

2017-18 AAFCANS Corporate Plan



Introduction

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2017-18 AAFCANS corporate plan, which covers the periods of 1 July 2017 to 30 June 2021, 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 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 MISSION

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

✳ *Serving our own!*

OUR VALUES

- ✳ Honesty
- ✳ Integrity
- ✳ Safety
- ✳ Respect
- ✳ Service

OUR VISION

- ✳ Best quality food
- ✳ Efficient & effective service
- ✳ Value for money
- ✳ Innovation & improvement
- ✳ 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.

At the end of June 2017, AAFCANS delivered services through 27 canteens, 15 satellite kiosks, 19 mobile facilities and eight smaller convenience outlets such as a bistro, post office and convenience store.

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 \$400,000 for the current 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 gates, and with regimental trust funds and social clubs.

Whilst messes on base have always provided meals at subsidised prices, they have recently introduced a trial 'grab & go' concept. Offices and break areas operate automatic coffee machines. These developments are mirroring some of the AAFCANS offer. We expect that these developments will place increasing pressure on our offer over time.

AAFCANS addresses this competition through product differentiation and price 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. Our methods of delivery expand each year, adding satellite kiosks and mobile food van runs to service personnel on the larger bases. Whilst this

benefits the Defence work environment, these services increase our operational cost.

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.

Through research and customer discussions, we have sought 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 healthy and 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 (2015-16: 12%). 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 systems 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.

AAFCANS is reviewing technology that will assist us to serve our customers with the right product at the right time quickly. The systems implemented must deal with influxes of customers at unpredictable intervals.

There is an opportunity to improve our planning on bases through increased communication with Defence. This will 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 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 has moved from a culture of individual business 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.

Further work is required to implement a refined change management strategy to open a feedback loop with outlets, ensuring a more cohesive team and increased staff morale.

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 community.

Sustainability to Support Our Purpose

AAFCANS continues in the trend of recent years, focusing on streamlining processes based on lessons learned throughout our regeneration. 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 becoming self-sufficient, thereby enabling ongoing reinvestment in our facilities, maintaining reduced selling prices and being able to contribute to the local base communities through 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 EBITDA for the financial year 2016-17 is \$1.6 million (excluding the impact of a payroll tax refund and associated costs). 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	Target	Key Performance Measures	2017-18	2018-19	2019-20	2020-21
Provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare.	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 (2016-17 benchmark) across all outlets excluding alcohol and cigarettes.	✓	✓	✓	✓
	Provide catering packages on six bases (ADFA, Edinburgh, Enoggera, RAAF Amberley, Victoria Barracks – Melbourne & Sydney), offering lunches and morning and afternoon teas.	<ul style="list-style-type: none"> o Year 2017-18: five of the six sites are profitable o Year 2018-19 and onward: 100% are profitable. 	✓	✓	✓	
	Upon the awarding of the tender for 16 MFVs build the first standard mobile food van (MFV) for trial.	<ul style="list-style-type: none"> o Award the tender and refine design if necessary. o Once the new van is operating, target a 10% sales growth for that run against prior period. 	✓	✓	✓	
	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. o Self-service tills included in the design on the 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 staffing levels remain static with only the opening or closing of an outlet impacting our overall staffing numbers.

AAFCANS' work cycles mirror the Defence personnel movements. During stand-down over the Christmas/New Year period, our outlets operate on a reduced roster or close down. This period is closely monitored to ensure that whilst we provide the required service, we do not push our operations into a loss-making position.

The Managers' Conference, a key staff engagement event, also provides an opportunity to communicate and reinforce our corporate strategies face to face with a feedback loop. A fundamental result is a set of commitments from each Base Manager and the HQ team against this framework.

A review of our HR structure and environment by an external contractor is currently underway. Information and recommendations from this review will be considered at our strategic review in October 2017.

Capital Investment Strategy

AAFCANS conducts its operations from Defence facilities. In addition to the investment that AAFCANS contributes from its profits each year to improve these facilities, 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 capital projects are planned or being considered by AAFCANS:

- ✳️ Watsonia Annex 1 & 2 upgrade ~ expected completion FY2017-18
- ✳️ Singleton facility upgrade ~ expected completion November 2017
- ✳️ 16 new Mobile food vans plus a 4WD trailer ~ staged build from December 2017 to December 2020
- ✳️ New Edinburgh facility near 1 Armoured ~ under consideration FY 2018

- ✳️ New Amberley facility near Army precinct ~ under consideration FY 2018

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 experts.

ICT Capability

Our information technology platform is reaching an 'end of life' capacity level. We have undertaken an independent review of our ICT environment recently and are currently assessing the results and our way forward. Required changes will be implemented over a number of years.

Included in the above review was a perspective on the anticipated ICT landscape and the innovations in technology that are currently available.

These ICT changes and innovations will be discussed at the October strategy meeting.

Our service technology (electronic point of sale devices) is being regularly updated.

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 Audit and Risk Management Committee (ARMC). The Managing Director champions all aspect of governance and risk management.

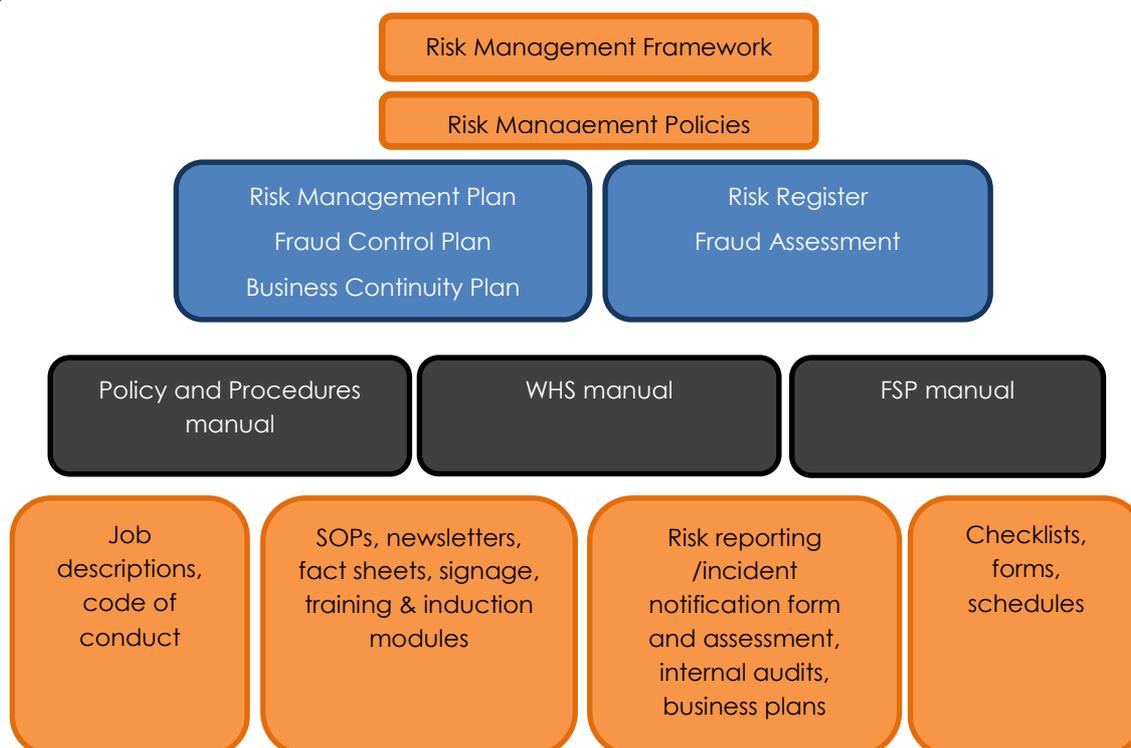
AAFCANS risk framework clearly identifies our strategic business drivers and objectives, their associated risks, how the business is managing the risks and our final assessment of whether risk is appropriately controlled. AAFCANS maintains a suite of risk documents which assist and inform all staff on 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 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 risk/opportunity priorities.



Risk Profile

The Audit and Risk Management 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)	Two risks being actively managed and under review
Moderate risk (rated 5-11)	21 risks being monitored under our ongoing improvement program
Low risk (rated 1-4)	9 risks being continuously monitored

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

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

- IT security (non-wifi) – With the significant increase in the occurrence and sophistication of attempted system breaches globally, we are closely monitoring our IT environment and searching to strengthen it at every opportunity.
- 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.

Plan Implementation and Monitoring

The AAFCANS Board has the overall responsibility for reviewing and evaluating the implementation of this plan. The timing of the strategic planning has moved from earlier in the calendar year to October to allow for extended consideration of upcoming strategies. 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 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
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
ICT	Information and Communication Technology
IT	Information Technology
MFV	Mobile Food Van
RSP	Retail Selling Price
SOP	Standard Operating Procedure
WHS	Work Health & Safety