AASB 16 Leases* further sets out that to assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the customer has both of the following:

- a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- b) the right to direct the use of the identified asset.

DHA has analysed the agreements between DHA, Department of Defence and the Australian Defence Force Member in order to determine if there is a lease agreement under *AASB 16 Leases*. DHA considers it is necessary to read the Defence Services Agreement (DSA), the Defence Housing Australia Act 1987 (DHA Act) and the Defence Housing Australia Residence Agreement (DRA) as a whole to understand the commercial arrangements between the three parties. DHA has concluded that the DSA between DHA and Defence satisfies the definition of a lease under *AASB 16 Leases*, based on the following key judgements:

- i) In order to understand the arrangements, the DSA should be considered together with the DRA and the DHA Act. On assessing the substance of these arrangements, DHA

considers that the DSA, through the provisioning process, identifies the portfolio of properties that Defence has the right to control the use of, and benefit from.

- ii) The DSA provides Defence the right to control the properties because it directs when the properties are to be used, including the allocations policy and when properties must be vacated. The ADF members only have a right to occupy a DHA property as a result of their employment with Defence and, if the employment is terminated the entitlement under the DRA ends. The DSA is therefore a lease in an arrangement where the property is ultimately occupied by the ADF member.
- iii) Defence does not act as an agent for DHA by collecting rental contributions from members. Defence's obligation to pay rent under the DSA is independent of the member's contribution under the DRA. Defence bears the credit risk on contributions by ADF members, and Defence payments to DHA continue regardless of any default by an ADF member.

5. Interest received

	2020 \$'000	2019 \$'000
Interest received		
Interest on deposits	3,450	3,644
Interest on annuities	-	2,116
Total interest received	3,450	5,760

Accounting policy

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

Interest income is also recognised in relation to construction services DHA provides to Defence under annuity arrangements. The annuity balance was paid out by Defence on 1 May 2019 and therefore there is no interest received on annuities in the 2019-20 financial year.

6. Gains from disposal of investment properties

	2020 \$'000	2019 \$'000
Net gains from disposal		
Proceeds from Sale	24,486	20,375
Carrying value of assets sold	(18,518)	(11,171)
Selling expenses	(608)	(1,528)
Total gains from disposal of investment properties	5,360	7,676

Accounting policy

Profits or losses from the disposal of investment properties are recognised when all specified conditions relating to the sale are satisfied and there is an unconditional sale. This is when settlement occurs.

7. Employee benefits

	2020 \$'000	2019 \$'000
Employee benefits		
Wages and salaries	51,570	50,065
Superannuation		
Defined contribution plans	7,529	8,016
Defined benefit plans	2,480	2,681
Leave and other entitlements	6,601	7,478
Separation and redundancies	1,700	470
Total employee benefits	69,880	68,710

Accounting policy

Superannuation

DHA staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Government.

The CSS and PSS are defined benefit schemes for the Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Government and is settled by the Government in due course. This liability is reported in the Department of Finance's (Finance) administered schedules and notes.

DHA makes employer contributions to CSS and PSS at rates determined by an actuary to be sufficient to meet the current cost to the Government. DHA accounts for these contributions as if they were contributions to defined contribution plans in accordance with *AASB 119 – Employee Benefits*.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Leave and other entitlements

The liability for employee benefits includes provisions for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including DHA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Payroll tax equivalent is a related party transaction with Defence, and is reported on the Statement of Comprehensive Income as Other Expenses. All other employee benefits are incurred with external parties.

8. Rates, repairs and maintenance

	2020 \$'000	2019 \$'000
Rates, repairs and maintenance		
Rates and municipal charges	11,655	11,347
Stamp duty and land tax equivalents	34,915	34,206
Repairs and maintenance	37,167	45,822
Other property charges	58,282	48,683
Total rates, repairs and maintenance	142,019	140,058

Accounting policy

Rates, Repairs and Maintenance includes expenditure for investment properties of \$44,941,885 (2019: \$20,017,983). The 2019-20 financial year includes leased properties due to the implementation of *AASB 16 Leases*.

Rates and Municipal Charges

Includes council and water rates for DHA's property portfolio, which are not recoverable from Defence. The expenses are incurred from external parties, and are expensed in the period they are incurred.

Stamp Duty and Land Tax Equivalents

Stamp Duty and Land Tax Equivalents are related party transactions associated with Defence.

DHA provides services on a for-profit basis. Under the Competitive Neutrality arrangements, DHA is required to make State Tax Equivalent payments, including payroll tax, land tax and stamp duty.

DHA includes State Tax Equivalent payments in the expenditure items to which they relate. Payroll tax is included in Other Expenses.

Repairs and Maintenance

Includes repairs and maintenance expenses on the DHA property portfolio, which are not recoverable from Defence.

Expenses are incurred from external contractors and are expensed in the period they are incurred.

Other Property Charges

Includes recoverable repairs and maintenance, and Defence funded capital project expenses. DHA, in accordance with the Services Agreement, is entitled to recover from Defence these expenses.

Expenses are incurred from external parties and sub-contractors and are expensed in the period they are incurred.

9. Depreciation and amortisation

	2020 \$'000	2019 \$'000
Depreciation		
Investment properties ¹	288,907	15,031
Plant and equipment	3,246	3,355
	292,153	18,386
Amortisation		
Software	1,525	1,498
Right of use assets - PPE	5,389	-
	6,914	1,498
Total depreciation and amortisation	299,067	19,884

^{1.} Depreciation in the 2019-20 financial year includes \$272,021,232 depreciation of right of use assets which meet the definition of investment properties under *AASB 140 Investment Properties*.

Accounting policy

Depreciable assets are written down to their estimated residual values over their estimated useful lives using, in all cases, the straight-line method of depreciation. Office fit outs are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the straight-line method over the following useful lives:

	2020	2019
Investment properties	50 years or the term of the lease	50 years
Plant and equipment	Term of Lease	Term of Lease
Software	2.5 to 6 years	2.5 to 6 years
Right of use assets - PPE	Term of Lease	Term of lease

Depreciation and amortisation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

10. Finance costs

	2020 \$'000	2019 \$'000
Finance costs		
Interest on loans	20,809	24,506
Interest on lease liabilities	32,300	-
Total finance costs	53,109	24,506

Accounting policy

Interest on loans is accrued based on effective interest rates on the outstanding balance of the loan. Interest paid on loans is a related party transaction with Defence.

Interest on lease liabilities is the amount that produces a constant rate of interest on the remaining balance of the lease liability.

11. Write down and impairment of assets

	2020 \$'000	2019 \$'000
<i>Non-financial assets</i>		
Write downs and impairments		
Investment properties ¹	34,447	5,299
Inventories	40,550	11,007
	74,997	16,306
Reversal of write downs and impairments		
Investment properties ¹	(28,138)	(1,209)
Inventories	(1,500)	(942)
	(29,638)	(2,151)
Net write down and impairment	45,359	14,155

¹. Write down and impairment of investment properties in the 2019-20 financial year includes \$2,958,272 impairment on right of use assets which meet the definition of investment properties under *AASB 140 Investment Properties*.

Accounting policy

Inventories

To ensure compliance with *AASB 102 Inventories*, an independent valuation to assess the net realisable value of inventory properties held by DHA is undertaken by a registered valuer as at 31 December 2019. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, are written down accordingly. At the end of the reporting period DHA reassesses the net realisable value based on internal and external market data, and recognises a further write down or write back where there is a significant change in the property market. A write back, where applicable, will not exceed cost. Refer to *Note 16 Inventories* for more information.

Investment Properties

Investment properties include right of use assets that meet the definition of investment properties in accordance with *AASB 140 Investment Property*.

Investment properties are initially recognised at cost. The carrying amount includes the cost of replacing parts of existing investment properties, at the time those costs are incurred. The carrying amount excludes costs of day-to-day servicing and maintenance of the investment property.

Investment properties are subsequently recognised at the lower of carrying value and recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use where the property is not identified for future sale or is a leased property.

Investment properties are derecognised when they have been disposed of, when they are withdrawn from use and no future economic value is expected from its disposal, or when the lease has expired.

The fair value of investment properties is assessed annually by an independent valuer and a value in use calculation is prepared internally for assets not identified for future sale and for right of use assets. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its cost, the carrying value of the property is written down to the higher of the two valuation methods, and the loss is recognised as an impairment loss in the statement of comprehensive income. Refer to *Note 18 Investment Properties*.

DHA uses a discounted cash flow model to determine the value in use of investment properties. In determining the value in use, DHA applies the following assumptions:

- Rental and capital growth for the next 20 years or rental growth for the term of the lease by individual post codes from major industry publications.
- Consumer Price Index (CPI) rates in line with the mid-point of the Reserve Bank of Australia's (RBA) target inflation rate, being 2.50%.
- A discount rate that is determined in accordance with the requirement of *AASB 136 Impairment*, calculated internally by management on an individual asset basis.
- Cash inflow estimates including rental income and other Defence fees and charges paid to DHA in accordance with the Services Agreement.
- Cash outflow estimates including annual repairs and maintenance based on historical data and judgements made by management.
- Major capital work expenditure estimates including internal and external repainting and replacement of carpets based on the age of the property.

Significant Accounting Judgement and Estimates

Rental and Capital Growth

The discounted cash flow model used to determine the value in use of investment properties includes an assumption on the forecast rental and capital growth for the next 20 years or rental growth for the term of the lease. DHA management applies judgement to assume a capital growth rate in line with the long term historical average, and estimates a rental growth rate by individual postcode from major industry publications.

12. Taxation

a) Income tax expense

	2020 \$'000	2019 \$'000
Income tax expense		
Current tax expense	22,501	17,343
Adjustments for current tax of prior periods	(351)	1,716
Deferred tax	(5,284)	(1,520)
Adjustments for deferred tax of prior periods	184	(2,064)
	17,050	15,475
Income tax expense attributable to:		
Profit from continuing operations	59,723	56,383
	59,723	56,383

b) Reconciliation of income tax expense to prima facie tax payable

	2020 \$'000	2019 \$'000
Reconciliation of income tax expense:		
Profit from continuing operations before income tax	59,723	56,383
Tax expense at the Australian tax rate of 30%	17,917	16,915
Tax effect of amounts not deductible/(assessable):		
Tax cost base valuations	(512)	(886)
Adjustments relating to prior periods	(168)	(349)
Other	(187)	(205)
	17,050	15,475

c) Deferred tax assets/(liabilities) recognised in the Statement of Comprehensive Income

	2020 \$'000	2019 \$'000
Net deferred tax assets/(liabilities)		
Employee benefits	6,191	8,749
Unearned income	(1,279)	234
Inventory properties	2,435	(818)
Investment properties	(7,361)	(8,933)
Right of use asset – investment properties	(455,917)	-
Right of use asset – property, plant and equipment	(5,201)	-
Lease liability	493,663	-
Prepayments	8,859	(576)
Make good provisions	34,094	29,125
Provisions - other	4,226	604
Property, plant and equipment	1,691	565
Research and development expense	-	(737)
Other	441	101
Net deferred tax asset	81,842	28,314
Comprising:		
Deferred tax assets	551,600	39,494
Deferred tax liabilities	(469,758)	(11,180)
Net deferred tax asset	81,842	28,314
Movements:		
Opening balance at 1 July	28,314	24,738
<i>Adjustment on initial application of AASB 16 Leases¹</i>	48,428	-
Charged to the statement of comprehensive income	5,100	3,576
Net deferred tax asset	81,842	28,314

¹ Adjustment required on initial implementation of AASB 16 Leases. Refer Note 2 Change in Accounting Policies for details.

Accounting policy

DHA became a Commonwealth income tax payer on 1 July 2007, following an amendment of the DHA Act.

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference (Deferred Tax Asset) was created between the accounting carrying value and the tax value for properties held as Investment Properties. The unrecognised value of the temporary difference at 30 June 2020 is \$442,325,907 (2019: \$445,771,382). The tax effect of this temporary difference is \$132,697,772 (2019: \$133,731,415).

Income Tax Expense

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- Receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the ATO, is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the ATO, are classified as operating cash flows.

Non Refundable Research & Development Tax Incentive

DHA makes research and development tax incentive claims through AusIndustry and the ATO in relation to qualifying expenditure on major property developments.

The permanent benefit arising from the non-refundable research and development tax incentive is accounted for in accordance with *AASB 120 Accounting for Government Grants and Disclosure of Government Grants*, and is capitalised to the extent that it relates to assets in accordance with Part 3 of the FRR. The capitalised amounts are recognised as income based on the underlying assets useful life, or when disposed.

The temporary timing benefit arising from the non-refundable research and development tax incentive is accounted for in accordance with *AASB 112 Income Taxes*.

13. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash and cash equivalents		
Cash at bank	118,143	19,924
Term deposits	261,000	193,000
Total cash and cash equivalents	379,143	212,924

Accounting policy

Cash and cash equivalents means notes and coins held and any deposit held at call or readily convertible to cash with a bank or financial institution. As part of managing working capital, DHA invests in term deposits. These term deposits are classified as cash equivalents as they are readily convertible to a known amount of cash and are not subject to a significant risk of change in value. Cash is recognised at its nominal amount.

14. Trade and other receivables

a) Trade and other receivables

	2020 \$'000	2019 \$'000
Current receivables for good and services		
Receivables	5,492	5,522
Impairment – expected credit loss	(111)	(55)
	5,381	5,467
Accrued income	13,848	5,020
Other receivables	4,328	3,514
	23,557	14,001
Current receivables for goods and services from		
Related entities	16,627	6,034
External parties	6,930	7,967
Total trade and other receivables	23,557	14,001

b) Trade and Other Receivables (Net) expected to be recovered

	2020 \$'000	2019 \$'000
Current receivables (net) expected to be recovered in:		
Less than 12 months	23,557	14,001

Defence Housing Australia
Notes to the Financial Statements
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c) Receivables are aged as follows:

	2020 \$'000	2019 \$'000
Current receivables (net) expected to be recovered in:		
Not overdue	18,063	8,478
0 to 30 days	5,030	4,694
31 to 60 days	380	329
61 to 90 days	44	48
More than 90 days	40	452
Total trade and other receivables	23,557	14,001

d) Reconciliation of the impairment loss allowance:

	2020 \$'000	2019 \$'000
Movement in the impairment loss allowance:		
Impairment loss allowance at 1 July	55	154
Impairment loss increase	56	-
Amounts written off	-	(7)
Amounts to be recovered and reversed	-	(92)
Total as at 30 June	111	55

Accounting policy

Credit terms are between 7 and 30 days.

Receivables for goods and services are recognised at the nominal amounts due, less any provision for impairment allowance. Collectability of debts is reviewed at 30 June each year. Allowances for expected credit losses (ECL's) are based on a provision matrix that is in accordance with *AASB 9 Financial Instruments*.

15. Investment properties held for sale

	2020 \$'000	2019 \$'000
Current assets		
Investment properties – at cost	11,332	1,918
Investment properties – at cost (less impairment)	2,087	-
Total investment properties held for sale	13,419	1,918

Accounting policy

DHA applies *AASB 5 Non-Current Assets Held for Sale and Discontinued Operations* to its investment properties held for sale. These properties are carried at the lower of cost and fair value less costs to sell and are not depreciated.

DHA holds a small proportion of its investment properties for sale. Investment properties are deemed eligible for sale if identified as a sale and lease back property, when they have below average capital growth expectations, carry high repairs and maintenance expenditure, are permanently privately leased out, have no redevelopment opportunities or have low rental yield.

DHA will only classify Investment properties as held for sale once the property is available for immediate sale in its present condition, there is an active programme to locate a buyer and management is committed to selling the investment property. It is expected that the sale will be completed within 12 months.

16. Inventories

	2020 \$'000	2019 \$'000
Total inventories		
Current inventories	428,139	488,824
Non-current inventories	327,113	489,733
Total inventories	755,252	978,557
Completed properties		
At cost	348,128	383,949
At net realisable value	182,405	193,438
Land held for sale		
At cost	30,590	30,878
At net realisable value	631	-
Work in progress		
At cost	173,528	358,782
At net realisable value	19,970	11,510
Total inventories	755,252	978,557

Accounting policy

The total fair value of inventory as at 30 June 2020 is \$898,685,828 (2019: \$1,191,844,103).

For the period 1 July 2019 to 30 June 2020 DHA disposed of 409 inventory properties of which 25 at a loss of \$622,679 (2019: DHA disposed of 393 inventory properties of which 7 properties at a loss of \$91,696).

DHA accounts for inventory properties under *AASB 102 - Inventories*. Inventories are properties which are held to meet Defence provisioning requirements and are available for sale in the short to medium term in order to free capital for reinvestment.

Inventories are initially recognised at cost and are subsequently recognised at the lower of cost or net realisable value. Net realisable value is estimated based on the finished product's gross expected realisation less costs to complete and selling costs.

Inventories are separated into the following categories:

- Completed properties - completed properties held for sale on normal trading cycle;
- Land held for sale; or
- Work in progress - incomplete construction projects.

Work in Progress

Development projects are classified as inventory properties whilst in progress where a significant majority of the property on completion of the development is expected to be sold as inventory stock.

Development project costs include variable and fixed costs as they relate directly to specific contracts, and those costs relating to general contract activity which can be allocated to the project on a reasonable basis.

Significant Accounting Judgement and Estimates

Completed inventory properties

The net realisable value of completed inventory properties is assessed annually by independent valuers at 31 December. Where the net realisable value for an individual property is less than its cost, the carrying value of the property is written down to its net realisable value.

Development inventory sites

The net realisable value of an inventory development site is the finished product's gross realisable value less cost to complete and selling costs. Where the net realisable value is lower than cost to date for the development site, the cost to date is written down by the value of the estimated loss.

Market Uncertainty

DHA has considered the emerging risk to property values arising from the uncertainty surrounding the COVID-19 crisis and potential economic downturn. A significant downturn in the property market capital values and rental returns could result in a reduction in the net realisable value and additional impairment. DHA management closely monitor external reports on property market indicators and the sale price outcomes of DHA stock compared to the 31 December 2019 independent market valuation. Property market reports at the date of publication of these financial statements support a stabilisation of property values in line with the ten year averages and a recovery from the market lows reported in April. In addition, the sales price achieved on DHA properties sold during the period 1 January 2020 to 30 June 2020 are in line with the 31 December 2019 independent market valuation. Carrying values and impairment recognised at 30 June 2020 is appropriately updated to reflect market conditions.

17. Other current assets

	2020 \$'000	2019 \$'000
Other current assets		
Other prepayments	2,206	2,388
Prepaid property rentals	-	27,466
Total other current assets	2,206	29,854

Accounting policy

In the 2019-20 financial year Other current assets include prepayments of subscriptions, body corporate fees, rates and insurance premiums. In 2018-19 financial year this amount also included commercial office rents and rents to lessors paid in advance which are now accounted for under the new leasing rules due to the implementation of *AASB 16 Leases* (refer *Note 2 Changes in Accounting Policies*).

18. Investment properties

	2020 \$'000	2019 \$'000
Investment properties		
Investment properties at cost	1,400,982	1,013,986
Less: accumulated depreciation	(193,816)	(122,432)
	1,207,166	891,554
Investment properties - impaired		
Investment properties at cost	1,805,100	166,011
Less: accumulated depreciation	(215,314)	(7,731)
Less: accumulated impairment	(179,953)	(12,104)
	1,409,833	146,176
Total investment properties ¹	2,616,999	1,037,730

^{1.} Total investment properties in the 2019-20 financial year includes \$1,519,723,629 of right of use assets (measured at cost less accumulated depreciation and impairment) which meet the definition of investment properties under *AASB 140 Investment Properties*.

Accounting policy

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 15) as at 30 June 2020 is \$3,645,711,176 (2019: \$2,068,166,322). The fair value amount disclosed at 30 June 2020 includes \$1,519,723,629 of right of use assets measured at cost.

The fair value of DHA's investment properties as at 31 December 2019 and as at 31 December 2018 was on the basis of a valuation carried out on the respective date by external independent valuers. On 30 June 2020, DHA undertook a review of the fair value determined on 31 December 2019 and determined there is no material change. The external valuers are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The fair value level in accordance with *AASB 13 Fair Value Measurement* is level 2.

To calculate impairment, the fair value of DHA's right of use assets that meet the definition of investment properties in accordance with *AASB 16 Leases* as at 30 June 2020 has been determined based on a discounted cash flow with an appropriate buyer's premium applied. In determining the fair value, DHA applies the following assumptions:

- Rental and capital growth for the next 20 years or rental growth for the term of the lease by individual post codes from major industry publications.
- Consumer Price Index (CPI) rates in line with the mid-point of the Reserve Bank of Australia's (RBA) target inflation rate, being 2.50%.

- A discount rate which is calculated internally by management on an individual asset basis, being the nominal pre-tax discount rate implied by the capital value of the individual property's and the expected future rent, determined in accordance with the requirement of *AASB 136 Impairment of Assets*.
- Cash inflow estimates including rental income and other Defence fees and charges paid to DHA in accordance with the Services Agreement.

Cash outflow estimates including annual repairs and maintenance based on historical data and judgements made by management. The fair value level in accordance with *AASB 13 Fair Value Measurement* is level 3.

Significant Accounting Judgement and Estimates

DHA owned investment properties are assessed for indicators of impairment annually. Where there is an indicator of impairment, the recoverable amount of each investment property is estimated. *AASB 136 Impairment of Assets* requires that the recoverable amount is the higher of the property's fair value less costs of disposal (FVLCO) and its value in use (VIU).

FVLCO is assessed annually by an independent valuer. VIU is calculated by management using various assumptions in relation to the cost of debt and equity and future rental income of the property. Where the recoverable amount is less than the carrying amount, the carrying amount of the investment property is impaired to the greater of the fair value less cost to sell and value in use.

DHA has applied judgement to determine the discount rate used in the calculation of the VIU. DHA has used a rate that reflects the nominal pre-tax discount rate implied by the capital value of related properties, the expected future rents from the properties and other cash flows for associated property related services.

DHA's right of use assets that meet the definition of investments properties may be assessed for impairment by itself, or as part of a Cash Generating Unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. DHA has determined that individual right of use asset for each property represents a CGU, as each property is capable of generating cash inflows which are largely independent of cash inflows of any other asset/CGU.

DHA has applied judgement to conclude that of the two methods available to determine the recoverable amount on right of use assets, the value in use will consistently generate a higher recoverable amount. DHA use a VIU approach to assess and measure impairment on the right of use assets.

18. Investment properties (continued)

	2020 \$'000	2019 \$'000
As at 1 July		
Cost or fair value	1,179,997	1,110,883
Less: accumulated depreciation and impairment	(142,267)	(124,110)
<i>Total as at 1 July 2019</i>	1,037,730	986,773
Recognition of ROU investment properties ¹	1,779,584	-
Less: Opening accumulated impairment on leased properties ¹	(159,927)	-
Adjusted total as at 1 July 2019	2,657,387	986,773
For the year ended 30 June		
Additions	133,492	37,589
Lease Adjustments	62,100	-
Transfer from inventory to investment property	101,037	38,619
Depreciation charge	(288,907)	(15,031)
Impairment loss	(6,459)	(4,090)
Transfer to assets held for sale	(40,380)	(7,094)
Other disposals or lease expiries	(9,747)	-
Depreciation/impairment written back on disposal or transfer	8,476	964
Movement in net book value for the period	(40,388)	50,957
As at 30 June		
Cost or fair value	3,206,083	1,179,997
Less: accumulated depreciation and impairment	(589,084)	(142,267)
Total investment properties	2,616,999	1,037,730

1. Recognition of right of use leased investment properties on initial application of *AASB 16 Leases*. Refer to *Note 2(d) Changes in Accounting Policies - Adjustment recognised on the Statement of Financial Position as at 1 July 2019*.

Accounting policy

DHA accounts for investment properties under *AASB 140 Investment Property* and applies the Cost model. Investment properties are properties held for strategic long-term provisioning requirements.

Investment properties are separated into the following categories:

- Completed properties;
- Land held for future development; or
- Work in progress - incomplete construction projects.

Transfers from inventory to investment are made when there is a change in use of a property in accordance with *AASB 140 Investment Property*.

Where there is a change in the term of a lease or the weekly rental paid on a leased investment property, this is treated as a Lease Adjustment.

19. Property, plant and equipment

	2020 \$'000	2019 \$'000
Property, plant and equipment		
Property, plant and equipment at cost	21,551	20,422
Less: accumulated depreciation	(17,052)	(14,178)
Net property, plant and equipment	4,499	6,244
Right of use assets		
Motor vehicles and office leases	22,727	-
Less: accumulated amortisation	(5,389)	-
Net motor vehicles and office leases	17,338	-
Total property, plant and equipment	21,837	6,244

20. Current liabilities – trade and other payables

	2020 \$'000	2019 \$'000
Trade and other payables		
Trade creditors	13,805	15,950
Accrued expenses	20,333	39,676
Stamp duty and land tax payable	5,643	5,086
	39,781	60,712
Trade payables expected to be settled no later than 12 months:		
Related entities	5,732	8,548
External parties	34,049	52,164
Total trade and other payables	39,781	60,712

21. Final dividend

DHA declared a final dividend for the year ended 30 June 2020 of \$25,603,579 (2019: \$24,544,517). The DHA Board resolved on 18 June 2020 to pay a dividend of 60 percent of net profit after tax in accordance with DHA's dividend policy.

22. Borrowings

	2020 \$'000	2019 \$'000
Loans from the Commonwealth		
Current borrowings	135,000	150,000
Non-current borrowings	374,580	359,580
	509,580	509,580
Maturity schedule for borrowings payable		
Within one year	135,000	150,000
Between two and five years	309,100	200,000
More than five years	65,480	159,580
Total borrowings	509,580	509,580

Accounting policy

DHA has an unsecured borrowing facility with the Commonwealth, incorporating all borrowings, underpinned by a Loan Agreement dated 21 February 2017, as amended. Finance representatives delivered a letter to DHA extending DHA's current facility with the Minister for Finance until 21 February 2020. On 20 February a deed of variation was signed to extend the current facility to 30 June 2020. Due to delays resulting from the coronavirus pandemic, a letter was signed to further extend the term of the current facility to 1 October 2020 until the renewed agreement is approved by Parliament.

The facility affords DHA the flexibility to borrow at either fixed or floating interest rates at market rates which includes a competitive neutrality charge. Note that even though the facility is with the Commonwealth, the facility requires DHA to pay interest on the amounts drawn down to Defence.

All loans and borrowings drawn down under this facility are initially recognised at fair value less directly attributable transaction costs. Subsequent recognition of loans and borrowings is at amortised cost, and interest is charged as an expense as it accrues. During 2019-2020 the interest rate range applied to DHA's borrowings was from 0.55% to 5.89% (2019: 1.78% to 5.89%).

Borrowings are classified as current liabilities unless DHA has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

23. Lease liabilities

	2020 \$'000	2019 \$'000
Lease liabilities¹		
Current lease liabilities	258,239	-
Non-current lease liabilities	1,387,196	-
	1,645,435	-
Maturity schedule for lease liabilities		
Within one year	11,231	-
Between two and five years	332,785	-
More than five years	1,301,419	-
Total lease liabilities	1,645,435	-

¹ For adjustments recognised on adoption of AASB 16 Leases on 1 July 2019, please refer to Note 2 Changes in Accounting Policies.

Accounting policy

(i) DHA's leasing activities

DHA leases real estate, various offices and vehicles. Rental contracts are typically made for fixed periods of 6 months to 15 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. DHA allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 30 June 2019 leases of property, plant and equipment were classified as operating leases, see Note 2 Changes in Accounting Policies for details. From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by DHA.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by DHA under residual value guarantees;
- the exercise price of a purchase option if DHA is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects DHA exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that DHA would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, DHA:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk; and
- makes adjustments specific to the lease, e.g. term and security

DHA is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is expensed over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets commencing after 1 July 2019 are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are depreciated over the lease term on a straight-line basis.

(ii) Extension and termination options

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in DHA's operations. The majority of extension and termination options held are exercisable only by DHA and not by the respective lessor.

Significant Accounting Judgement

(i) Lease term

DHA has used judgement in determining where options for extension or termination contained in lease arrangements would or would not be considered reasonably certain of being exercised. DHA makes this judgement on a lease by lease basis and considers all relevant facts and circumstances that create an economic incentive for DHA from the commencement date until the exercise date of the option.

For most property leases, DHA has concluded it is reasonably certain to exercise options to extend the lease, and accordingly has included the period covered by those lease extensions in the lease term. DHA's assessment reflects, in part, DHA's past experience in exercising a high proportion of extension options, expectations of the housing needs of the Department of Defence, and costs to source alternative properties.

Generally extension options for motor vehicle leases have not been included in the lease liability, because DHA could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or DHA becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right of use assets of \$150,000.

(ii) Renewal of a lease arrangement

In some instances, DHA may renew a lease with an investor, often 1-2 years before the end of the lease term. DHA will typically incur legal costs to review the lease and DHA will also incur capital works to maintain Defence standards where DHA is able to recover 50% of the capital costs from the investor/lessor. DHA has used judgement to conclude that lease renewals are to be accounted for as lease modifications, rather than as new or separate leases under *AASB 16 Leases*. In the absence of specific requirements in *AASB 16 Leases* for costs associated with the modified lease, judgement is required to conclude that modification transaction costs, agreed capital costs and associated recoveries will be capitalised by either including amounts in the lease payments, which forms an input to the cost of the right of use asset, or as an adjustment to the cost of the associated right of use asset.

(iii) Make good costs

A liability is recognised for make good costs to be incurred on the expiry of long term leases. Based on historical data, management has made assumptions regarding the future economic outflows associated with the make good expenditure. DHA is required under the lease agreement to undertake prescribed maintenance (make good) at the end of the lease period.

At the time of entering into the lease agreement, a provision is raised to recognise the make good obligation. The provision is based on an assessment of the present value of the necessary costs to

make good properties at the end of their lease terms. The estimate includes an inflation factor of 2.50% (2019: 2.50%) and a discount rate of 0.40% (2019: 2.47%, being the five year commercial bank swap rate as at 30 June 2019). During 2019-20 DHA has reassessed the discount rate used for discounting make good and determined that the risk free rate is a more appropriate rate in accordance with *AASB 137 - Provision and Contingent Liabilities*. Actual make good expenditure is charged, as incurred against the provision. The estimate of future make good maintenance is reviewed annually to ensure that the make good provision is adequate to meet the liability.

Judgment has been applied to conclude that changes to provisions for make good obligations that exist in respect of leases at transition, which were initially recognised as an expense in profit or loss under previous standards, will be recognised as an adjustment to the associated right of use asset recognised at transition.

Judgement has been applied to conclude that obligations that arise during the lease term, when a contractual option is exercised, will be recognised as an adjustment to the related right of use asset. The judgement arises from unclear requirements of AASB 16. The requirements explicitly state that lessees may incur the obligation for such costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Those provisions are included in relation to the initial measurement of the right of use asset.

DHA's obligation to perform restoration activities at the end of the lease term vary depending on the length of time DHA has held the lease, with no obligation where DHA hold the lease for less than 6 years. Judgement has been applied to conclude DHA does not recognise a make good provision for leases with a current contract lease term of less than 6 years.

(iv) Incremental borrowing rate (IBR)

Significant estimation is involved in determining the discount rate to apply to calculate the lease liability when initially recognising a lease. In line with the requirements of applying the modified retrospective transition method, DHA is required to use the Incremental Borrowing Rate (IBR) to discount the lease payments when calculating the lease liabilities to be recognised on transition. The IBR is the rate of interest DHA would have to pay to borrow funds over a similar term, and with a similar security, to obtain an asset of similar value to the right of use asset in a similar economic environment.

The IBR to be adopted by DHA reflects its corporate credit issuer rating of AA+ which considers its ownership by, and relationship with, the Commonwealth Government. DHA has assessed that no other significant adjustments are required for other lessee or lease-specific factors.

(v) Interest rate implicit in the lease (IRIL)

The IRIL is the discount rate that, at the inception of the lease, causes the aggregate present value of the lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and the initial direct costs of the lessor. The unguaranteed residual value is defined in *AASB 16 Leases* as the portion of the residual value of the underlying asset, the realisation of which is not assured. Determining the unguaranteed residual value may be the most significant estimate in the IRIL calculation. DHA uses forecast property capital growths, sourced

from Core Logic, for each geographical area to determine the estimated unguaranteed residual value of each property.

(vi) Defence Services Agreement

DHA has analysed the agreements between DHA, Department of Defence and the Australian Defence Force Member in order to determine if there is a lease agreement under *AASB 16 Leases*. *AASB 16* defines a lease as an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. *AASB 16 Leases* states that a lease is present if a contract “conveys the right to control the use of an identified asset for a period of time in exchange of consideration.” *AASB 16 Leases* further sets out that to assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the customer has both of the following:

- (i) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (ii) the right to direct the use of the identified asset.

DHA has concluded that the Defence Services Agreement between DHA and Defence is a lease in accordance with *AASB 16 Leases*, as it satisfies the definition of a lease.

(vii) Lessor management fees

DHA has analysed the services provided in return for lessor management fees and concluded that some activities do not represent the transfer of goods or services from DHA to the lessor. Specifically, bill paying services and market rent review services were considered a performance obligation and recognised as revenue under *AASB 15 Revenue from Contracts with Customers*; while property administration, annual market rent reviews as defined by the lease and maintenance and restoration services are part of the overall lease and accounted for as a reduction to rental expense.

Judgement was required in determining the split between the portion that represents the transfer of goods or services to the lessor (herein called ‘lessor management fee revenue’) and the portion that relates to the lease. DHA utilised internal business and product line costing methodologies across historical financial data, to determine the split.

24. Provisions

	2020			2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits:						
Annual leave	5,253	-	5,253	5,273	-	5,273
Long service leave	7,981	3,156	11,137	7,932	3,349	11,281
Redundancy	75	-	75	75	-	75
	13,309	3,156	16,465	13,280	3,349	16,629
Other provisions:						
Make good	11,475	102,172	113,647	7,258	97,010	104,268
Lease capital upgrades	11,415	-	11,415	-	-	-
Other general	16,820	2,370	19,190	6,193	1,338	7,531
	39,710	104,542	144,252	13,451	98,348	111,799
Total provisions	53,019	107,698	160,717	26,731	101,697	128,428

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, is set out below:

	Make good provision \$'000	Lease capital upgrades \$'000	Other general provision \$'000	Total \$'000
Carrying amount at 1 July 2019	104,268	-	7,531	111,799
Additional provisions recognised	25,773	11,415	20,178	57,366
Amounts used during the year	(16,394)	-	(8,519)	(24,913)
Carrying amount at 30 June 2020	113,647	11,415	19,190	144,252

Accounting policy

Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119 - *Employee Benefits*) and termination benefits expected to be settled within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave Liability

A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by DHA in respect of services provided by employees up to the reporting date.

Make good provision

DHA is required under the sale and leaseback agreement to undertake prescribed maintenance (make good) at the end of the lease period, where the lease term is more than six years. The make good provision provides for the cost of refurbishing the leased property as set out in the lease agreement.

Lease capital upgrades provision

DHA is required to undertake capital upgrades on leased properties which were agreed to at the time the lease was signed. The capital upgrade provision provides for the costs of these obligations as set out in the lease.

Other general provisions

Other general provisions include amounts set aside for:

- Fringe Benefits Tax and Goods and Service Tax;
- Employee performance bonuses

Recognition of Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

25. Other financial liabilities

	2020 \$'000	2019 \$'000
Current other financial liabilities		
Revenue in advance	34,530	19,922
Lease incentives	-	395
	34,530	20,317
Non-current other financial liabilities		
Lease incentives	-	386
Total other financial liabilities	-	386

Accounting policy

Revenue in advance

Rental and property management fee revenues are billed to Defence one month in advance, in line with the Services Agreement. For the year ended 30 June 2020, 72.73% of revenue in advance was in relation to payments received from Defence (2019: 100.00%). The majority of revenue in advance received from non-Defence sources in the 2019-20 year relates to development project income.

Lease Incentives

From 1 July 2019 Lease Incentives are accounted for in accordance with *AASB 16 Leases*. Refer *Note 2 Changes in Accounting Policies*.

Other financial liabilities

DHA classifies all financial liabilities as Other financial liabilities. Other financial liabilities are recognised and derecognised upon trade date.

26. Cash flow reconciliation

	2020 \$'000	2019 \$'000
Reconciliation of operating results to net cash from operating activities		
Profit for the period after tax	42,673	40,908
Depreciation – plant and equipment	3,246	3,355
Depreciation – investment properties	288,907	15,031
Depreciation – right of use assets	5,389	-
Amortisation – software	1,525	1,498
Impairment expense/(write back)	6,309	4,090
Gain on disposal of investment properties	(5,360)	(7,676)
Increase/(decrease) in other non-operating cash flow revenue items	2	(76)
Increase/(decrease) in other non-operating cash flow expense items	(224)	2,881
Increase/(decrease) in supplier payments	(20,931)	3,018
Increase/(decrease) in provisions	33,348	(3,457)
Increase/(decrease) in other liabilities	13,827	(5,655)
Increase/(decrease) in tax liabilities	8,588	4,507
(Increase)/decrease in net receivables	(9,398)	61,538
(Increase)/decrease in net deferred tax assets	(53,528)	(3,576)
(Increase)/decrease in inventories	122,829	(49,372)
(Increase)/decrease in prepayments	27,648	3,359
Net cash from operating activities	464,850	70,373

27. Financial instruments

The main risks arising from DHA's financial instruments are interest rate risk, credit risk and liquidity risk. DHA uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the level of exposure to interest rates and assessments of forecasts for interest rates. Ageing analysis and monitoring of specific credit tolerances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

- (i) the financial asset is held in order to collect the contractual cash flows; and
- (ii) the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12 month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a de-recognition event where the write-off directly reduces the gross carrying amount of the financial asset.

27. Financial instruments (continued)

Carrying value

The carrying value of DHA's financial assets and liabilities at the reporting date are as follows:

	2020 \$'000	2019 \$'000
Financial assets		
Cash and cash equivalents	379,143	212,924
Trade and other receivables	23,557	14,001
Carrying value of financial assets	402,700	226,925
Financial liabilities		
Borrowings - current	135,000	150,000
Borrowings – non-current	374,580	359,580
Trade and other payables	39,781	60,712
Other financial liabilities - current	34,530	20,317
Other financial liabilities – non-current	-	386
Final dividend	25,604	24,545
Carrying value of financial liabilities	609,495	615,540
	2020 \$'000	2019 \$'000
Net income from financial assets		
Interest	3,450	3,644
Annuity revenue	-	2,116
Net gain on loans and receivables	3,450	5,760
Net expenses from financial liabilities		
Interest on borrowings	20,809	24,506
Net loss on financial liabilities – amortised cost	20,809	24,506

Accounting policy

Fair Value

The fair value of financial assets and liabilities are derived as follows:

- The fair value of government loans is calculated by the Australian Office of Financial Management. The loans are valued by calculating the net present value of all future contracted payments at the relevant interest rate. The fair value of DHA's loans with the Commonwealth was \$554,942,788 for 2020 (2019: \$535,650,410).

- The Directors consider that the carrying amounts of all other financial assets and liabilities recorded at amortised cost in the financial statements approximates their fair values.

In accordance with *AASB 7 - Financial Instruments: Disclosures*, the fair value of Government loans have been determined using level 2 of the fair value hierarchy.

Credit Risk

Credit risk arises from the financial assets of DHA, which comprise cash and cash equivalents and trade and other receivables. Exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

DHA does not hold any credit derivatives to offset its credit exposure.

DHA trades only with recognised, creditworthy third parties. Department of Defence is the primary counterparty. As such collateral is not requested nor is it policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that DHA's potential exposure to bad debts is not significant.

There are no significant concentrations of credit risk within DHA and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Liquidity Risk

DHA manages liquidity risk by maintaining an appropriate level of marketable securities on hand to meet outgoing commitments in the event of failure to receive any revenue from the normal course of business and ensuring capacity exists to borrow under the Cash Advance Facility based upon regular cash flow forecasts prepared by DHA.

Other than Commonwealth loans all financial liabilities will mature within one year. Refer to *Note 22 Borrowings* for ageing of Commonwealth loans.

Market Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DHA has exposure to interest rate risk arising from fluctuations in interest rates applicable to cash and borrowings.

DHA manages interest rate risk by ensuring that investments mature commensurate with cash flow requirements to maximise interest income. DHA also seeks to ensure an appropriate mix of maturities across the yield curve to avoid concentration of maturities on any given date and higher volatility inherent in longer dated investments.

Interest rate risk on borrowings is managed by ensuring maturing loans are rolled over taking into consideration the interest rate outlook and the maturity profile of existing borrowings.

Financial Risk Management

DHA's principle financial instruments comprise receivables, payables, government loans, finance leases, cash and short term deposits.

DHA's Treasury Policy provides a framework to manage core risks, including financial risk management, which pertain to DHA's financial market investments, borrowings and associated activities.

Primary responsibility for the overall financial risk management rests with the Chief Financial Officer, duly supported by the Chief Risk Officer through the identification, assessment and regular reporting to the DHA Board.

Sensitivity analysis of the risk that DHA is exposed to in 2020 and 2019

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant.

Interest rate risk	Risk Variable	Change in risk variable %	Effect on	
			Average cash \$'000	Profit & loss and equity \$'000
2020	Interest	0.09	282,076	254
2019	Interest	0.20	183,366	367

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 9 basis points (2019: 20 basis points) was determined by using the standard parameters issued by Finance.

28. Aggregate assets and liabilities

	2020 \$'000	2019 \$'000
Assets expected to be recovered in:		
No more than 12 months	846,464	747,521
Greater than 12 months	3,052,841	1,567,232
Total assets	3,899,305	2,314,753
Liabilities expected to be recovered in:		
No more than 12 months	558,012	285,556
Greater than 12 months	1,869,474	461,663
Total liabilities	2,427,486	747,219

29. Auditors remuneration

	2020 \$	2019 \$
Amount received or due and receivable by auditors		
Australian National Audit Office (ANAO) for the audit of the financial statements	355,000	376,000

Deloitte Touché Tohmatsu has been contracted by the ANAO to provide audit services on the ANAO's behalf. Fees for these services are included above. No other services were provided by the ANAO or Deloitte during the reporting period.

Unrecognised Items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy recognition criteria.

- 30. Commitments
- 31. Contingent assets and liabilities
- 32. Events occurring after the reporting period

30. Commitments

	2020 \$'000	2019 \$'000
Commitments receivable		
Operating lease income		
- Within one year	406,703	397,578
- Later than one year but not later than five years	1,273,515	1,277,271
- Later than five years	1,026,063	1,220,451
	2,706,281	2,895,300
Commitments payable – capital expenditure		
- Within one year	78,060	147,541
- Later than one year but not later than five years	17,225	20,879
- Later than five years	624	2,495
	95,909	170,915
Commitments payable –operating lease ¹		
- Within one year	-	280,673
- Later than one year but not later than five years	-	968,597
- Later than five years	-	625,058
	-	1,874,328
Total commitments payable	95,909	2,045,243
Net Commitments Receivable/(Payable)	2,610,372	850,057

Commitments are GST inclusive where relevant.

1. Measurement of lease liabilities

From 1 July 2019, due to the implementation of *AASB 16 Leases*, commitments payable on operating leases are disclosed in the Statement of Financial Position as current and non-current lease liabilities. The adjustments made upon implementation of *AASB 16 Leases* are disclosed below:

	2020 \$'000
Operating lease commitments payable disclosed as at 30 June 2019	1,874,328
Discounted using the lessee's incremental borrowing rate at 1 July 2019	(107,887)
Adjustments relating to prepaid rent	(25,536)
Adjustment due to changes in accounting treatment	25,912
Additions due to option period not included in 2019 office lease commitments	6,559
Rental changes not included in 2019 office lease commitments	(836)
Motor vehicle operating expenditure excluded from lease liability	(551)
Lease liabilities recognised as at 1 July 2019	1,771,989
Lease liabilities recognised as at 1 July 2019	
Current lease liabilities	278,346
Non-current lease liabilities	1,493,643
Total lease liabilities recognised as at 1 July 2019	1,771,989

Accounting policy

Commitments are GST inclusive where relevant.

Operating Lease Income Receivable

The operating lease income commitments receivable is the expected future lease rent to be received from the Department of Defence, taking into consideration the number of properties available for lease by the Department of Defence adjusted for the estimated vacancy based on historical data. DHA has determined that the Defence Services Agreement is a lease agreement in accordance with *AASB 16 Leases*.

Capital expenditure commitments

Capital expenditure commitments refer to construction project commitments and the payable figures above represent outstanding contractual payments for buildings under construction.

Operating lease commitments

Operating lease payments were expensed until 30 June 2019 on a straight line basis which is representative of the pattern of benefits derived from the leased assets. Under *AASB 16 Leases*, a lease liability is reflected on the Statement of Financial Position, refer *Note 2(b) Changes in Accounting Policies – Measurement of Lease Liabilities*.

DHA has three categories of leases:

- a. Residential properties (mostly acquired through the sale and leaseback program), for the housing of ADF members, under the Services Agreement between DHA and Defence;
- b. Commercial properties for the administration of DHA; and
- c. Motor vehicles used in the operations of DHA.

Significant Accounting Judgement and Estimates

Operating Lease Income Receivable

DHA management applies judgement to estimate rental growth and property vacancy rates based on historical long term averages. In addition, DHA estimates that ninety percent of all options to extend the lease term will be exercised, in line with the DHA Capital Plan.

31. Contingent assets and liabilities

	Guarantees		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Contingent assets				
Balance from previous period	3,000	9,050	3,000	9,050
New	-	-	-	-
Expired	(3,000)	(6,050)	(3,000)	(6,050)
	-	3,000	-	3,000
Contingent liabilities				
Balance from previous period	11,448	14,291	11,448	14,291
New	10,309	8,742	10,309	8,742
Expired	(7,034)	(11,585)	(7,034)	(11,585)
	14,723	11,448	14,723	11,448
Net contingent liability	(14,723)	(8,448)	(14,723)	(8,448)

Accounting policy

Quantifiable Contingencies

Contingent assets and liabilities take the form of bank guarantees and financial undertakings which arise as a result of DHA's normal business operations. The amount disclosed represents the aggregate amount of such guarantees and financial undertakings. No financial assets or liabilities are expected to arise from provisions of the guarantees or financial undertakings.

Unquantifiable Contingencies

As at 30 June 2020, DHA has no unquantifiable contingencies.

Remote Contingencies

As at 30 June 2020, DHA has no remote contingencies.

32. Events occurring after the reporting period

Australian Property Market

The Covid-19 global crisis is expected to have a significant impact on the Australian economy and in turn the potential to significantly impact the Australian Property Market. DHA management closely monitor a range of property market indicators, to ensure the inventory and investment stock, including leased residential properties, are measured based on fair value assessment.

The July 2020 property market indicators show that activity is returning to the market, with the national average clearance rate and new listings higher than the lows recorded in April 2020 and consistent with the 10 year averages. The rental market continues to be subdued, however the impact on rental prices has been minor with overall vacancy rates tracking lower than previous years.

The Melbourne market is strongly supplied compared to other cities, thought to be compounded by current restrictions and the growing concern of community spread of the COVID-19 virus. The full impact on short term valuations and rental is unknown at the date of publication.

Further recovery is expected in September onwards for most capital cities, consistent with normal seasonal demand. The government support packages and bank loan deferrals have helped insulate the housing market from a significant downturn to date. The medium to long term impact on the Australian Property market remains uncertain as the spread of community transmission within Victoria escalates and small pockets of community transmission continues within NSW. Victoria and NSW represent the two biggest markets within Australia, economic recovery will be dependent on the speed of recovery in both these states. Based on current market indicators, management consider there is no change required to the fair values recorded at 30 June 2020.

Other

There are no other events post 30 June 2020 which would have a material impact on the financial statements or operations of the DHA business.

Key management personnel and related parties

This section of the notes provides other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

2. Key management personnel disclosures
3. Related party transactions
4. Economic dependency

33. Key management personnel remuneration

a) Director remuneration

The aggregate remuneration of the Directors of DHA is set out below:

	2020 \$	2019 \$
Director remuneration		
Short term employee benefits	534,165	524,998
Post-employment benefits	64,837	61,589
Total director remuneration	599,002	586,587

The Director's remuneration includes fees and benefits, including travel and motor vehicle allowances, as prescribed by the Remuneration Tribunal's determination for part-time public office holders and superannuation payable in accordance with applicable legislation and fund requirements.

b) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of DHA, directly or indirectly. DHA has determined key management personnel to include the Managing Director, Group General Managers, Chief Financial Officer and Senior Legal Counsel, including in an acting capacity.

The aggregate remuneration of key management personnel of DHA during the financial year is set out below:

	2020 \$	2019 \$
Short-term employee benefits		
Base salary	1,345,243	2,204,465
Performance bonus	86,774	280,263
Other benefits and allowances	6,125	18,295
	1,438,142	2,503,023
Post-employment benefits		
Superannuation	240,319	333,185
	240,319	333,185
Other long-term employee benefits		
Long service leave	23,548	48,030
	23,548	48,030
Termination benefits		
Termination benefits	-	20,545
	-	20,545
Total employment benefits	1,702,009	2,904,783

Accounting policy

The total number of key management personnel that are included in the above table are 5 individuals (2019: 11 individuals).

The above key management personnel remuneration excludes the remuneration and other benefits of the Cabinet and Portfolio Ministers. The Portfolio Ministers' remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

34. Related party disclosures

DHA is an Australian Government controlled entity. Related parties to this entity are the Directors, Key Management personnel and Executive, and other Australian Government entities. DHA forms part of the Defence Portfolio. DHA reports to two shareholder ministers: the Minister for Defence and the Minister for Finance.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed.

DHA and Defence have entered into a Services Agreement on housing and related matters which details the provision of services to Defence. Transactions between Defence, Finance and DHA are highlighted throughout the financial statement notes.

There have been no financial transactions between the key management personnel and DHA outside the normal employment contracts under the Public Service Act 1999.

35. Economic dependency

DHA depends on Defence in accordance with the Services Agreement. DHA received 70.95% of its total revenue from Defence for the year ended 30 June 2020 (2019: 77.30%).





PART 6

Appendices and reference information

Appendix A: Accountable Authority

Appendix B: Workforce statistics

Appendix C: Work, health and safety

Appendix D: Five year financial summary

Appendix E: Advertising and market research

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Appendix A: Accountable Authority

This appendix provides details of our Accountable Authority for 2019–20 in accordance with the PGPA Rule.

Table 6.1: Accountable Authority 2019–20

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the Accountable Authority or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Hon J.A.L. (Sandy) Macdonald	<ul style="list-style-type: none"> ➤ Bachelor of Laws (Sydney) ➤ Member of the Australian Institute of Company Directors (AICD) 	<ul style="list-style-type: none"> ➤ Senator for New South Wales (1993–2008) ➤ Parliamentary Secretary to the Minister for Defence (2006–2007) ➤ Wool and beef producer ➤ Former board appointments 	<ul style="list-style-type: none"> ➤ Chairman ➤ Chair of the Nomination and Remuneration Committee ➤ Non-Executive member 	February 2018	-	9/9
Mr Barry Jackson	<ul style="list-style-type: none"> ➤ New Zealand Certificate in Quantity Surveying ➤ Quantity Surveyors Registration ➤ Member of the AICD 	<ul style="list-style-type: none"> ➤ Various executive and senior roles in the Australian Public Service (APS) and Victorian government ➤ 25+ years in private sector (construction, property, strategic and business process management) ➤ Other board appointments 	<ul style="list-style-type: none"> ➤ Managing Director ➤ Executive member 	May 2019	-	9/9

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the Accountable Authority or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Mr Simon Lewis AO PSM CSC	<ul style="list-style-type: none"> ➤ Bachelor of Arts (Economics, Statistics) ➤ Graduate Diploma of Computing Studies ➤ Graduate Diploma in Administrative Studies ➤ Graduate Diploma of Strategic Studies ➤ Completed the Harvard and Wharton Business School's Advanced Management Programs ➤ Graduate of the AICD 	<ul style="list-style-type: none"> ➤ Various executive and senior roles in the APS ➤ Secretary of the Department of Veterans' Affairs (2013–2018) ➤ Other board appointments 	<ul style="list-style-type: none"> ➤ Nominee of the Secretary of Finance ➤ Chair of the Board Audit and Risk Committee ➤ Non-Executive member 	April 2019	-	9/9
Brigadier Leigh Wilton AM	<ul style="list-style-type: none"> ➤ Master of Arts (Strategic Studies) ➤ Master of Management ➤ Bachelor of Business ➤ Graduate Diploma in Information Systems ➤ Graduate of the Australian Command and Staff College ➤ Graduate of the Centre for Defence and Strategic Studies ➤ Graduate of the AICD 	<ul style="list-style-type: none"> ➤ Member of the Australian Army ➤ Various senior appointments including Commanding Officer and Chief Instructor of the Army School of Ordnance and Director General Career Management – Army 	<ul style="list-style-type: none"> ➤ Nominee of the Chief of the Defence Force ➤ Chair of the DHA Advisory Committee ➤ Non-Executive member 	December 2019	-	3/4

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the Accountable Authority or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Authority attended
Ms Kate Louis ¹	<ul style="list-style-type: none"> ➤ Bachelor of Laws (1st Class Honours) ➤ Bachelor of Arts 	<ul style="list-style-type: none"> ➤ 20 years' experience in the Department of Defence including Chief of Staff, Assistant Secretary and First Assistant Secretary roles ➤ Executive Director of the Defence Council and Head of Industry Development for the Australian Industry Group ➤ Member of the Centre for Defence Industry Capability Advisory Board 	<ul style="list-style-type: none"> ➤ Nominee of the Secretary of Defence ➤ Non-Executive member 	June 2020	-	0/0
Mr Robert Fisher AM	<ul style="list-style-type: none"> ➤ Bachelor of Arts ➤ Bachelor of Education ➤ Member of the AICD 	<ul style="list-style-type: none"> ➤ 40+ year public service career ➤ Member of the Australian Trade Commission Service ➤ CEO/Director General of various WA government departments ➤ One of five commissioners on the Australian Government's National Commission of Audit ➤ Former board appointments 	<ul style="list-style-type: none"> ➤ Commercial member ➤ Chair of the Board Investment Committee ➤ Non-Executive member 	February 2019	-	9/9
Hon Alan Ferguson		<ul style="list-style-type: none"> ➤ Senator for South Australia (1992-2011) ➤ Self-employed insurance consultant ➤ Farm owner and joint manager of farming property ➤ Other board appointments 	<ul style="list-style-type: none"> ➤ Commercial member ➤ Non-Executive member 	February 2018	-	8/9

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the Accountable Authority or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Ms Andrea Galloway	<ul style="list-style-type: none"> ➤ Bachelor of Business Administration ➤ Diploma of Computer Networks ➤ Graduate of the Executive Program (University of Michigan) ➤ Fellow of the AICD ➤ Justice of the Peace ➤ Licensed Real Estate Agent 	<ul style="list-style-type: none"> ➤ 30+ years in executive management for national and multinational commercial organisations ➤ Former Managing Director and CEO of Evolve Housing ➤ Winner of the Australian and NSW Telstra Women's Award 2014 (Business Innovation category) ➤ Other board appointments 	<ul style="list-style-type: none"> ➤ Commercial member ➤ Non-Executive member 	November 2016	-	9/9
Mr Ewen Jones	<ul style="list-style-type: none"> ➤ Member of the AICD 	<ul style="list-style-type: none"> ➤ Federal member for Herbert (2010–2016) ➤ Government Whip (2015–2016) ➤ Auctioneer ➤ Real estate and corporate finance experience ➤ Manager of Business Development at Pickering's Auto Group ➤ Other board appointments 	<ul style="list-style-type: none"> ➤ Commercial member ➤ Non-Executive member 	December 2016	-	8/9
Mr Martin Brady AO	<ul style="list-style-type: none"> ➤ Bachelor of Arts (Honours) ➤ Bachelor of Fine Arts ➤ Member of the AICD 	<ul style="list-style-type: none"> ➤ 28+ years in the departments of Foreign Affairs and Defence ➤ Director of Signals Directorate (1994–1999) ➤ Chairman of the Defence Intelligence Board (1999–2001) ➤ Consultant on intelligence issues, technology requirements and arms exports 	<ul style="list-style-type: none"> ➤ Nominee of the Secretary of Defence ➤ Non-Executive member 	June 2017	June 2020	9/9

Name	Qualifications of the Accountable Authority	Experience of the Accountable Authority	Position Title/Position held Executive/Non-Executive	Period as the Accountable Authority or member within the reporting period		
				Date of Commencement	Date of Cessation	Number of meetings of Accountable Authority attended
Commodore Vicki McConachie CSC RAN	<ul style="list-style-type: none"> ➤ Bachelor of Arts/Law ➤ Master of Laws ➤ Graduate of the AIGD 	<ul style="list-style-type: none"> ➤ Member of the Royal Australian Navy Reserve ➤ Various senior appointments, including Commanding Officer of HMAS Kuttabul, Director General ADF Legal Service ➤ Operational service as Deputy Staff Judge Advocate Multinational Force—Iraq ➤ Lead of an Australian Government legal division 	<ul style="list-style-type: none"> ➤ Nominee of the Chief of the Defence Force ➤ Chair of the DHA Advisory Committee ➤ Non-Executive member 	December 2016	December 2019	3/5

Note

1. K.Louis was appointed to the Board on 21 June 2020, after the final Board meeting of the 2019–20 financial year.

Appendix B: Workforce statistics

This appendix provides statistics on our workforce as at 30 June 2020 and 30 June 2019 for comparison (unless otherwise stated).¹²

Staffing profile (by headcount)

Table 6.2: All ongoing employees current reporting period 2019–20

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	43	1	44	49	10	59	0	0	0	103
QLD	24	0	24	60	26	86	0	0	0	110
SA	17	1	18	21	5	26	0	0	0	44
TAS	0	0	0	0	0	0	0	0	0	0
VIC	11	0	11	7	1	8	0	0	0	19
WA	5	0	5	8	0	8	0	0	0	13
ACT	68	6	74	99	22	121	0	0	0	195
NT	1	0	1	16	0	16	0	0	0	17
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	169	8	177	260	64	324	0	0	0	501

¹² Workforce statistics include ongoing and non-ongoing staff at their substantive and classification as at 30 June 2019 or 30 June 2020. Inoperative staff (those on long term leave), staff engaged through an employment agency and Board members are excluded. One casual employee who has not worked since March 2020 is not included in these figures.

Table 6.3: All non-ongoing employees current reporting period 2019–20

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	2	0	2	2	1	3	0	0	0	5
QLD	0	0	0	2	1	3	0	0	0	3
SA	1	0	1	0	2	2	0	0	0	3
TAS	0	0	0	0	0	0	0	0	0	0
VIC	1	0	1	1	0	1	0	0	0	2
WA	0	0	0	3	0	3	0	0	0	3
ACT	6	2	8	13	2	15	0	0	0	23
NT	0	0	0	1	0	1	0	0	0	1
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	10	2	12	22	6	28	0	0	0	40

Table 6.4: All ongoing employees previous report period 2018–19

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	54	2	56	48	16	64	0	0	0	120
QLD	32	0	32	67	21	88	0	0	0	120
SA	19	1	20	26	7	33	0	0	0	53
TAS	0	0	0	0	0	0	0	0	0	0
VIC	13	0	13	14	0	14	0	0	0	27
WA	7	0	7	9	0	9	0	0	0	16
ACT	71	7	78	111	30	141	0	0	0	219
NT	1	0	1	19	2	21	0	0	0	22
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	197	10	207	294	76	370	0	0	0	577

Table 6.5: All non-ongoing employees previous report period 2018–19

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	7	0	7	10	1	11	0	0	0	18
QLD	0	0	0	6	2	8	0	0	0	8
SA	1	0	1	0	1	1	0	0	0	2
TAS	0	0	0	0	0	0	0	0	0	0
VIC	2	0	2	2	0	2	0	0	0	4
WA	0	0	0	2	0	2	0	0	0	2
ACT	13	3	16	15	3	18	0	0	0	34
NT	0	0	0	1	0	1	0	0	0	1
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	23	3	26	36	7	43	0	0	0	69

Table 6.6: Staff by classification and gender 2018–19 and 2019–20

Classification	2018–19		2019–20	
	Female	Male	Female	Male
DHA1	0	2	0	0
DHA2	0	0	0	0
DHA3	54	12	47	12
DHA4	126	36	126	34
DHA5	81	44	66	34
DHA6	67	30	53	28
EL1	48	52	35	42
EL2	32	49	21	33
SES and MD	6	7	4	6
Total	414	232	352	189

Table 6.7: Staff by classification and employment type 2018–19 and 2019–20

Classification	2018–19		2019–20	
	Full-time	Part-time	Full-time	Part-time
DHA1	2	0	0	0
DHA2	0	0	0	0
DHA3	54	12	45	14
DHA4	136	26	134	26
DHA5	110	15	89	11
DHA6	79	18	65	16
EL1	86	14	67	10
EL2	71	10	52	2
SES and MD	12	1	9	1
Total	550	96	461	80

Table 6.8: Ongoing staff by length of service and classification 2018–19 and 2019–20

Length of service	2018–19			2019–20		
	DHA1–4	DHA5–6	EL1–MD	DHA1–4	DHA5–6	EL1–MD
<2 years	77	32	38	51	33	30
2-5 years	78	73	42	90	48	43
6-10 years	28	46	45	35	42	24
≥11years	47	71	69	43	58	44
Total	230	222	194	219	181	141

Table 6.9: Staff by office type 2018–19 and 2019–20

Office type	2018–19	2019–20
	Total	Total
Head office	233	199
Sydney CBD office	36	24
Regional office	269	234
Contact centre	108	84
Total	646	541

Table 6.10: Staff by location 2018–19 and 2019–20

State	Office Type	Comments	2018–19	2019–20
ACT	Head Office		235	199
	Canberra regional office		24	19
NSW	Hunter regional office		46	39
	Nowra regional office		7	4
	Sydney regional office		43	37
	Sydney CBD office		37	24
	Wagga Wagga regional office		5	4
NT	Darwin regional office		21	17
	Tindal regional office		2	1
QLD	Brisbane regional office		58	49
	Cairns regional office		0	1
	Canungra regional office		0	1
	Ipswich regional office		14	11
	Toowoomba regional office		0	1
	Townsville regional office		54	50
SA	Adelaide regional office		54	47
VIC	Cerberus regional office		1	1
	Melbourne regional office		24	17
	Puckapunyal regional office	Defence personnel only	1	0
	Sale regional office		1	1
	Wodonga regional office		0	2
WA	Perth regional office		19	16

Table 6.11: Staff by employment instrument 2018–19 and 2019–20

	2018–19	2019–20
Employment instrument	Number	Number
Enterprise Agreement (EA)	511	452
EA with individual flexibility agreement ¹	121	79
Common law contract	0	0
Public Service Act 1999 Section 24(1) determination ²	13	9
Remuneration Tribunal determination	1	1
Total	646	541

Notes

1. The *Fair Work Act 2009* requires that all Enterprise Agreements (EA) contain provision for an individual flexibility arrangement. Where DHA and a staff member agree to vary specific terms and conditions in DHA's EA, an Individual Flexibility Agreement is entered into. Refer to our website (www.dha.gov.au/ea) for a full copy of the EA.
2. In accordance with section 24(1) of the *Public Service Act 1999*, an agency head may determine in writing the terms and conditions of employment applying to an Australian Public Service employee. Remuneration and conditions of service for Senior Executive Service (SES) staff in DHA are determined in this way.

Table 6.12: Staff gross salary ranges by classification 2018–19 and 2019–20

	2018–19	2019–20
Classification	Salary range ¹	Salary range ¹
DHA1	\$48,640–\$54,393	\$49,614–\$55,481
DHA2	\$52,279–\$59,789	\$53,325–\$60,985
DHA3	\$60,059–\$66,548	\$61,620–\$67,879
DHA4	\$66,360–\$74,154	\$67,687–\$75,637
DHA5	\$74,764–\$81,603	\$76,259–\$83,235
DHA6	\$82,532–\$94,895	\$84,183–\$96,793
EL1	\$100,201–\$122,287	\$102,205–\$124,73
EL2	\$119,076–\$152,786	\$121,458–\$155,842
SES and MD	\$149,323–\$394,200	\$210,000–\$401,722

Note

1. In a determination under section 24(1) of the *Public Service Act 1999*, the Managing Director provided employees with a two per cent increase effective on 18 January 2019 and a further two per cent increase effective on 18 January 2020. These increases are reflected in the above figures. The Board increased the remuneration of the Managing Director in line with recommendations from the Remuneration Tribunal.

Performance payments

Table 6.13: Maximum potential performance bonus by classification 2018–19 and 2019–20

Classification	Maximum potential performance payment
DHA1–DHA4 ¹	7.5%
DHA5–EL1 ²	12.5%
EL2–SES ³	15%
MD ⁴	20%

Notes

1. In accordance with the EA, DHA1–DHA4 staff may be eligible for performance pay of up to 7.5 per cent of their annual gross base salary.
2. In accordance with the EA, DHA5–EL1 staff may be eligible for performance pay of up to 12.5 per cent of their annual gross base salary.
3. In accordance with the EA and section 24(1) of the *Public Service Act 1999*, EL2–SES staff may be eligible for performance pay of up to 15 per cent of their annual gross base salary.
4. In accordance with the Remuneration Tribunal's determination for Principal Executive Office holders, the Managing Director may be eligible for performance pay of up to 20 per cent of total gross remuneration.

Table 6.14: Performance pay by classification for 2018–19 paid in 2019–20¹

Classification	Number of payments	Aggregated amount	Average amount	Range of payments
DHA1	0	0	0	0
DHA2	0	0	0	0
DHA3	64	\$174,404	\$2,725	\$769–\$4,254
DHA4	165	\$539,070	\$3,267	\$73–\$5,202
DHA5	117	\$733,255	\$6,267	\$432–\$8,912
DHA6	91	\$650,221	\$7,145	\$1,524–\$11,936
EL1	87	\$816,274	\$9,382	\$1,971–\$14,209
EL2	77	\$1,173,836	\$15,245	\$5,039–\$22,254
SES	10	\$206,820	\$20,682	\$5,663–\$28,612
MD	0	0	0	0

Note

1. This table sets out performance pay for the 2018–19 performance cycle that was paid to eligible employees in 2019–20.

Executive remuneration

During the reporting ended 30 June 2020, DHA had eight non-executive Board members and five senior executives who meet the definition of Key Management Personnel (KMP). In the notes to the financial statements for the period ending 30 June 2020, DHA disclosed the following KMP expenses:

Key management personnel remuneration for the reporting period 2020

Key management personnel remuneration for the reporting period	\$
Short-term benefits	
Base Salary	\$1,824,095.67
Bonus	\$86,774.10
Other benefits and allowances	\$61,437.54
Total short-term benefits	\$1,972,307.31
Superannuation	\$305,155.70
Total post-employment benefits	\$305,155.70
Other long term benefits	\$0.00
Long Service Leave	\$23,547.63
Total long term benefits	\$23,547.63
Termination benefits	\$0.00
Total key management personnel remuneration	\$2,301,010.64

In accordance with the PGPA Rule, Tables 6.15 to 6.17 comply with GBE remuneration disclosure requirements specified in Resource Management Guide No. 138 *Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports*.

Details and length of term for key management personnel

Name	Position	Term as KMP
Barry Jackson	Managing Director	Full year
Paul Groenewegen	Chief Financial Officer	Full year
Suzanne Pitson	General Manager Portfolio Management	Part year – ceased 13 March 2020
Lisa Barlin	Chief General Counsel	Part year – commenced 30 September 2019
Brett Jorgensen	General Manager Property Provisioning Group	Full year
J.A.L. (Sandy) Macdonald	Board Chairman	Full year
Martin Brady	Board Member	Part year – appointment ended 21 June 2020
Alan Ferguson	Board Member	Full year
Robert Fisher	Board Member	Full year
Andrea Galloway	Board Member	Full year
Ewen Jones	Board Member	Full year
Simon Lewis	Board Member	Full year
Kate Louis	Board Member	Part year – appointed 21 June 2020

As per the PGPA Rule, this information is further disaggregated in Table 6.15.

Information about remuneration for key management personnel

Table 6.15: Details of executive remuneration for KMP 30 June 2020

Name	Position title	Short term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses	Other benefits and allowances		Long service leave	Other long-term benefits		
Barry Jackson	Managing Director	\$429,814.65	0	0	\$68,970.15	\$10,782.38	0	0	\$509,567.18
Brett Jorgensen	General Manager, Service Delivery	\$281,178.34	\$28,612.50	\$3,134.19	\$51,746.64	0	0	0	\$364,671.67
Suzanne Pitson	General Manager, Portfolio Management	\$144,769.38	\$20,361.60	\$2,990.42	\$33,464.00	0	0	0	\$201,585.40
Paul Groenewegen	Chief Financial Officer	\$303,411.56	\$37,800.00	0	\$52,211.53	\$8,131.63	0	0	\$401,554.72
Lisa Barlin	Chief General Counsel	\$186,069.58	0	0	\$33,926.63	\$4,633.62	0	0	\$224,629.83
J.A.L. (Sandy) Macdonald	Board Chairman	\$119,713.04	0	\$3,512.20	\$11,284.12	0	0	0	\$134,509.36
Martin Brady	Board Member	\$58,257.30	0	\$13,107.93	\$6,688.59	0	0	0	\$78,053.82
Alan Ferguson	Board Member	\$59,856.52	0	\$1,305.60	\$9,214.29	0	0	0	\$70,376.41
Robert Fisher	Board Member	\$59,856.52	0	\$8,133.84	\$6,414.90	0	0	0	\$74,405.26
Andrea Galloway	Board Member	\$59,856.52	0	\$8,511.92	\$10,299.58	0	0	0	\$78,668.02
Ewen Jones	Board Member	\$59,856.52	0	\$8,133.84	\$10,291.70	0	0	0	\$78,282.06
Simon Lewis	Board Member	\$59,856.52	0	\$12,607.60	\$10,397.29	0	0	0	\$82,861.41
Kate Louis	Board Member	\$1,599.22	0	0	\$246.28	0	0	0	\$1,845.50
Total		\$1,824,095.67	\$86,774.10	\$61,437.54	\$305,155.70	\$23,547.63	\$0.00	\$0.00	\$2,301,010.64

Information about remuneration for senior executives

Table 6.16: Details of remuneration for nine senior executive members 30 June 2020

Total remuneration bands	Number of senior executives	Short term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances		Average long service leave	Average other long term benefits		
\$0-\$220,000	3	\$76,185.67	\$1,887.98	0	\$15,053.93	\$1,291.47	0	0	\$94,419.05
\$220,001-\$245,000	1	\$204,440.94	0	0	\$30,750.59	\$5,459.32	0	0	\$240,650.85
\$245,001-\$270,000	1	\$204,221.89	\$25,080.00	0	\$39,360.83	0	0	0	\$268,662.72
\$270,001-\$295,000	1	\$216,766.82	\$24,090.00	\$2,610.35	\$41,678.17	\$1,686.90	0	0	\$286,832.24
\$295,001-\$320,000	2	\$237,010.53	\$24,101.25	\$3,256.92	\$38,146.12	\$5,944.41	0	0	\$308,459.22
\$320,001-\$345,000	0	0	0	0	0	0	0	0	0
\$345,001-\$370,000	1	\$275,405.89	\$25,447.50	0	\$40,503.10	\$7,004.47	0	0	\$348,360.96
\$370,001-\$395,000	0	0	0	0	0	0	0	0	0
\$395,001-\$420,000	0	0	0	0	0	0	0	0	0
\$420,001-\$445,000	0	0	0	0	0	0	0	0	0
\$445,001-\$470,000	0	0	0	0	0	0	0	0	0
\$470,001-\$495,000	0	0	0	0	0	0	0	0	0
\$495,001-...	0	0	0	0	0	0	0	0	0

Information about remuneration for other highly paid staff

Table 6.17: Details of remuneration for eleven other highly paid staff 30 June 2020

Total remuneration bands	Number of other highly paid staff	Short term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances		Average long service leave	Average other long term benefits		
\$225,001–\$245,000	3	\$159,347.46	\$17,981.74	\$16,911.68	\$29,442.51	\$4,182.34	0	\$227,865.73	
\$245,001–\$270,000	2	\$145,881.40	\$16,305.12	\$70,189.61	\$32,903.67	\$3,862.74	0	\$269,142.53	
\$270,001–\$295,000	0	0	0	0	0	0	0	0	
\$295,001–\$320,000	3	\$180,979.85	\$28,877.01	\$51,243.70	\$37,809.25	\$4,870.90	0	\$303,780.71	
\$320,001–\$345,000	1	\$154,840.17	\$51,842.53	\$91,714.13	\$37,632.10	\$4,182.34	0	\$340,211.27	
\$345,001–\$370,000	1	\$162,009.89	\$52,634.32	\$93,179.77	\$37,828.82	\$4,182.34	0	\$349,835.14	
\$370,001–\$395,000	0	0	0	0	0	0	0	0	
\$395,001–\$420,000	0	0	0	0	0	0	0	0	
\$420,001–\$445,000	0	0	0	0	0	0	0	0	
\$445,001–\$470,000	1	\$159,022.49	\$96,236.86	\$145,325.07	\$45,694.13	\$4,182.34	0	\$450,460.89	
\$470,001–\$495,000	0	0	0	0	0	0	0	0	
\$495,001–...	0	0	0	0	0	0	0	0	

Appendix C: Work, health and safety

WHS performance 2018–19 and 2019–20

This appendix outlines our Work, Health and Safety (WHS) performance in accordance with the *Work Health and Safety Act 2011* (WHS Act).

Table 6.18: WHS performance 2018–19 and 2019–20

Indicator	2018–19	2019–20
Incident reporting ¹		
Total incidents reported	677	473
WHS incidents	155	174
Staff	62	57
Contractors	34	23
Tenants and others	59	94
Recordable injury rate		
Total recordable injury frequency rate	7.84	8.54
Lost time rate		
Lost time injury frequency rate	5.49	3.11
Audits and office inspections		
Contractor and internal audits conducted	753	192
Desktop	673	156
Onsite	80	36
Safety interaction	670	460
Office inspections conducted	76	62
Workers' compensation		
Workers' compensation claims (accepted in financial year)	3	1

Note

1. Incidents are reported from the date of occurrence. Figures in Table 6.18 can vary from previous DHA Annual Reports as incidents which occurred in one financial year may be reported in another year, incidents may be reclassified following investigation, or figures may be varied following greater data analysis (i.e. to remove duplicate reports). The variances are not considered material or statistically significant.

Reported incidents

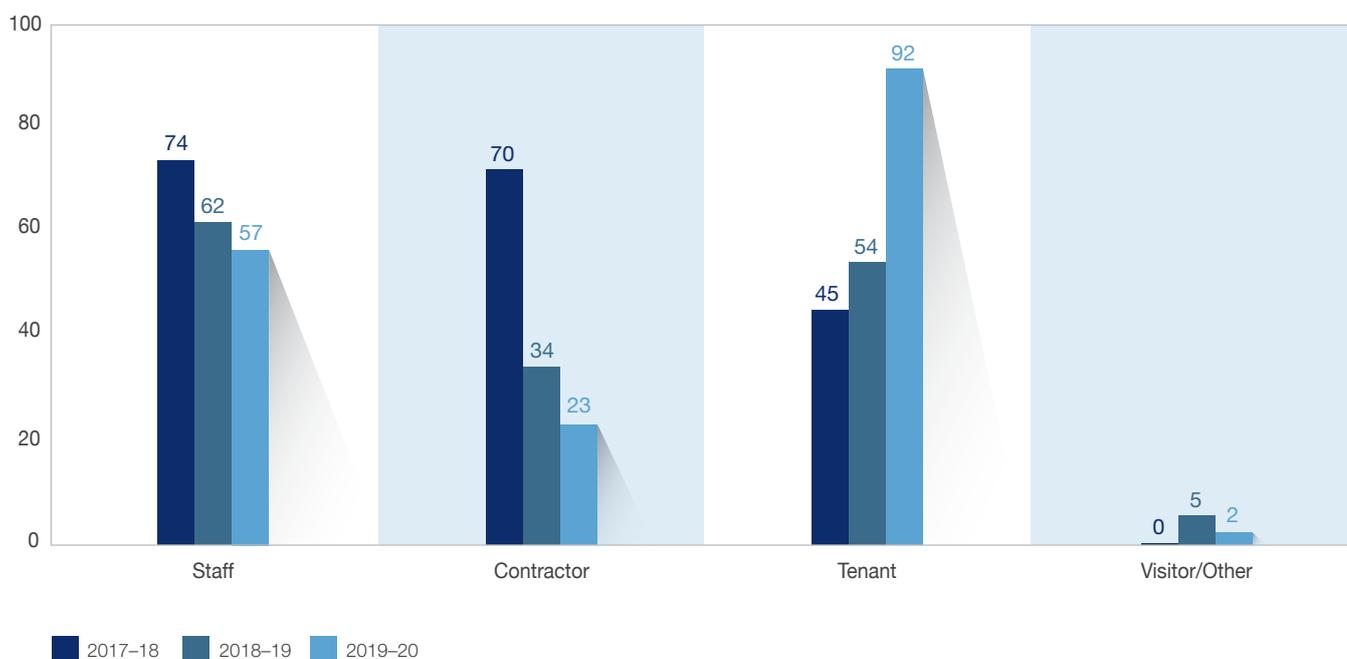
The total number of incidents reported declined in 2019–20. The variance is largely due to a change in the process for recording potential gas leaks to improve the accuracy of incident reports. All potential gas leaks reported are now assessed by the Safety, Health, Environment and Quality (SHEQ) team in the first instance to determine whether they are WHS related incidents or standard maintenance requests. Previously, all potential gas leaks were recorded as WHS incidents, skewing the number of incidents reported.

The total number of WHS related incidents increased in 2019–20. The largest variance related to ADF members and dependant reporting of incidents. This is attributed to greater home based work during the bushfires and COVID-19 pandemic.

In 2019–20, DHA notified Comcare of eight incidents in line with the WHS Act (as they were deemed dangerous or resulted in serious injury). Of these, five incidents concerned contractors and three concerned ADF members or dependants. DHA conducts an internal investigation of all incidents. Following investigation, the three ADF member or dependant incidents were not deemed to be WHS related.

Figure 6.1

WHS incidents by person involved 2017–18, 2018–19 and 2019–20¹



Note

1. Incidents are reported from the date of occurrence. The data in Figure 6.1 can vary from previous DHA Annual Reports as incidents which occurred in one financial year may be reported in another year, incidents may be reclassified following investigation, or figures may be varied following greater data analysis (i.e. to remove duplicate reports). The variances are not considered material or statistically significant.

Safety audits and inspections

In 2019–20, DHA undertook 192 contractor audits and 62 office inspections as part of our regular Safety, Health, Environment and Quality Program. A total of 172 corrective actions were identified following these audits. The results have assisted in various initiatives, including data trend analysis, targeted audit and safety campaigns and local area risk mitigation strategies. The significant variance in auditing (753 audits in 2018–19 compared to 192 audits in 2019–20) is due to trade group auditing undertaken in 2018–19. This type of auditing is only performed every two years.

Certification

DHA holds AS NZS 4801 (Health and Safety) and ISO 9001 (Quality) management system certifications. Ongoing certification is subject to an annual external audit process. DHA's audit process was ongoing as at 30 June 2020.

Worker's compensation

In 2019–20, four workers' compensation claims were lodged with Comcare, the Australian Government's insurer, regulator and scheme manager. Of the four claims, two related to psychological injuries, one related to an autoimmune condition and one was a musculoskeletal injury. One claim (musculoskeletal) was accepted as a compensable injury. The remaining three claims were rejected by Comcare.

Appendix D:

Five year financial summary

This appendix provides a comprehensive overview of DHA's key financial performance results for the last five financial years.

Table 6.19: Financial performance 2015–16 to 2019–20

	2015–16	2016–17	2017–18	2018–19	2019–20
Financial performance					
Net profit after tax (\$m)	\$104.6	\$65.7	\$44.3	\$40.9	\$42.7
Annual dividend (\$m)	\$62.7	\$39.6	\$26.6	\$24.5	\$25.6
Return on equity	7.0%	4.3%	2.9%	2.4%	2.7%
Property investment revenue (\$m) ¹	\$428.8	\$363.9	\$278.5	\$156.6	\$167.2
Disposal program revenue (\$m)	\$59.0	\$64.2	\$32.2	\$35.4	\$10.8
Development land and property sales revenue (\$m)	\$238.5	\$116.4	\$104.9	\$140.1	\$204.5
Business efficiency					
Return on capital employed	9.2%	5.9%	4.2%	3.8%	6.3%
Leverage/solvency					
Gearing ratio	25.8%	24.9%	24.7%	24.5%	25.7%
Interest times cover	7.0	5.2	4.7	4.7	8.5
Current ratio	4.7	6.2	3.4	7.5	2.3
Liquidity ratio ²	4.7	6.2	5.8	2.1	1.0
Portfolio management					
Value of portfolio under management (\$b)	\$10.6	\$11.0	\$11.1	\$11.2	\$11.0
Total properties under management ³	18,767	18,841	18,395	18,112	17,925
New constructions and acquisitions	864	940	473	641	450

Notes

1. Property investment revenues reported are the gross sale proceeds, excluding GST. In 2019–20 the accounting treatment under AASB 16 Leases reports the net gain \$15.2 million, with a portion of the gain deferred over the term of the lease.
2. Liquidity ratio excludes current borrowings as borrowed items are rolled on maturity and not considered to be a risk.
3. Figures include all properties managed by DHA (leased and owned).

Appendix E: Advertising and market research

In accordance with section 311A of the *Commonwealth Electoral Act 1918*, this appendix discloses payments of \$13,801 or more (including GST) for advertising and market research services provided during the reporting period. There was no direct mail expenditure to be reported against for 2019–20.

Table 6.20: Advertising expenditure 2019–20

Organisation	Purpose of services	Expenditure (\$ inc GST)
McCann	Property investment program campaigns	\$621,218.00
Campaign Edge Sprout	Breezes Muirhead campaigns	\$119,932.45
Audience Group	Torhaven & Miramor campaigns	\$52,689.35
Heard Agency	Akuna Vista campaigns	\$203,079.05
Creative ADM	Liv & Wirraway campaigns	\$157,341.97
Simple	Northwest Quarter campaigns	\$98,846.00

Table 6.21: Direct mail expenditure 2019–20

Organisation	Purpose of direct mail	Expenditure (\$ inc GST)
n/a	n/a	\$0

Table 6.22: Media advertising expenditure 2019–20

Organisation	Purpose of services	Expenditure (\$ inc GST)
Universal McCann	Property investment program media advertising	\$631,922.44
Campaign Edge Sprout	Breezes Muirhead media advertising	\$251,697.29
Audience Group	Torhaven & Miramor media advertising	\$325,894.87
Heard Agency	Akuna Vista media advertising	\$119,490.80
Creative ADM	Liv & Wirraway media advertising	\$84,607.30

Table 6.23: Market research expenditure 2018–19

Organisation	Purpose of market research	Expenditure (\$ inc GST)
Colmar Brunton	DHA brand campaign tracking	\$52,800.00
MacroPlan	Lawson market research	\$49,009.30

Appendix F: Environmental performance

We are committed to improving our environmental performance in accordance with government policy. We manage environmental impacts through a number of policies and administrative controls and use a range of communication methods, including all staff messages and intranet content, to support staff to mitigate environmental impacts.

Property portfolio

We are committed to creating healthy and sustainable communities for ADF members, their families and the broader community.

Heritage properties

Commonwealth Heritage Listed properties

On behalf of Defence, DHA manage and conserve 61 Commonwealth Heritage Listed (CHL) properties at ADF bases and establishments across Australia in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). We also own 16 CHL properties and two CHL development sites. There are a further three development sites on the DHA Heritage Register (DHAHR). These properties are an important piece of Australia's history, as well as the history of the ADF. We plan and undertake conservation activities in accordance with the EPBC Act, a heritage management framework and a heritage strategy.

Maintenance and conservation of any identified heritage property

DHA has several development sites that are currently under various stages of planning. Each project has allowed for the ongoing maintenance and protection of the heritage values. We have an obligation to protect the sites from vandalism and damage whilst they are in the planning stages.

Heritage studies, conservation management planning and other activities relating to the identification, protection, conservation, presentation and transmission of any Commonwealth Heritage Values of a place

Each project has allowance for the necessary Conservation Management Plans or Heritage Management Plans that enable the continued management of the sites during and after delivery.

Identification of heritage values

No new sites were reviewed as part of this strategy for the year 2019–20. Last year's review is below for information. These reviews are still relevant as the sites are still in planning.

Four sites were reviewed as part of this strategy including:

- › **Stockton Rifle Range** has identified Commonwealth Heritage Values and has been placed on the DHAHR. The review and identification is ongoing at this stage and is being incorporated into future planning of the site and development.
- › **Aulds Road Ripley** at this stage the development does not have identified Commonwealth Heritage Values, but has potential for archaeological discoveries. Procedures have been initiated should any archaeological items be uncovered during future works.
- › **Mount Lofty** has been added to the DHAHR due to the identified Commonwealth Heritage Values.
- › **Schofields Aerodrome** has several Commonwealth Heritage Values and is listed on the DHAHR.

Maintenance and works expenditure on properties with heritage values in 2019–20

Table 6.24: Maintenance work expenditure 2019–20

Project/Property	Maintenance	Management Plans	Conservation / Refurbishment
Gunners Cottages, WA	\$18,271	-	-
Mount Lofty, QLD	-	-	-
Stockton Rifle Range, NSW	\$21,741	-	-
Fort Wallace, NSW	\$71,000	-	\$387,806
Lawson, ACT	\$116,600	\$353,018	\$126,000
Schofields, NSW	-	\$66,177	-
Total	\$227,612	\$419,195	\$513,806

Development and maintenance of the DHAHR

The DHAHR is updated when any change in heritage values are identified, or a new site is identified as having heritage values. The DHAHR is detailed on our website (www.dha.gov.au/about-us/heritage-properties).

Preparation and review of Conservation Management Plans

We undertake a review of Conservation Management Plans every five years in accordance with the EPBC Act or within 2 years of purchasing a known listed CHL place.

Referrals made under the EPBC Act

DHA lodged a referral for the sale of the 16 Gunners Cottages located in Fremantle, WA. The referral advice was received and the sale is proceeding under the EPBC Act.

Disposal or acquisition of property with heritage values

DHA has not acquired or disposed of any properties with heritage values over the financial year.

Office energy use

DHA does not have control over the energy efficiency of fixtures and fittings within our offices as they are all commercially leased. However, where possible, we reduce energy consumption through the use of automated essential lighting and heating and cooling outside of business hours. Our ICT equipment, including printers, monitors and laptops/tablets are set to go into standby mode when not in use. Desk phones and meeting room screens go into sleep mode outside of business hours.

Energy efficiency is one of a number of factors taken into account when considering new commercial premises for leasing when a current lease is due to expire.

Travel and transport

DHA has seen significant savings by encouraging staff to use videoconferencing and teleconference technologies as alternatives to travel, and has identified further efficiencies by opting into Whole of Government Travel Services—Phase 1 arrangements. DHA has also commenced exploring benefits and efficiencies of opting into Whole of Government, Travel Services—Phase 3 arrangements which will be fully realised in the next reporting year.

We have rationalised the fleet of leased vehicles, reducing the entire fleet by 5 per cent over the year. As at 30 June 2020, we leased 193 vehicles via sgfleet under the Department of Finance fleet service contract.

Resource efficiency and waste

DHA introduced a number of regular practices to reduce our environmental footprint including:

- › reduced the use and disposal of printer toner cartridges and paper by implementing follow-me printing solution
- › enabled digital signing and lodgement for appropriate documents to reduce the paper consumption of home based staff.

Office directory

ACT

Head office

26 Brisbane Avenue
Barton ACT 2600

24 Brisbane Avenue
Barton ACT 2600

Canberra regional office

Tenancy 12, 26 Ipswich Street
Fyshwick ACT 2609

NSW

Hunter regional office

Suite 2, 45D Fitzroy Street
Carrington NSW 2294

Nowra regional office

Suite 3, Level 2 Bridgeton House
55–57 Berry Street
Nowra NSW 2541

Sydney regional office

Level 5, 111 Phillip Street
Parramatta NSW 2150

Sydney CBD office

Suite 201, Level 2
287 Elizabeth Street
Sydney NSW 2000

Wagga Wagga regional office

Ground Floor T3
193–195 Morgan Street
Wagga Wagga NSW 2650

NT

Darwin regional office

Level 1, Building 4
631 Stuart Highway
Berrimah NT 0828

Tindal regional office

By appointment only
Unit 2, 42 Katherine Terrace
Katherine NT 0828

SA

Adelaide regional office

Level 1, 1 Main Street
Mawson Lakes SA 5095

WA

Perth regional office

Level 2, 1 Swan Street
North Fremantle WA 6159

QLD

Brisbane regional office

Level 4, 76 Skyring Terrace
Newstead QLD 4006

Cairns regional office

26 Florence Street
Cairns QLD 4870

Ipswich regional office

Level 1, 15 Gordon Street
Ipswich QLD 4305

Toowoomba regional office

By appointment only
Shop 4A Shopping Centre
2 Plaza Circle
Highfields QLD 4352

Townsville regional office

63–65 Bamford Lane
Kirwan QLD 4817

Canungra outpost office

Defence personnel only
Building No. 3, Papang Road
Kokoda Barracks
Canungra QLD 4275

VIC

Melbourne regional office

Suite 305, Level 3
120 Bay Street
Port Melbourne VIC 3207

Wodonga regional office

83 Hume Street
Wodonga VIC 3690

Cerberus outpost office

Defence personnel only
Building 192, Cook Road
HMAS Cerberus
Cerebus VIC 3920

Puckapunyal outpost office

Defence personnel only
Building A0548, Vivi Street
Puckapunyal VIC 3662

Sale outpost office

Defence personnel only
Building 115, Catalina Street
RAAF Base East Sale VIC 3662

Acronyms and abbreviations

AASB	Australian Accounting Standards Board
AccuRate	Residential building energy-efficiency rating system (replaced NaTHERS)
ACT	Australian Capital Territory
ADF	Australian Defence Force
AM	Member of the Order of Australia
AICD	Australian Institute of Company Directors
ANAO	Australian National Audit Office
ANZAC	Australian and New Zealand Army Corps
AO	Officer of the Order of Australia
APS	Australian Public Service
APSC	Australian Public Service Commission
BARC	Board Audit and Risk Committee
Board	Board of Directors
BIC	Board Investment Committee
CAT	Command Activation Team
CHL	Commonwealth Heritage Listed
CSC	Conspicuous Service Cross
Cth	Commonwealth
DCO	Defence Community Organisation
Defence	Department of Defence
DFA	Defence Families of Australia
DHA	Defence Housing Australia
DHA AC	DHA Advisory Committee
DHA Act	<i>Defence Housing Australia Act 1987</i>
DHAHR	DHA Heritage Register
DHF	Defence Housing Forecast
DSA	Defence Services Agreement – Services Agreement with Defence on housing and related matters

EA	Enterprise Agreement
EER	Energy Efficiency Rating
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
EY	Ernst & Young (professional services company)
FBC	Future Business Committee
FBT	Fringe Benefits Tax
FOI	<i>Freedom of Information Act 1982</i>
GBE	Government Business Enterprise
GBE Guidelines	<i>Commonwealth Government Business Enterprise Governance and Oversight Guidelines</i>
GST	Goods and Services Tax
Hon	Honourable
ICT	Information Communication and Technology
ISO	International Organization for Standardization
Investor	Owner of a DHA investment (formerly referred to as a lessor)
KPI	key performance indicator
Lessor	Owner of a DHA investment property now referred to as an investor
LIA	Living in Accommodation
MCA	Member Choice Accommodation
MD	Managing Director
MP	Member of Parliament
MWD	member with dependants
MWD(U)	member with dependants (unaccompanied)
MWOD	member without dependants
NatHERS	Nationwide House Energy Rating Scheme (replaced by AccuRate)
NQLD	North Queensland
NRC	Nomination and Remuneration Committee
NPAT	Net Profit After Tax
NSW	New South Wales
NT	Northern Territory
OAIC	Office of the Australian Information Commissioner

PBS	Portfolio Budget Statements
PDA	Performance Development Agreement
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
PIP	Property Investment Program
PSM	Public Service Medal
PWC	Parliamentary Standing Committee on Public Works
QLD	Queensland
RA	rent allowance
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
RAP	Reconciliation Action Plan
RBCH	Rent Band Choice Housing
Rent Bands	Classification of service residences by market rent
RMG	<i>Resource Management Guide</i>
Rtd	Retired
SA	South Australia
Services Agreement	Services Agreement with Defence on housing and related matters
SES	Senior Executive Service
SHEQ	Safety, Health, Environment and Quality
SQLD	South Queensland
SR	Service residence
TAS	Tasmania
TRIFR	Total recordable injury frequency rate
VIC	Victoria
WA	Western Australia
WHS	Work, Health and Safety
WHS Act	<i>Work Health and Safety Act 2011</i>

Index of annual report requirements

This list of requirements has been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and *Resource Management Guide No. 136, Annual report for corporate Commonwealth entities* (as published by the Department of Finance in May 2020).

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BB	Approval of annual report by the accountable authority			
	Letter of transmittal	i	Detail of how and when the report was approved by the accountable authority and confirmation that the report has been prepared in accordance with section 46 of the PGPA act	
17BD	Plain English and clear design			
	Contents	iv	Table of contents	
	Alphabetical index	211	Index [alphabetical]	
	Acronyms and abbreviations	203	Glossary [acronyms and abbreviations]	
	Contact details Cover Digital report	ISFC	Details of contact officer Entity's website address Electronic address of the annual report	
	Index of annual report requirements	205	List of requirements	
17BE	Contents of annual report			
17BE(a)	Legislative framework	68	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Legislative framework	68	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	Planning and reporting framework	32	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Shareholder Ministers	72	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Shareholder Ministers	72	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE	Contents of annual report			
17BE(e)	Shareholder Ministers	72	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	N/A	N/A	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	Annual Performance Statement	35	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Significant issues relating to non-compliance with finance law	69	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	Board of Directors Appendix A: Accountable Authority	73 176	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Organisational structure	14	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Appendix B: Workforce statistics	181	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location	Mandatory
17BE(l)	Our office network Office directory	16 201	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Corporate governance structure	72	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE	Contents of annual report			
17BE(n), 17BE(o)	Board of Directors	77–78	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
17BE(p)	Managing Director's review Overarching analysis of our performance against our purposes Purpose 1: Provide quality housing and related services Purpose 2: Provide value to shareholders External scrutiny	4–5 38 39–44 46–56 88	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	N/A	N/A	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	External scrutiny	88-89	Particulars of any reports on the entity given by: (a) the Auditor-General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner	If applicable, mandatory
17BE(s)	N/A	N/A	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BE	Contents of annual report			
17BE(t)	N/A	N/A	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	Board Audit and Risk Committee	79–80	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	Executive remuneration	188	Information about executive remuneration	Mandatory
17BF	Disclosure requirements for government business enterprises			
17BF (1)(a)(i)	Managing Director's review Overarching analysis of performance against our purposes Performance analysis	4–5 38 51	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF (1)(a)(ii)	Overarching analysis against our purpose	38	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	If applicable, mandatory
17BF(1)(b)	Purpose 2: Provide value to shareholders Performance analysis Appendix D: Five year financial summary	49 51–52 196	Information on dividends paid or recommended	If applicable, mandatory

PGPA Rule Reference	Part of Report	Pages	Description	Requirement
17BF	Disclosure requirements for government business enterprises			
17BF(1)(c)	N/A	N/A	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations	If applicable, mandatory
17BF(2)	Corporate Plan	32	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory
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