

2016-17 AAFCANS Corporate Plan



AAFCANS

Army & Air Force Canteen Services

Introduction

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2016-17 AAFCANS corporate plan, which covers the periods of 1 July 2016 to 30 June 2020, 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 Minister for Defence, the Minister for Defence Personnel and the Chiefs of the Army and Air Force.

AAFCANS purpose is to:

- Provide convenient, inviting and competitive on-base canteen services that contribute to the best possible work environment for Army and Air Force members; and

- 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 unit amenity funds, welfare and trust funds for the benefit of Army and Air Force 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 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 installations.

As at June 2016, AAFCANS or its agents operated food services on 31 Army and Air Forces bases and joint ADF facilities throughout Australia. The service was provided from direct operations on 27 bases with the remaining seven locations under subcontract agreements with independent operators.

The AAFCANS network as of 30 June 2016 included:

- 27 main canteens/cafés including convenience items and dry cleaning at most locations
- 12 satellite kiosks
- 1 bistro
- 2 convenience stores
- 1 supermarket/grocery store
- 1 post office
- 1 tavern
- 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 Military Bank branches)
- 26 barber shops or hair and beauty salons
- 6 cafes/food outlets
- 3 service stations & mechanical workshops
- 1 dry cleaning agent
- 2 post offices
- 1 photographer
- 1 publisher
- 5 military and adventure wear stores

External Environmental Factors

We are conscious of our customers' time-poor availability. This is a basic edict in our future planning of our outlets and our service.

Prior to the AAFCANS strategic planning meeting in April 2016, internal and external research was undertaken.

This research identified opportunities to improve our business offer and time efficiencies through physical layout, labour scheduling, available technological advancements and a streamlined offer. The aim is to boost efficiencies whilst maintaining a healthy tasty food 'on the go' in a contemporary environment.

AAFCANS aim to assist unit social clubs by providing access to skills training and the AAFCANS supply chain in support of their funds.

External competition is evident at most bases immediately outside the gates. This is addressed by AAFCANS through product differentiation and pricing benchmarking reviews. We look to increase our ability to provide snacks, coffee and other convenience products and services in more locations across key bases and in support of deployments and exercises.

Defence deployment, training and exercises constantly shift our customer base, often without warning. This makes it difficult to forecast our business consistently. The regularly movement of personnel between bases also impacts our business where many of our staff are spouses or dependents (2015-16 : 14%) and move with their family. 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 beyond our control.

Internal Environmental Factors

Significant improvements have been made in the operational and administrative functions of AAFCANS, with new systems successfully implemented in areas such as point of sale, purchasing and time management/rostering. The ongoing fine-tuning and realisation of benefits from these systems is a current focus.

Under review is technology that will assist AAFCANS to serve our customers with the right product at the right time quickly. An online ordering facility is currently being trialled with hopes for a staged introduction throughout next year. Further, a coffee loyalty app is being designed for trial in 2016-17.

There is an opportunity to improve our planning on bases with Defence to ensure we can be responsive to the changes to base demographics and activity of personnel as well as the development of new facilities. It is essential our product offer is tailored to our customers.

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

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.

The focus remains 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 family.

Sustainability to support our mission

AAFCANS continues in the trend of recent years, focusing on streamlining products and processes based on lessons learned throughout our regeneration. From 2013 when the last Strategic Plan was issued (noting that the next plan is under development), 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 ongoing reinvestment in our facilities, maintaining reduced selling prices and be able to contribute to the local base communities.

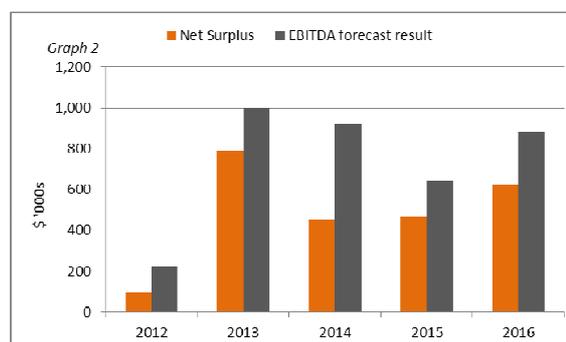
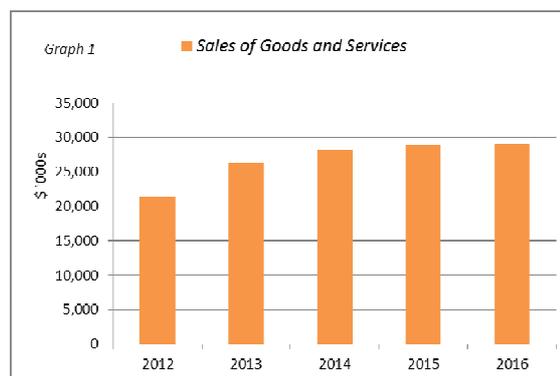
Financial Forecast 2016

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

AAFCANS net surplus for the financial year 2015-16 is forecast to be \$625,726. 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. Disbursements for the benefit of Army and Air Force members are not to be paid until the business is deemed self-sustainable.

Note: 2012-13 includes a one off refund for payroll tax.



A. Provide convenient, inviting and competitive on-base canteen services

Strategic Purpose				
Provide a contemporary product and service offer tailored to our customers' expectations and demographics. We will deliver on our brand promise: quality and consistency of products and services.				
Initiatives	2016-17	2017-18	2018-19	2019-20
1. Improved service				
a) Offer competitive retail selling prices to our customers.	✓	✓	✓	✓
b) Offer a range of catering products and services on six bases (ADFA, Edinburgh, Enoggera, RAAF Amberley, Victoria Barracks – Melbourne & Sydney), providing lunches and morning and afternoon teas into offices. Measure catering outcomes as a separate profit centre.	✓	✓	✓	✓
c) Tailor our products to each base and simplify our menu through consumer profiles, research and financial trends.	✓	✓	✓	✓
d) Prepare a business plan and trial self-serve coffee at a reduced sell price to facilitate faster customer service. If popular, implement across the network.	✓	✓		
e) Prepare a business plan and design and trial a new concept mobile food van (MFV) including coffee facility.	✓	✓		
Performance Measures				
a) 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.	✓	✓	✓	✓
b) Year 2016-17: 65% of catering centres are profitable; Year 2017-18: 83% are profitable; Year 2018-19 and onward: 100% are profitable.	✓	✓	✓	✓
c) Recognising that there are no CPI selling price increases planned, achieve an increased average customer spend across all outlets excluding alcohol and cigarettes, of: <ul style="list-style-type: none"> o Year 2016-17 & 2017-18 - 2% over prior year o Year 2018-19 onwards – maintain the new average 	✓	✓	✓	✓
d) Implement self-serve coffee trial and analyse its success through transaction volumes (participation rate of at least 5% of existing outlet coffee transactions) and determine if the trial should be extended to more outlets.	✓	✓		
e) Design and implement a new mobile food van. Once operating, target a 10% sales growth for that run against prior period. If successful, allocate further funds to continue this development.	✓	✓		
Capability/Resourcing				
The above initiatives will be managed using internal capabilities.				

B. Ensure AAFCANS is sustainable, self-supporting and of benefit to Army and Air Force members

Strategic Purpose				
Drive efficiencies to deliver ongoing self-sustainability. Surplus funds will be reinvested into the business by way of improvements to facilities and services or disbursed to welfare and trust funds for the benefit of Army and Air Force members and their families.				
Initiatives				
	2016-17	2017-18	2018-19	2019-20
2. Readiness				
a) Continue to manage expenditure within the sales budget, and ensure that AAFCANS is self-sustainable.	✓	✓	✓	✓
b) Redesign a canteen to <ul style="list-style-type: none"> o stagger our retail services at key trading times; o trial online ordering; and o trial self-service checkouts to improve customer flow and service, and reduce labour service costs. Once refined, implement across the network.	✓	✓	✓	✓
c) Introduce automatic inventory par-levels and ordering for each canteen to remove manual processes.	✓	✓		
3. Build enduring stakeholder relations				
d) Support Defence personnel with canteen services on exercise and deployment when requested by Army and Air Force.	✓	✓	✓	✓
Performance Measures				
a) Final net trading profit variance no greater than -10% compared to budget.	✓	✓	✓	✓
b) In 2016-17, reduce total labour by 3% as a percentage of sales at the trial outlet, measured on the June 2017 month result against June 2016. If the trial is successful, this measure (June each year against June prior year) will be calculated at each outlet as the initiative is rolled out.	✓	✓	✓	✓
c) Target an average 1.25 inventory turnover rate per month over the full financial year calculated at year end.	✓	✓		
d) AAFCANS are requested and deploy in support of at least 2 of the 3 major exercises (Exercise Pitch Black, Talisman Sabre and Hamel).	✓	✓	✓	✓
Capability/Resourcing				
The above initiatives will be managed using internal capabilities with some external expertise required for: <ul style="list-style-type: none"> o reviewing/sourcing/implementation options for the technological upgrades to our data systems. 				

Financial Forecast 2017-2020

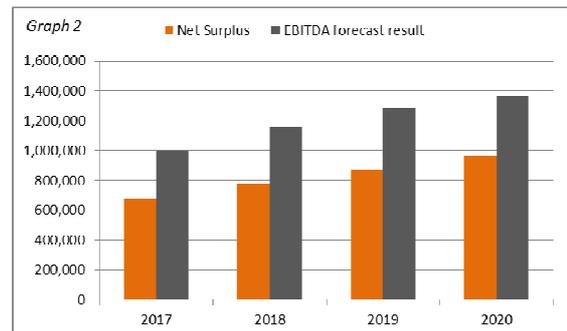
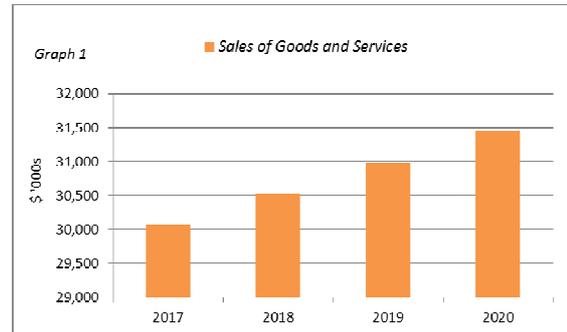
The strategic initiatives outlined in this plan have formed the basis of the financial forecast for 2017-2020.

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 4 year strategic plan.

It is anticipated that sales in 2016-17 will increase to \$30 million from the previous year of \$29 million (2015-16).

The sales forecast for the four years from 2017 to 2020 are estimated to increase by \$1.3 million or 4 per cent. Refer to Graph 1.



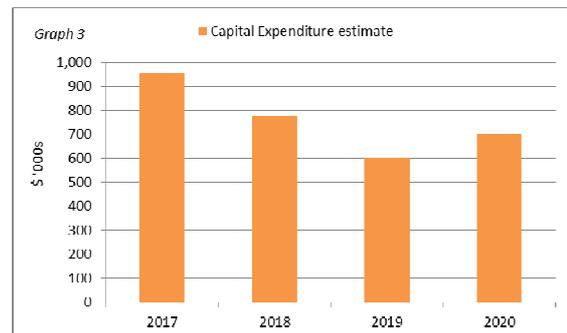
Profit Projections and Reinvestment

In 2016-17 the forecast net surplus is \$681,000 and \$1.4 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 2017 to 2020.

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 and maintains a low risk appetite.

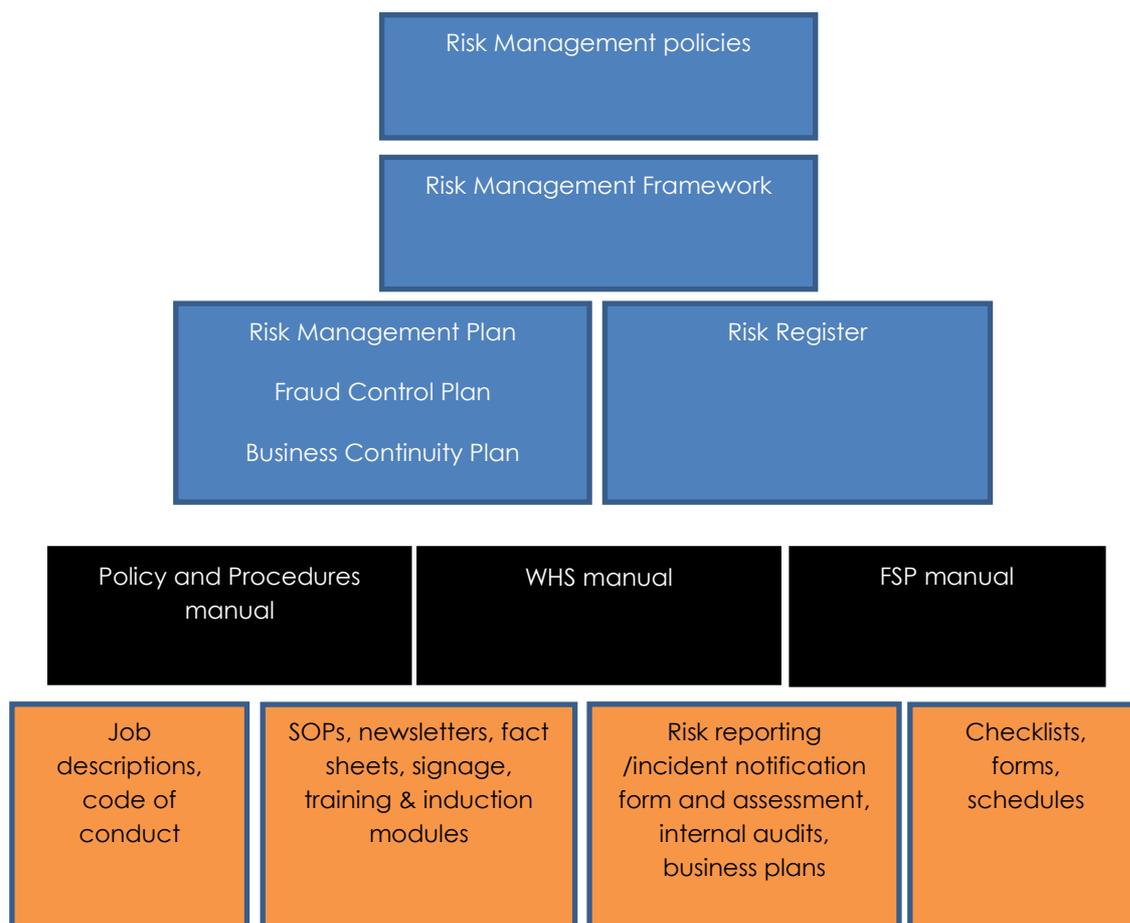
The Board is the 'accountable authority' for AAFCANS. They have delegated the oversight of risk management to the Audit and Risk Management Committee (ARMC). The Managing Director champions all aspect of governance and risk management.

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:

- Refine and improve our brand, 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)	One risk being actively managed and under review
Moderate risk (rated 5-11)	19 risks being monitored under our ongoing improvement program
Low risk (rated 1-4)	11 risks being continuously monitored

Our tolerance ratings are conservative and naturally place many of our risks in the moderate range.

Our one serious risk is 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.

Plan Implementation and Monitoring

The AAFCANS Board has the overall responsibility for reviewing and evaluating the implementation of this plan. This occurs between February and 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 2017 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
CPI	Consumer Price Index
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
FSP	Food Safety Program
IT	Information Technology
RSP	Retail Selling Price
SADFO	Senior ADF Officer
SOP	Standard Operating Procedure
WHS	Work Health & Safety