



Australian Government
Department of Defence

**Foreign Affairs, Defence and Trade References Committee
Inquiry into Defence Housing Australia Operations**

**Department of Defence
Written Submission**

26 February 2016

Executive Summary

The Australian Defence Force (ADF) is Defence Housing Australia's (DHA) primary customer. DHA has well established capabilities, structures and relationships that are essential to meeting Defence's housing needs and thereby supporting capability.

Defence housing is a vital component of the ADF employment offer and DHA has demonstrated that it is an effective provider of this service to Defence. There is a significant risk that changes, or disruption, to the provision of housing services is likely to have a direct and negative impact on ADF members and their families and, in turn, impact capability and retention in the ADF.

The decision to reform DHA and update its business operations does not change Defence's views on the importance of DHA as the national provider of housing services or the Government's commitment to support the housing needs of ADF members.

Background

The main function of DHA is to provide adequate and suitable housing and housing related services to members of the ADF and their families in order to meet the operational needs of the ADF and the requirements of the Department of Defence as determined by the Minister for Defence.

In support of this main function DHA undertakes the following activities:

- management of all Defence housing, including the allocation of Defence service residences and the booking and allocation of living in accommodation;
- the acquisition, construction, upgrading and maintenance of Defence housing; and
- the disposal of surplus housing stock.

Defence maintains two separate relationships with DHA:

- the Minister for Defence as Shareholder Minister; and
- the primary customer of DHA, maintaining an arm's length commercial arrangement for the provision of housing and related services.

The commercial arrangements are contained in the *Services Agreement between Defence and Defence Housing Australia for Housing and Related Services* (Services Agreement).

Introduction

DHA and Defence have a positive and productive relationship which achieves the best outcome in meeting Defence members' housing needs and mitigates some of the challenges associated with Service life such as mobility, deployment and uncertainty. DHA is a recognised brand with ADF members. It is trusted and has a solid reputation for service.

Feedback from both ADF members and their families indicates that housing is considered to be an important part of the ADF employment offer. There is a high level of satisfaction with the housing services currently provided by DHA.

DHA housing provides substantial support to Defence Families. It is vital to Defence families that good quality, suitable housing is immediately accessible when, through no choice of their own, they are required to relocate.

Due to the quality of current housing stock the majority of families prefer a DHA Service Residence (SR) over the open market. Most only choose private rental where a DHA house is unavailable in the posting location or due to location preferences such as proximity to spouse employment.

Defence families are subjected to frequent relocations and lengthy separations. This makes certainty of tenure and provision of a safe, secure and well maintained home essential to their wellbeing. This is particularly the case in circumstances with ADF families have special needs and may require tailored service provision.

The 2015 Annual Tenant Survey results indicate that 87% of Defence members and their families are satisfied with the current housing provided by DHA. The main reasons that ADF families are satisfied with the current DHA housing model are:

- The accessibility of DHA's online tools to view and secure a good quality home of their choosing before they relocate.
- The ability to track any maintenance requirements through a standard process that is streamlined, easy and consistent throughout Australia.
- The certainty that families will be able to reside in one home for the duration of the posting in most of cases, which means that the family is able to use the home as a base from which to establish connections with the community.
- The confidence that DHA will use its corporate knowledge and unique understanding of the needs of Defence families to provide high quality services specifically tailored to their needs.

Housing that is well managed, with the Defence customer in mind, is a force multiplier for the ADF, and Defence research shows that partners are a significant influencer of ADF members' decisions to stay or leave.

DHA manages Defence-owned housing in limited markets and on Defence bases. Its responsibilities include liaison with the Public Works Committee on Defence's behalf. It also acts as Managing Contractor during housing construction projects.

DHA leases properties to tenants through a national arrangement that is outside the jurisdiction of state tenancy legislation and related supervising agencies. This provides ADF members with a nationally consistent level of service. DHA also has a strong track record responding to changing Defence needs. DHA is able to quickly adjust its provisioning processes and allocation services to cope with fluctuations in housing demand.

Following its consideration of the independent scoping study, commissioned by the Government as part of the 2014-15 Budget, the Government decided to retain ownership of DHA. However, the Government is examining DHA's accounting, information technology and business reporting systems with a view to improving transparency of the cost of providing DHA's services through a forensic review.

The Government also announced that there would be a review of DHA's Corporate Plan to ensure it supports the sustainable delivery of quality and accessible housing and accommodation services.

The decision to reform DHA and update its business operations does not alter Defence's view on the importance of DHA as the national provider of housing services or the Government's commitment to support the housing needs of ADF members.

Response to Specific Inquiry Terms of Reference:

a) Senior management arrangements and DHA board composition.

Defence is satisfied that the DHA Board is meeting its obligations under the *Defence Housing Australia Act 1987* (DHA Act). Defence is also satisfied that it is appropriately represented on the DHA Board.

Defence considers the Managing Director position is critical to achieving strategic objectives, customer service standards and financial sustainability. The position must also maintain a strong relationship with the Secretary of Defence, Chief of the Defence Force and other senior leaders in Defence to ensure DHA services remain relevant to the needs of the ADF.

A key priority for the Managing Director position will be implementing any changes directed by the DHA Board following consideration of the forensic review.

b) Whether the requirements of the *Defence Housing Australia Act 1987* have been met.

Defence considers that DHA is meeting the requirements of its main function as specified in section 5 of the DHA Act. It is delivering suitable housing and related services to members of the ADF and their families in accordance with the needs of the ADF and requirements of the Department of Defence. DHA also continues to meet its contract obligations under the Services Agreement.

As at 31 January 2016, DHA was providing around 17,100 services residences for occupation by Defence members and their families. In addition, about 14,000 ADF members were receiving rental allowances that are administered by DHA as the Defence housing administrator.

Defence is satisfied that DHA takes its commercial arrangement with Defence seriously and meets or exceeds contract key performance indicators in all areas, including the quality of housing, maintenance, service delivery, customer satisfaction and complaints management. Key Performance Indicators (KPIs) under the Service Agreement indicate a high degree of DHA compliance and customer satisfaction. A summary of some KPIs is below.

KPI	KPI Result
Number of houses provided against the Agreed Provisioning Schedule (APS)	99.2%
Satisfaction with Quality of Housing Maintenance Services	95.8%
Satisfaction with Customer Service with Finding a Service Residence	92.1%
Satisfaction with Condition of Property on Occupying a Service Residence	95.9%
Satisfaction with Customer Service related to Occupying a Service Residence	99.8%
Satisfaction with Customer Service with Vacating a Service Residence	94.3%

Defence works with both the Department of Finance and DHA to ensure that DHA complies with its governance, reporting and corporate planning obligations imposed by the DHA Act and Public Governance, Performance and Accountability Framework. To that end, quarterly meetings are held with Senior Executive Service officer participation to discuss recent performance and to discuss any issues of concern / upcoming interest. A range of contract management meetings occur more frequently to monitor performance against Services Agreement obligations.

c) How the review announced by the Minister for Finance on 11 May 2015 will affect the accounting, information technology and business reporting systems.

The Government directed forensic review of DHA involves a detailed examination of DHA's accounting, information technology and business reporting systems and will be submitted to the Government shortly.

KordaMentha was appointed to undertake the review, following a competitive tender process in which both the Department of Finance and the Department of Defence were involved in the assessment of tender responses.

The review involves examining DHA's business in detail, including its governance structures, business and financial reporting systems and controls, accounting practices, internal auditing, and business policies and practices, against best practice industry standards. This will assist DHA to assess its current governance structures, as well as its business operations, reporting and financial and strategic planning.

d) What role land sales will play in future business planning, and what implications there are for current residents if existing housing stock is sold.

To satisfy its national responsibility to provide housing to meet the needs of the ADF, Defence understands DHA's Sale and Leaseback (SLB) Program will continue in most markets and remain DHA's primary provisioning method. In these circumstances, properties will continue to be occupied by ADF tenants. They are only vacated when the lease expires or is not renewed. Eventually, when leases expire and tenants are required to vacate, DHA provides tenants with alternative housing and meets removal and relocation costs.

Next Steps

Defence will support the implementation of the forensic review's recommendations.

In association with the Department of Finance, Defence will participate in a review of DHA's Corporate Plan to ensure it supports the sustainable delivery of quality and accessible housing and accommodation services.

Conclusion

Defence requires DHA to provide adequate and suitable housing to members of the ADF and their families in support of the operational needs of the ADF and the requirements of the Department. The provision of quality housing and related services is a significant component of the ADF employment offer that can directly affect retention rates in the ADF. There is a high level of satisfaction with the housing services currently provided by DHA.