

2015-16 AAFCANS Corporate Plan



Introduction

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2015-6 AAFCANS corporate plan, which covers the periods of 1 July 2015 to 30 June 2019, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

Signed on behalf of the Army and Air Force Canteen Board of Management

Andrew Tregaskis
Chairman

Who are we?

About us

The Army and Air Force Canteen Service (known as AAFCANS) is a self-sustaining 'not-for-profit' corporate Commonwealth entity. The canteen services were originally established in 1915.

AAFCANS is administered under the *Army and Air Force Canteen Service Regulations 1959* and the *Public Governance, Performance and Accountability Act 2013* and operates within the Defence portfolio. AAFCANS is answerable to the Chiefs of the Army and Air Force, and Minister for Defence Science and Personnel.

AAFCANS purpose is to:

- Provide convenient, inviting and competitive on-base canteen services that contribute to a pleasant, satisfying and safe work environment which supports the retention of ADF personnel; &

- Operate on a commercial and self-supporting basis with surplus funds either being reinvested into the business by way of improvements to facilities or disbursed to welfare and trust funds for the benefit of ADF members and their families.

Our Stakeholders

Our key stakeholders are:

- Customers (ADF members and their families, and Defence civilians and contractors)
- The responsible Minister
- The Chief of the Defence Force, the Chief of Army and the Chief of Air Force
- Employees
- Suppliers
- Amenity and welfare funds

Our Mission

This corporate plan will continue to support our Mission:

To provide quality and accessible amenity services in support of the needs of our soldiers and airmen/airwomen.



Our Vision

To be the first choice of our customers and Defence as their trusted provider of canteen operations.

SERVING OUR OWN

VALUES

- Best quality food
- Efficient and effective service
- Innovation and improvement
- Value for money
- Appealing environment

OUR ENVIRONMENT

Current Services

Services provided by AAFCONS are designed to enhance the living conditions and social environment of Australian Defence Force members, their dependants and other persons employed in, or in connection with, Defence installations.

As at June 2015, AAFCONS or its agents operated food services on 33 Army and Air Forces bases and joint ADF facilities throughout Australia. The service was provided from direct operations on 25 bases with the remaining seven locations under subcontract agreements with independent operators.

The AAFCONS network as of 30 June 2015 included:

- 27 main canteens/cafés including convenience items and dry cleaning at most locations
- 7 satellite kiosks
- 3 diners/bistros
- 3 convenience stores
- 1 supermarket/grocery store
- 1 post office
- 1 taverns
- 2 petrol outlets
- 20 mobile food vans
- total service vending on 47 Defence establishments

Additional services are provided at bases through Licenced to Trade agreements or concessions. These are:

- 16 financial services (Defence Bank and Australian Defence Credit Union branches)
- 25 barber shops or hair and beauty salons
- 7 cafes/food outlet precincts
- 5 service stations & mechanical workshops
- 1 dry cleaning agent
- 2 post offices
- 1 photographer
- 2 publishers
- 5 military and adventure wear stores

External Environmental Factors

Prior to the AAFCONS strategic planning meeting in March 2015, research was undertaken to review the latest retail trends in food and beverage in Australia and overseas. The following consumer habits and influences were noted and taken into account in our strategic thinking:

- High level of snacking throughout the day
- Move to healthy but indulgent food options
- Contemporary food-service brands are moving into retail outlets and vice versa
- Key product trends such as gourmet burgers, hot dogs, salad, sushi, and regenerative and sustainable food sources
- Offer rustic food choices anywhere where people congregate.

This research identified opportunities to improve our business offer; in particular, the need to provide healthy tasty food 'on the go' in appropriate packaging. A move to include externally branded products will allow a wider retail range to suit the broad palate of our customers. We will also look to increase our ability to provide services in more locations on base for snacks and coffee.

Internal Environmental Factors

Significant improvements have been made in the operational and administrative functions of AAFCONS, with new systems successfully implemented in areas such as point of sale, purchasing and time management/rostering.

Areas for operational focus include our efficiency of services, our communication to customers of our product and service offer, and improving facilities for customers to enjoy food and services in a relaxed atmosphere.

We need to improve our integration with Defence planning on bases to ensure we can be responsive to the changes in numbers of personnel at site as well as the development of new facilities. Our product offer needs to be tailored and responsive to our customers.

Our People and Culture

AAFCANS has moved from a culture of independent operators at base level to a centralised business model across all sites. This change has enabled AAFCANS to deliver consistent products and services to our customers and has seen the management role at base level evolve considerably.

Based on a recent staff survey, our focus will be on strengthening our leadership capacity and management skills, attracting and retaining quality staff, maintaining high levels of customer service whilst strengthening partnerships within the Defence community.

Sustainability to support our mission

AAFCANS continues in the trend of recent years of focusing on stabilisation and recovery. From 2013 when the last Strategic Plan was issued, the organisation has returned a modest surplus each year. Changes to improve and expand our services and improve our efficiency and cost base are aimed at AAFCANS becoming self-sufficient to enable reinvestment in our facilities, maintaining reduced pricing and be able to contribute to the local base communities.

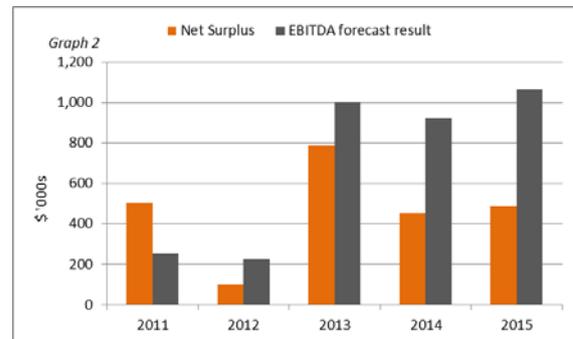
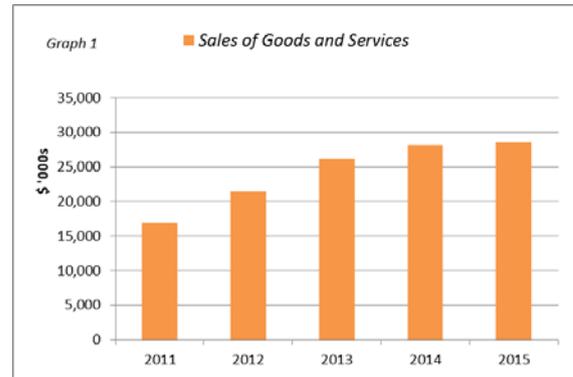
Financial Forecast 2015

AAFCANS purpose is to be a self-supporting organisation, providing quality and accessible amenity services.

From financial year 2011 to 2015, revenue from the sales of goods and services increased by 69 per cent from \$16 million to \$29 million. Refer to Graph 1.

AAFCANS net surplus for the financial year 2014-15 is forecast to be \$487,000 making this the sixth successive year that AAFCANS has made a positive return from its trading. Refer to Graph 2.

In accordance with a Ministerial directive AAFCANS now reinvests cash surpluses into remodelling and refurbishing canteen facilities and improving products and services.



Strategic themes for the 2015-16 corporate plan

The following table provides a summary of the strategic themes and objectives for the 2015-16 corporate plan. The theme and initiatives are outlined in further detail following this summary.

Theme	Strategic Objectives
A. Provide contemporary products and services	<ol style="list-style-type: none">1. Offer food service choices to inspire our customers2. Increase convenience and locations3. Improve the ambience of canteens
B. Ensure our organisation is sustainable and self-supporting	<ol style="list-style-type: none">1. Improve information systems to support customer service2. Review cost structure to minimise waste and improve efficiency3. Refine our service standards

A. Provide contemporary products and services

<p>Strategic Theme</p> <p>Provide a contemporary product and service offer which will be tailored to our customers' expectations and which will be flexible enough for us to change within a short period. We will deliver on our brand promise: quality and consistency of products and services; excellence in service standards.</p>	
Strategic Objective	Initiatives
1. Offer food service choices to inspire our customers	<ul style="list-style-type: none"> a) Focus product choice on snacking. b) Healthier food choices.
2. Increase convenience and locations	<ul style="list-style-type: none"> a) Increase accessibility to our products and services through the use of vending machines, mobile food vans and other technologies as appropriate.
3. Improve the ambience of canteens	<ul style="list-style-type: none"> a) Ensure the AAFCANS canteen experience is comparable to a contemporary business offering within the wider community. Increase the inclusion of branded products in-store.
<p>Capability/Resourcing</p> <ul style="list-style-type: none"> • The above initiatives will be managed using internal capabilities with some external expertise required for: <ul style="list-style-type: none"> ◦ reviewing/sourcing/design/implementation options for the technological elements at our service points 	
<p>Performance Measures</p> <ul style="list-style-type: none"> • Qualitative and quantitative customer insights to be obtained through various channels including online surveys and face to face focus groups. • Increased total sales.* 	

*Note: Some of the achievements under this theme may rely on the planned or consistent movement of troops around Defence bases.

B. Ensure AAFCANS is sustainable and self-supporting

Strategic Theme	
Drive efficiencies in the basics to deliver ongoing self-sustainability.	
Strategic Objective	Initiatives
1. Improve information systems to support customer service	a) Enhance Point of Sale, IT infrastructure and inventory systems to improve customer service efficiency, decision making and information management of stores.
2. Review cost structure to minimise waste and improve efficiency	a) Challenge our business models to ensure processes are efficient, to remove waste, define products and improve service delivery.
3. Refine our service standards	a) Refine and improve our product and operational service standards.
Capability/Resourcing	
<ul style="list-style-type: none"> • The above initiatives will be managed using internal capabilities with some external expertise required for: <ul style="list-style-type: none"> ◦ reviewing/sourcing/implementation options for the technological upgrades to our point of sale and our IT infrastructure/systems. 	
Performance Measure/s	
<ul style="list-style-type: none"> • Benchmark operational and service standard in the current year to allow comparisons in future years' results. • Increased total sales* 	

*Note: Some of the achievements under this theme may rely on the planned or consistent movement of troops around Defence bases

Financial Forecast 2016 - 2019

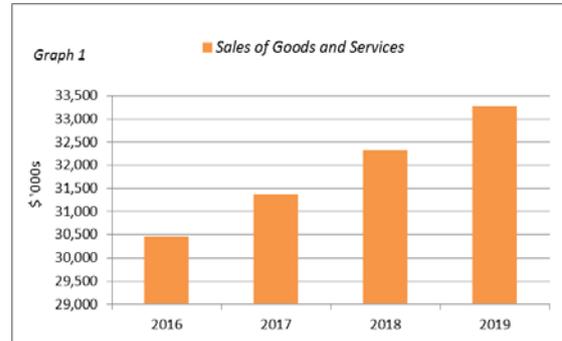
The strategic initiatives outlined in this plan have formed the basis of the financial forecast for 2016 - 2019.

Sales Projections

The sales projections reflect the change in business structure, increase in products and services available, growth in customers on bases in Australia and growth in sales expected due to the initiatives outlined in the 5 year strategic plan.

It is anticipated that sales in 2015-16 will increase to \$30 million from the previous year of \$29 million (2014-15).

The sales forecast for the four years from 2016 to 2019 are estimated to increase by \$2.8 million or 9 per cent. Refer to Graph 1.

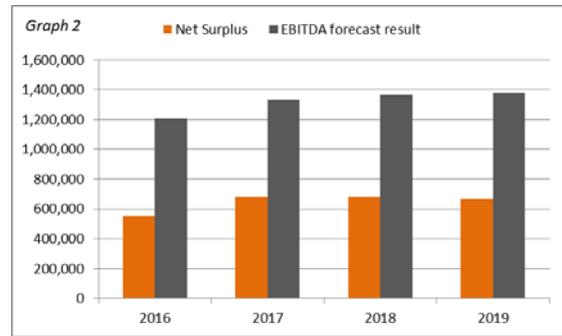


Profit Projections and Reinvestment

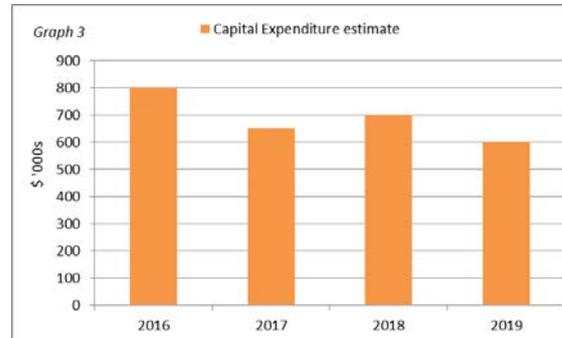
In 2015-16 the forecast net surplus is \$550,000 and \$1.2 million before depreciation and interest.

This surplus will be reinvested into the business through improvements to infrastructure and improvements to pricing and services.

Graph 2 provides a summary of the forecast net surplus and the EBITDA result for the four year period 2016 to 2019.



Graph 3 provides a forecast of the expected capital expenditure investment.



Risk Assessment

Due to the nature of the business and our key stakeholders (including the Commonwealth Government), AAFCANS has a conservative approach in terms of managing risk. As such, a low risk tolerance (or appetite) has been set by the Board.

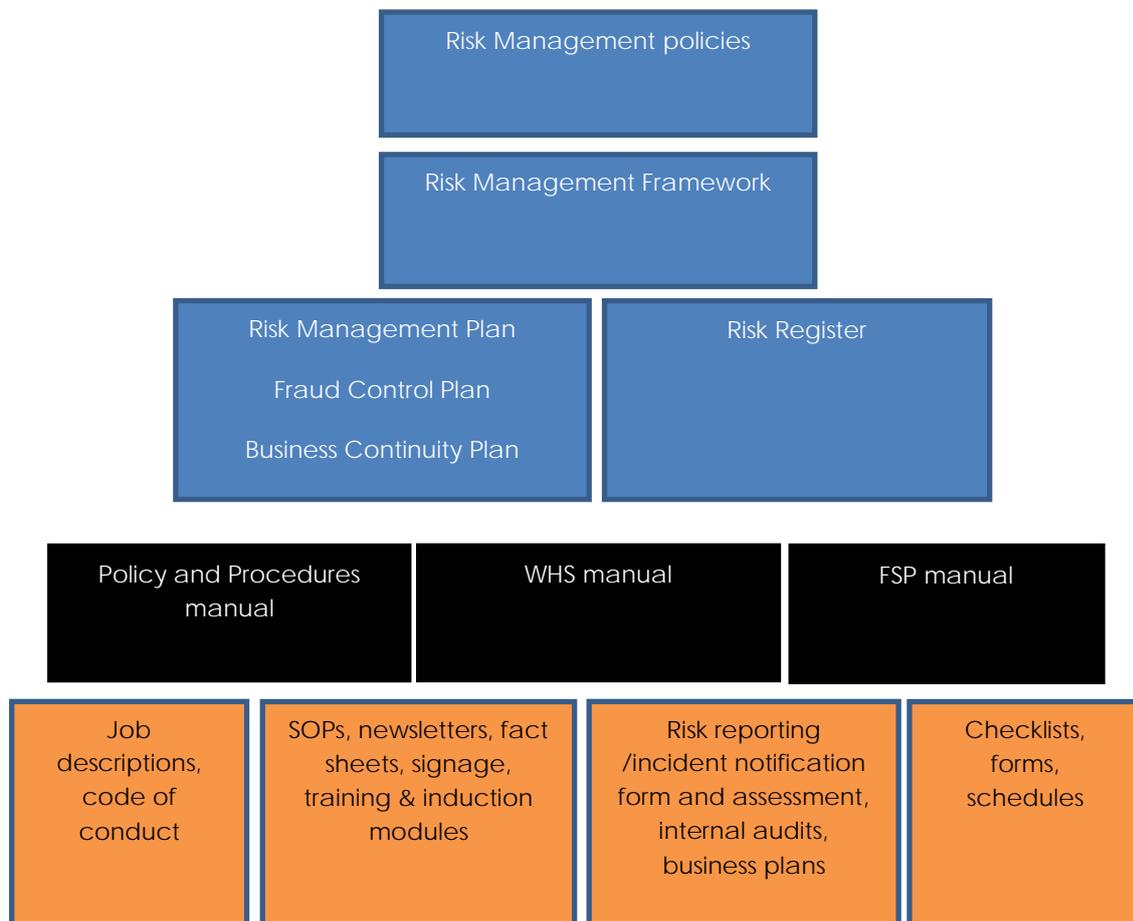
The Board is the 'accountable authority' for AAFCANS. They have delegated the oversight of risk management to the Audit and Risk Management Committee (ARMC). The Managing Director champions all aspect of governance and risk management.

Risk Framework

AAFCANS aims to engender and foster the ownership of risk identification and management in all staff and to encourage proactive initiatives in all aspects of control and review.

AAFCANS risk framework clearly identifies our strategic business drivers and objectives, their associated risks, how the business is managing the risks and our final assessment of whether is risk is appropriately controlled.

Below is a document map of our key risk documents:



Key Business Risks

AAFCANS has set five criteria for setting its risk management priorities. Any risk identification, risk assessments and risk treatment need to be carried out bearing these in mind.

- Risks affecting the safety, security and health of AAFCANS' personnel and visitors to its premises;
- Risks affecting AAFCANS' reputation, ability to perform or trust in the organisation, particularly in regard to AAFCANS' ability to operate on a commercial and self-sustaining basis;
- Risks affecting AAFCANS' management of and accountability for organisational performance, including its service delivery obligations, its regulatory framework and business relationships;
- Risks affecting AAFCANS' performance against strategic priorities; and
- Risks affecting the integrity of AAFCANS' decisions, processes and information.

Our strategic themes for this corporate plan directly tie into these risk priorities:

- Provide contemporary products and services
- Ensure AAFCANS is sustainable and self-supporting

Risk Profile

The ARMC reviews our risk profile each meeting (quarterly). A breakdown of our identified risks ratings shows the following:

High risk (rated 17 – 25)	Zero risks identified
Serious risk (rated 12-16)	Two risks being actively managed and under review
Moderate risk (rated 5-11)	16 risks being monitored under our ongoing improvement program
Low risk (rated 1-4)	12 risks being continuously monitored

Our two serious risks are incorporated into our strategic focus as follows:

- Workers compensation premium – Given the size of the Comcare premium and the potential for it to rapidly increase this is an agenda item at each board and senior management meeting. Rehabilitation processes have already been implemented for future claims. Past claims management are under close scrutiny with other options being investigated. AAFCANS is benchmarking Comcare's performance against similar State bodies.
- Enhancing business management structure – a specific risk over the next couple of years which requires the return and monitoring of services currently provided by contractors. This is addressed at each board meeting. Individual business plans will be developed as necessary to support these changes.

Plan Implementation and Monitoring

The AAFCANS Board has the overall responsibility for reviewing and evaluating the implementation of this plan. This occurs in July each year. The impact and success of the strategic initiatives are reviewed and priorities are re-evaluated, to form the development of the next year's operating plan in order to meet the aims and objectives of the organisation. Corporate plan objectives in various formats are discussed at each Board meeting. A meeting is also held annually with the Minister to review strategic developments and priorities for input in to the annual plans for the following year.

Further Information

For further information on the AAFCANS 2016 corporate plan, please contact the Managing Director, AAFCANS on (07) 3332 6360 or send an email to aafcans@aafcans.gov.au.

Further information can be located on the website www.aafcans.gov.au.

Acronyms

AAFCANS	Army and Air Force Canteen Services
ADF	Australian Defence Force
ARMC	Audit & Risk Management Committee
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
FSP	Food Safety Program
IT	Information Technology
SADFO	Senior ADF Officer
SOP	Standard Operating Procedure
WHS	Workplace Health & Safety