

2019 - 20

AAFCANS Corporate Plan



AAFCANS

Army & Air Force Canteen Service

Introduction

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2019-20 AAFCANS corporate plan, which covers the periods of 1 July 2019 to 30 June 2023, 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.



Leonie Taylor
Chair



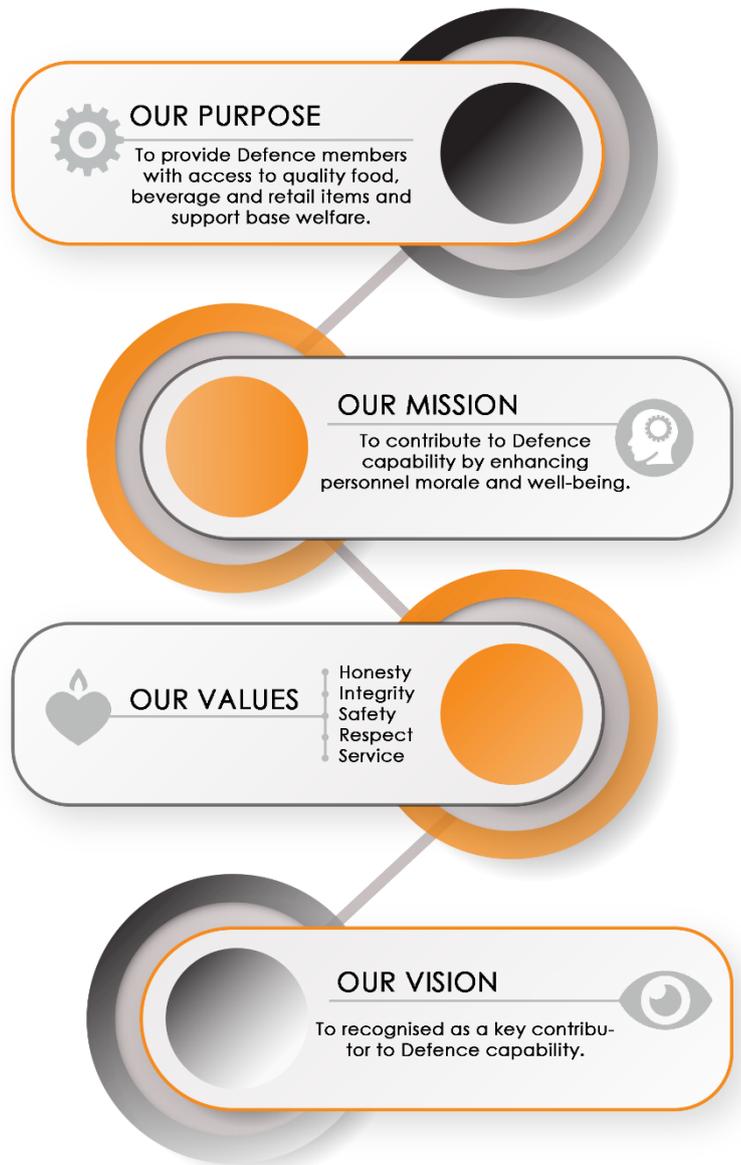
Who are we?

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.

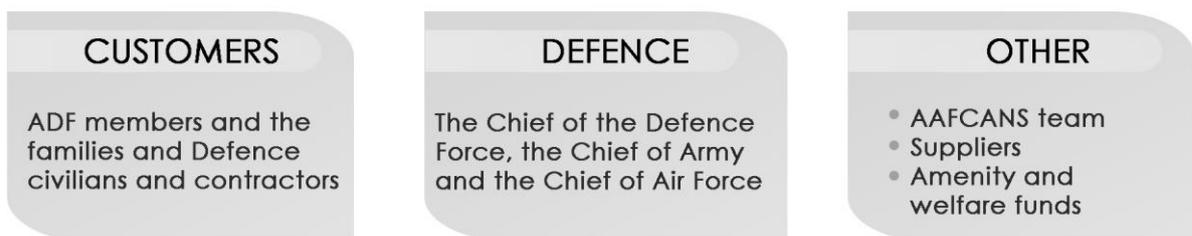
AAFCANS exists to enable Defence members access to goods and services on base and on exercise.



Our Stakeholders

The Army and Air Force Canteen Service (AAFCANS), is a Commonwealth statutory authority formed to provide goods, facilities and services to or for the entertainment and recreation of designated members of the Defence community. The Commonwealth Government owns AAFCANS through the responsible Minister.

Our key stakeholders include:





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 2019, AAFCANS delivered services on 27 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 34 bases and has an estimated value of \$518,000 for the 2018-19 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. The proliferation of soldier-staffed RTF café facilities fundamentally undermines the business viability of AAFCANS.

Whilst messes on base have always provided meals at subsidised prices, they recently began to implement a range 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 dependants. 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 have been successfully completed in the operational and administrative functions of AAFCANS. Cloud-based solutions for point of sale, information and communications technology (ICT) infrastructure, intranet, website and human resource software are all being utilised. The point of sale project will finish in October 2019. We expect the full realisation of benefits from these projects to hit in the second half of FY2020 and beyond.

The new technology assists AAFCANS to serve our customers with the right product at the right time quickly. These systems are targeted solutions for dealing 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 are 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 promote operational excellence with our base managers; to help them make real time decisions on their operations and ensure that they have the support and encouragement from key stakeholders. All bases are not the same. We tailor our product offer to the customers on the base and ensure 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 (SharePoint) 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 2018-19 is forecast to be \$644,000. This is in keeping with our requirement to be commercially self-sustaining.

Our surplus is invested back into our business to improve our service and into the on-base facilities, increasing our sustainability and improving the Defence environment.



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. Defence provides an annual grant of \$400,000 for facility improvements; the grant ceases after this current Corporate plan FY2019-20. This amount is fully expended on ongoing upgrades to the Defence facilities from which AAFCANS operates. In addition, AAFCANS also contributes funds from its surplus each year toward these facility improvements.

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

- ✧ Enoggera Canteen refurbishment – expected completion July 2019
- ✧ Enoggera Canteen outdoor Atrium – expected completion September 2019
- ✧ 2 x 2WD Mobile Food Vans (MFVs) – expected November 2019 and April 2020
- ✧ Mobile kiosks
- ✧ Holsworthy Canteen refurbishment – April 2020.

For new facilities and upgrades, a contractor undertakes the physical fit-outs, however AAFCANS project manages 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 moved our information and communications technology (ICT) infrastructure to a cloud-based model. This aims to reduce long-term ICT costs while allowing greater scalability, operational efficiency and agility.

The capability is focused on:

- ✧ 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

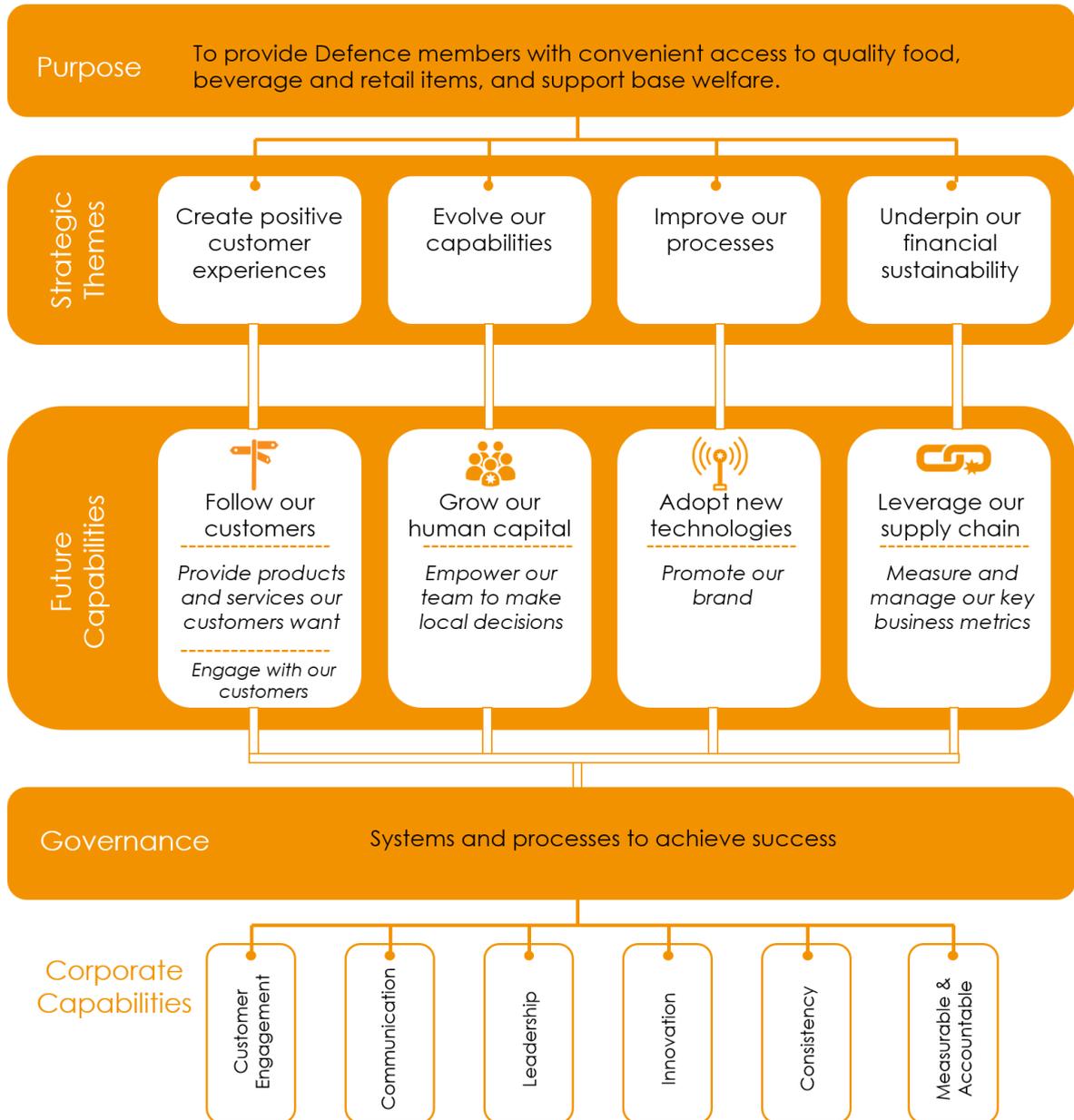
The move to cloud-based sales software means the ePOS system provides greater reporting and business intelligence in a more efficient timeframe as well as reducing manual processes and giving an improved perspective on product performance and sales. It also introduces a valuable reduction in maintenance 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 allows the People & Culture team to focus on supporting the people within the entity.

The adoption of cloud applications like SharePoint online and Microsoft O365 allows a greater ability to communicate across the entity as well as increased capability in information sharing and group collaboration.

IAAS removes the burden of server hardware ownership, allows greater redundancy and growth and provides 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. The Board has 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.

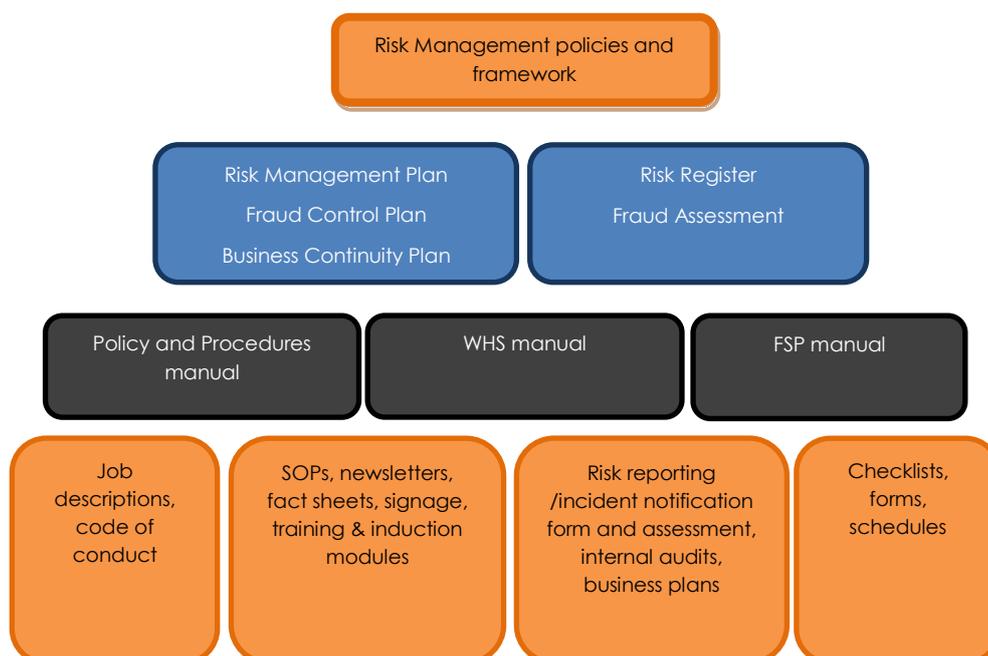
AAFCANS maintains a suite of risk documents which assist and inform all staff on our risk management strategies.

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)	15 risks being continuously monitored



Performance Measures

This matrix is designed to indicate which measures have a limited implementation period and which are ongoing measures.

PURPOSE	To provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare	2019-20	2020-21	2021-22	2022-23
Target	Key Performance Measures				
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.	✓	✓	✓	✓
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 Post implementation: using ADFA canteen, increase transaction volume by 10% between 12.00pm – 2.00pm over base year FY2018 excluding December/January. o Trial an online portal and APP called "AAFCANS Eats", supplying customers with products for pick-up or delivery. Assess ongoing viability. 	✓			
Upgrade or establish at least two retail facilities (including satellite kiosks) each year. 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. 	✓			
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).	✓	✓	✓	✓

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 into the annual plans for the following year.

Further Information

For further information on the AAFCANS 2019-20 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