

2018 -19

AAFCANS Corporate Plan



AAFCANS

Army & Air Force Canteen Service

Introduction



Leonie Taylor, Chair

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2018-19 AAFCANS corporate plan, which covers the periods of 1 July 2018 to 30 June 2022, 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 Service Board of Management.

A handwritten signature in blue ink, appearing to be 'L. Taylor', written in a cursive style.

Leonie Taylor
Chair

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 originally established in 1915.

AAFCANS is administered under the *Army and Air Force Canteen Service Regulation 2016* and the *Public Governance, Performance and Accountability Act 2013* and operates within the Defence portfolio. AAFCANS is answerable to the Minister for Defence, the Minister for Defence Personnel and the Chiefs of the Army and Air Force.

AAFCANS exists to enable Defence members access to goods and services on base and on exercise.

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 PURPOSE

To provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare.

OUR MISSION

To contribute to Defence capability by enhancing personnel morale and wellbeing.

★ *Serving our own!*

OUR VALUES

- ★ Honesty
- ★ Integrity
- ★ Safety
- ★ Respect
- ★ Service

OUR VISION

To be recognised as a key contributor to Defence people capability.



Our Environment

Current Services

Services provided by AAFCANS are designed to enhance the living conditions and social environment of Army and Air Force members, their dependants and other persons employed in, or in connection with, Army and Air Force bases

At the end of June 2018, AAFCANS delivered services on 26 bases through a variety of facilities including canteens, kiosks, mobile food vans, convenience stores and post offices.

Additional services covering banks, barbers, dry cleaners, mechanical workshops, post offices and clothing retailers were provided at various bases through Licensed to Trade agreements.

The vending program managed by AAFCANS is delivered on 32 bases and has an estimated value of \$550,000 for the 2017-18 financial year. Each quarter the proceeds from this program are distributed to the Army and Air Force welfare trust funds and unit social clubs.

External Environmental Factors

External competition is evident at most bases immediately outside the base gates, and with regimental trust funds (RTF) and social clubs.

Whilst messes on base have always provided meals at subsidised prices, they have recently introduced trials of similar products and services including convenient Grab & Go options.

Offices and break areas operate automatic coffee machines and sell charity confectionary. These developments are mirroring some of the AAFCANS offer. We expect that these developments will place increasing pressure on our offer and revenue over time.

AAFCANS addresses this competition through product and price differentiation. We look to increase our ability to provide snacks, coffee and other products and services in more convenient locations across key bases and in support of deployments and exercises. Our methods of delivery expand each year, adding satellite kiosks and mobile food van runs to service personnel on the larger bases. Whilst

these initiatives benefit the productivity of the Defence work environment, the increasing services impact operational costs.

Our customers are time-poor. Addressing this issue is a basic tenet in our future planning of our outlets and our service throughout the period of this plan. We serve 30% of our customers between the hours of 8.00am and 10.00am.

Using research and customer discussions, we have sought to improve our business offer and time efficiencies through customer flow, labour scheduling, available technological advancements (e.g. self-service tills) and a streamlined offer. The aim is to boost efficiencies whilst maintaining healthy tasty food 'on the go' in a contemporary environment.

AAFCANS aims to assist unit social clubs by providing a competitive and convenient supply chain in support of their funds.

Defence deployment, training and exercises constantly shift our customer base. This makes it difficult to forecast our business consistently. The regular movement of personnel between bases also impacts our business where many of our staff are spouses or dependents (2017-18: 15%). Outlets at bases where troops are drawn for operational deployment overseas experience significant fluctuations in trade, profitability and casual staff numbers.

Defence infrastructure and policy decisions may also impact AAFCANS operations.

Internal Environmental Factors

Significant improvements are underway in the operational and administrative functions of AAFCANS, with system implementation projects in progress utilising cloud-based solutions for point of sale, information and communications technology (ICT) infrastructure, intranet, website and human resource software. The realisation of benefits arising from these improvements will be over two years, with the point of sale project completing at the end of 2019.

The new technology will assist AAFCANS to serve our customers with the right product at the right time quickly. These systems must deal with influxes of customers at unpredictable intervals.

AAFCANS continue to improve our planning on bases through increased communication with Defence. Better planning will ensure we can be more responsive to the changes to base demographics and activity of personnel as well as the development of new facilities. It is essential our service level and product offer is tailored to our customers.

Lessons learned from a base, service or product are easily replicated in other outlets; a key benefit in our broad footprint across Australia.

Strong focus will remain on our Work Health and Safety (WHS) and Food Safety programs.

Our People and Culture

AAFCANS will continue to empower our base managers to make real time decisions on how they should operate ensuring that they have the support and encouragement from key stakeholders. All bases are not the same. We have tailored our product offering to the customers on the base and have ensured that the hours we operate align with base requirements. Base managers will alter trading hours as needed and in accordance with communications on base.

Communication tools such as our new employee information system and the revitalised intranet will enable a better platform for our managers and team members to experience other aspects of our business. The utilisation of skype as a business platform allows base managers to talk to each other and visually show what they are doing on their bases.

Our ongoing focus is succession planning allowing our managers to see a path for their future and feel comfortable making decisions for their base whilst considering the overall business impact.

Sustainability to Support Our Purpose

AAFCANS is focused on introducing new technology and streamlining processes, whilst keeping lessons learned throughout our regeneration at front of mind. Since 2013 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 being self-sufficient, thereby enabling ongoing reinvestment in our facilities, maintaining lower retail selling prices and being able to contribute to the local base communities through snack vending disbursements.

Balancing our operating results with our commitment to our purpose, we are challenged with:

- ✧ expanding our services to be close to our customers which in turn increases our cost of operation;
- ✧ providing support to personnel on exercise/deployment at little more than break-even to enhance their away-from-home environment;
- ✧ operating on small bases that are not positive contributors.

Our strategic imperatives are outlined in this plan each year.

Financial Performance

AAFCANS net surplus for the financial year 2017-18 is forecast to be \$602,000. This is in keeping with our requirement to be commercially self-sustaining.

A significant proportion of our surplus is invested into the facilities and services, increasing our sustainability and improving the Defence environment.



Performance Measures

PURPOSE	To provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare				
Target	Key Performance Measures	2018-19	2019-20	2020-21	2021-22
Competitive retail selling prices to our customers.	Benchmark retail selling prices (RSP) against external target market to show AAFCANS in the bottom quartile of coffee sales prices and in the middle quartile of snack item sales prices.	✓	✓	✓	✓
Ensure operational consistency through product availability and training.	Target an average customer spend better than \$8.60/head across all outlets excluding alcohol and cigarettes.	✓	✓	✓	✓
Build the first standard mobile food van (MFV) for trial and assess ongoing project viability and requirements.	Target a 10% sales growth on the redesigned MFV for that run against prior period.	✓	✓		
Serve our customers more efficiently through improved technology platforms.	<ul style="list-style-type: none"> o Implement new technology (platforms and software) targeting stability & faster service. o Post implementation: using ADFA canteen, increase transaction volume by 10% between 12.00pm – 2.00pm over base year FY2018 excluding December/January. 	✓	✓		
Upgrade or establish at least two retail facilities (including satellite kiosks) each year. Target improved customer service through self-service tills on the larger facility developments. This timeframe extends to the end of the Defence Agreement and Grant in June 2020.	<ul style="list-style-type: none"> o Two facilities established or upgraded. Where self-service tills are included in the design (large bases or where trading hours extend into the evening) target 10% of total transactions through the self-service tills, measured against the same period last year. 	✓	✓		
Support Defence personnel with canteen services on exercise and deployment when requested by Army and Air Force.	AAFCANS deploys on request in support of at least 2 of the 3 major exercises (Exercise Pitch Black, Talisman Sabre and Hamel).	✓	✓	✓	✓



Capability

Workforce Planning

Our current workforce modelling is a continual process to align the needs and priorities of our organisation with those of our workforce. We aim to ensure that the wishes of our customers are met in tandem with the regulatory and strategic objectives of AAFCANS.

The ongoing empowerment of our teams to ensure that they are meeting their customers' needs requires forward planning to accommodate the evolving models.

Capital Investment Strategy

AAFCANS conducts its operations from Defence facilities. In addition to the investment that AAFCANS invests from its profits each year to improve these facilities, through to 2020 Defence provides an annual grant of \$400,000. This amount is fully expended on ongoing upgrades to Defence facilities from which AAFCANS operates.

The following are examples of capital projects planned or being considered by AAFCANS:

- ✦ Victoria Barracks Sydney canteen upgrade ~ completed July 2018.
- ✦ RAAF Laverton kiosk upgrade ~ expected late 2018.
- ✦ RAAF Richmond kiosk ~ expected late 2018
- ✦ Watsonia Annex 1 upgrade ~ expected completion FY2018-19
- ✦ ADFA facility upgrade ~ expected completion FY2018-19
- ✦ New Edinburgh facility near 1 Armoured ~ under consideration FY2018-19
- ✦ 15 new Mobile food vans plus a 4WD trailer ~ staged build from June 2018 to December 2022.

For new facilities and upgrades, a contractor will undertake the physical fit-outs, however AAFCANS will project manage the overall investment internally.

The MFV project is managed by an internal short-term appointee. The vans/trailers will be constructed by Defence expert contractors.

ICT Capability

Following a comprehensive independent technology review AAFCANS is moving our information and communications technology (ICT) infrastructure to a cloud-based model. This direction will lead to a reduction in long term ICT costs while allowing greater scalability, operational efficiency and agility.

The capability focus of this upgrade includes:

- ✦ cloud-based electronic Point of Sale system (ePOS)
- ✦ cloud-based Human Resource Information System (HRIS)
- ✦ SharePoint online
- ✦ Microsoft O365 Office upgrade
- ✦ cloud-based 'Infrastructure As A Service' (IAAS) model

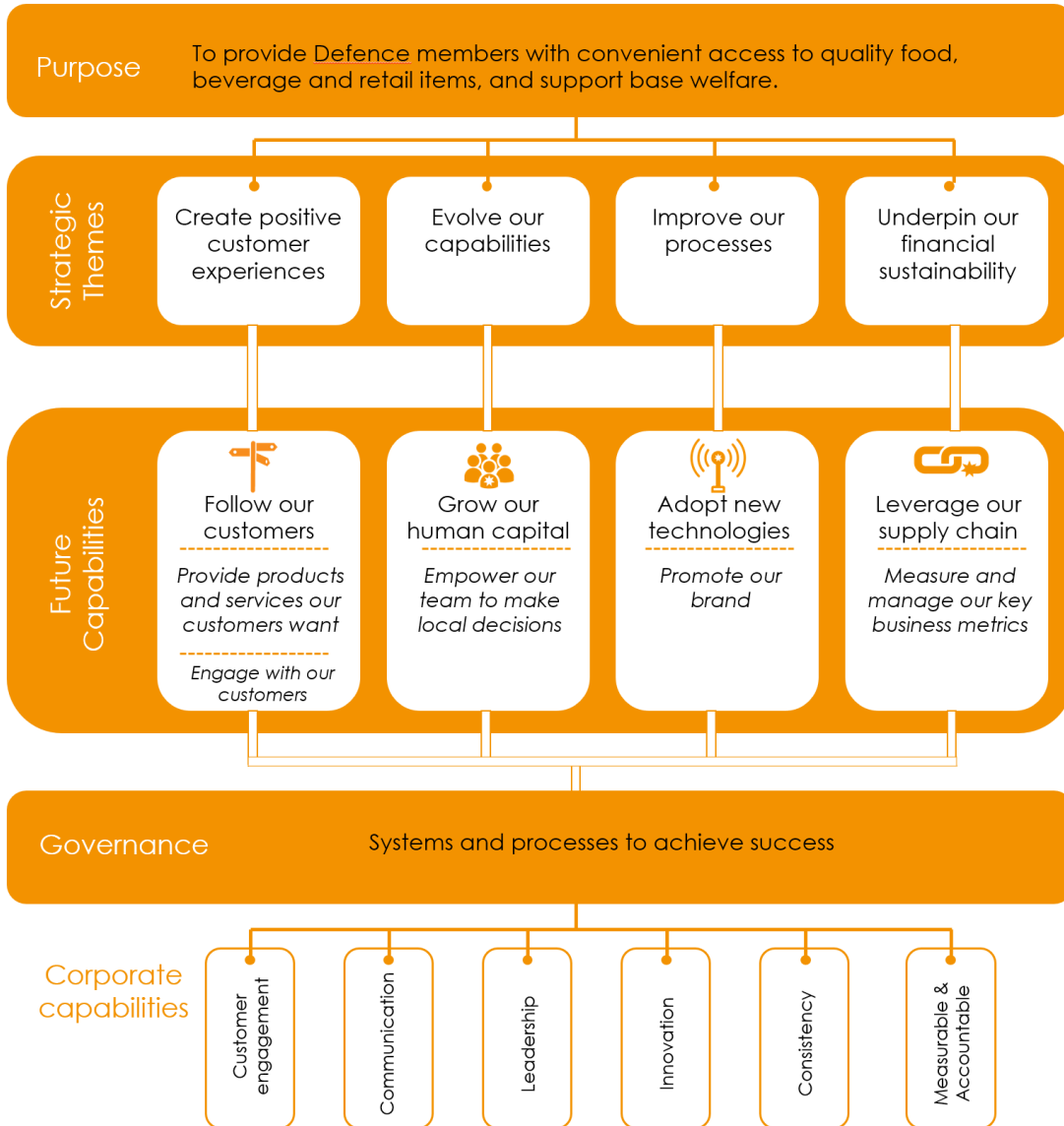
The move to cloud-based sales software means the ePOS system will provide greater reporting and business intelligence in a more efficient timeframe as well as reducing manual processes and giving an improved perspective on product performance and sales. It will also introduce a valuable reduction in maintenance and improved system reliability.

The HRIS offers greater integration between the payroll, time and attendance systems and other human resource (HR) functions. Improving efficiency and accuracy on HR processes allowing the HR team to focus on supporting the people within the company.

Adoption of cloud applications like SharePoint online and Microsoft O365 will allow greater ability to communicate across the company as well as increased capability in information sharing and group collaboration.

IAAS will remove the burden of server hardware ownership, allow greater redundancy and growth and provide the IT team the ability to focus on client services and improving software systems.

Capability Snapshot





Risk Assessment

Due to the nature of our business with a high focus on food service, AAFCANS has historically held a conservative approach in terms of managing risk. However, with a renewed focus on growth, our appetite has expanded to embrace a higher level of risk within the sales/opportunity spectrum.

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.

Framework

The Board is the 'accountable authority' for AAFCANS. Members have delegated the oversight of risk management to the Governance and Risk Committee. The Managing Director champions all aspect of governance and risk management.

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 risk is appropriately controlled.

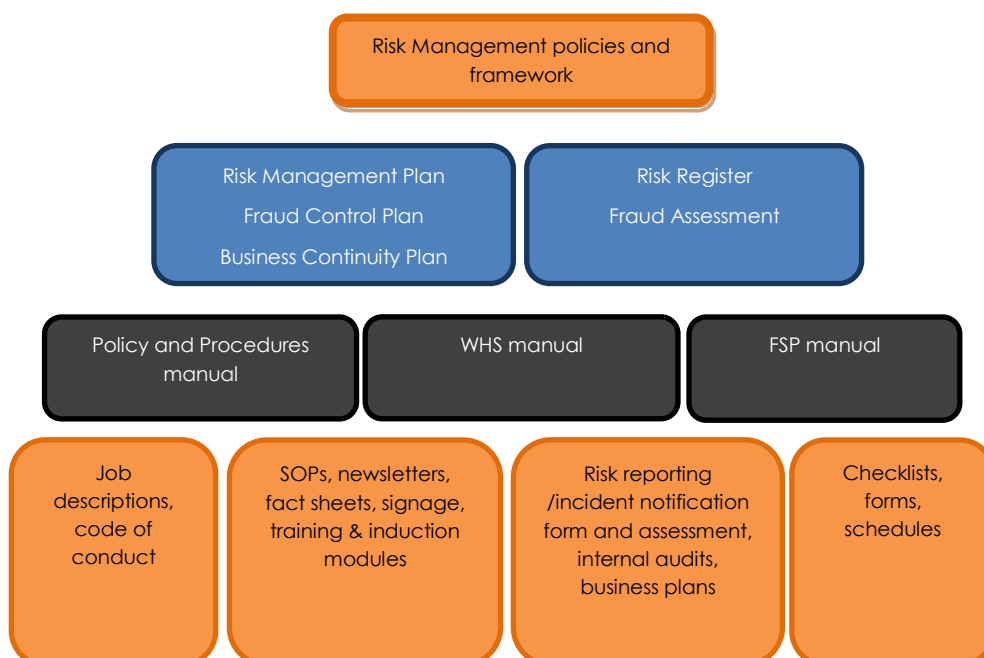
AAFCANS maintains a suite of risk documents which assist and inform all staff on our risk management strategies.

Key Business Risks/Opportunities

AAFCANS has set five criteria for setting its risk management priorities.

- ✧ Risks affecting the safety, security and health of AAFCANS' personnel and visitors to its premises;
- ✧ Risks and opportunities affecting AAFCANS' reputation, ability to perform or trust in the organisation;
- ✧ Risk and opportunities affecting AAFCANS' management of and accountability for organisational performance, including its service delivery obligations, its regulatory framework and business relationships;
- ✧ Risks and opportunities affecting AAFCANS' performance against strategic priorities; and
- ✧ Risks and opportunities affecting the integrity of AAFCANS' decisions, processes and information.

Our purpose to provide a contemporary product and service offer to our customers directly ties into these priorities.



Risk Profile

The Governance and Risk Committee reviews our risk profile at each quarterly meeting. A breakdown of our identified risks ratings shows the following:

High risk (rated 17 – 25)	Zero risks identified
Serious risk (rated 12-16)	Zero risks identified
Moderate risk (rated 5-11)	9 risks being monitored under our ongoing improvement program
Low risk (rated 1-4)	13 risks being continuously monitored

Plan Implementation and Monitoring

The AAFCANS Board has the overall responsibility for reviewing and evaluating the implementation of this plan. Strategic planning occurs throughout the 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 2018-19 corporate plan, please contact the Managing Director, AAFCANS on (07) 3332 6360 or send an email to aafcans@aafcans.gov.au.

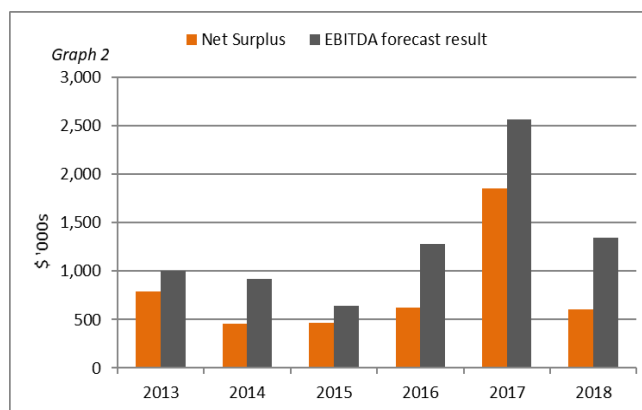
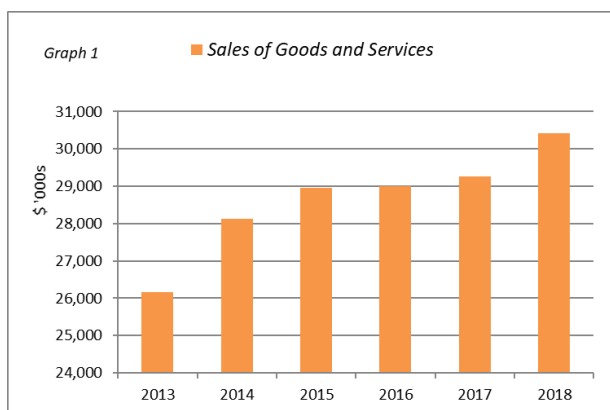
Further information can be located on the website www.aafcans.gov.au.

Acronyms

4WD	Four Wheel Drive
AAC	AAFCANS Advisory Committee
AAFCANS	Army and Air Force Canteen Services
ADF	Australian Defence Force
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
ePOS	Electronic Point of Sale
FSP	Food Safety Program
FY	Financial Year
HR	Human Resource
HRIS	Human Resource Information System
ICT	Information and Communication Technology
IAAS	Infrastructure As A Service
IT	Information Technology
MFV	Mobile Food Van
O365	Microsoft Office 365
RSP	Retail Selling Price
RTF	Regimental Trust Funds
SADFO	Senior ADF Officer
SOP	Standard Operating Procedure
WHS	Work Health & Safety

AAC Reporting Annex

Financials 2018



Note: 2012-13 and 2016-17 include a one-off refund for payroll tax

PURPOSE	To provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare	2018-19	2019-20	2020-21	2021-22
Continue to manage expenditure within budget and ensure that AAFCANS is self-sustainable.	Final net trading profit variance no greater than negative 10% compared to budget.	✓	✓	✓	✓
Increase AAFCANS communications with Defence.	Communicate key business highlights each quarter to SADFOs, Regimental Sergeant Majors, and Warrant Officers for circulation to military and APS members on Army and Air Force installations.	✓	✓	✓	✓

Financial Forecast 2019-2022

The strategic initiatives outlined in this plan have formed the basis of the financial forecast for 2019-2022.

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 four-year strategic plan.

The sales in 2017-18 increased to \$30.4 million from the previous year of \$29.3 million (2016-17).

The sales forecast for the four years from 2019 to 2022 are estimated to increase by \$2.1 million or 7 per cent. Refer to Graph 3.

Profit Projections and Reinvestment

In 2017-18 the net surplus is \$602k and \$1.3 million before depreciation and interest.

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

Graph 4 provides a summary of the forecast net surplus and the EBITDA result for the four-year period 2019 to 2022.

