



Australian Government

Army and Air Force
Canteen Service
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AAFCANS

Army & Air Force Canteen Service

CORPORATE PLAN

2020-2021



Leonie Taylor, Chair

Introduction

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2020-21 AAFCANS corporate plan, which covers the periods of 1 July 2020 to 30 June 2024, 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

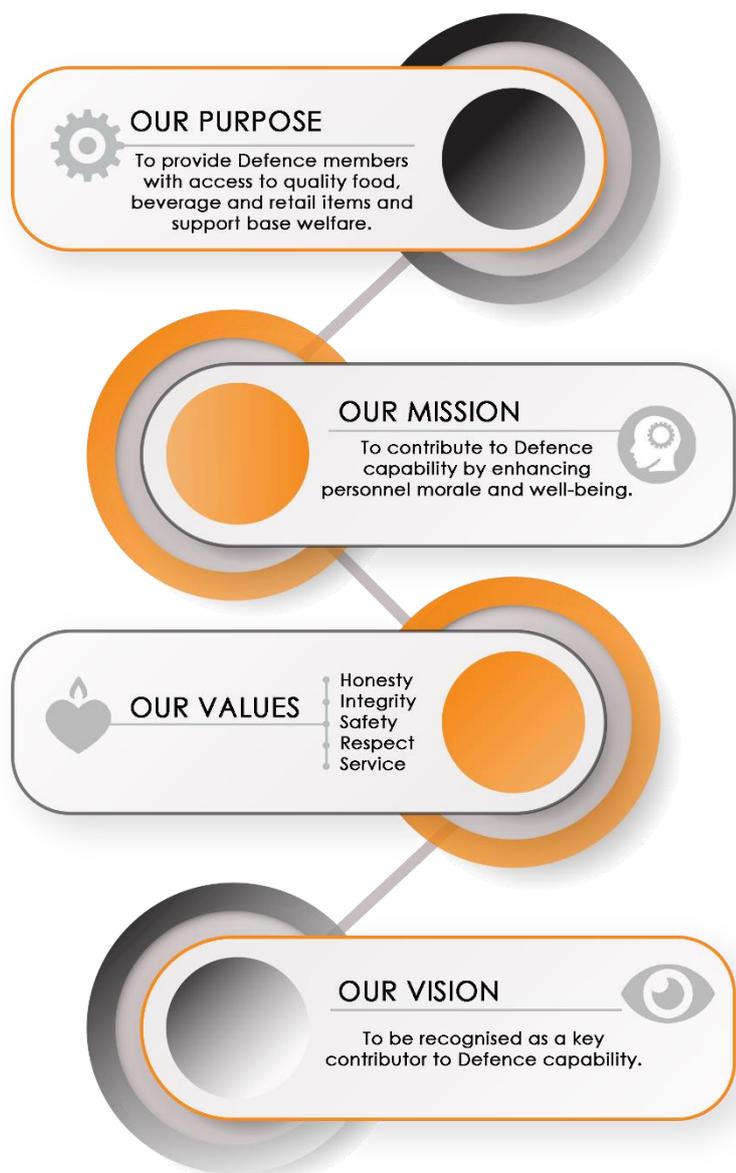
Who are we?

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.

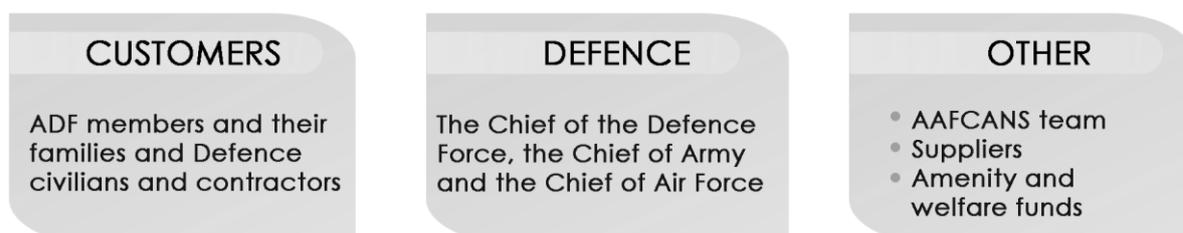
AAFCANS exists to enable Defence members access to goods and services on base and on exercise.



Our Stakeholders

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:



Key Activities



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 2020, AAFCANS delivered services on 27 bases through a variety of facilities including canteens, kiosks, mobile food vans, convenience stores, fuel stations 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 \$545,186 for the 2019-20 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. AAFCANS are supporting Army and Air Force's work to align the base 'ecosystem'. This will define responsibilities and accountability for each provision of service.

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 what

AAFCANS offers. We expect that these developments will place increasing pressure on our offer and revenue over time.

AAFCANS addresses this competition through convenience and 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 for 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 productivity issue is a basic tenet in our future planning of our outlets and our service throughout the period of this plan. We serve 29% 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, enabling our managers, 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 compliant, competitive and convenient supply chain in support of their funds.

AAFCANS are working directly with Army and Air Force through Liaison Officers (LO's) to improve our knowledge on military activities. Historically, Defence deployment, training and exercises constantly shift our customer base. This made 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. With access to planned shifts in demographics, AAFCANS will be better placed to understand these movements.

The COVID-19 pandemic has directly impacted AAFCANS trading, not only through regional shutdowns but also as a result of the front-line support Defence provides to state governments through federal initiatives. As a consequence, some of our plans for the coming year and beyond remain tentative and flexible.

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. AAFCANS have completed its transition to the new point of sale system, Bepoz.

With AAFCANS outlets all trading on Bepoz, there have been tangible improvements including a significant reduction in transaction time, reduction in IT support and integration with other key systems. This information will ultimately form the basis of our online ordering and loyalty platform.

The new technology assists AAFCANS to serve our customers with the right product at the right time quickly.

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 remains on our Work Health and Safety (WHS) and Food Safety programs.

Our People and Culture

AAFCANS continues to promote operational excellence with our base managers; to help them make real-time decisions on their operations and ensure they have support 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 alter trading hours as needed and in accordance with communications on base.

The successful implementation of communication tools such as our new employee information system and the revitalised intranet (SharePoint) has enabled a better platform for our managers and team members to interact with other aspects of our business.

Succession planning is an ongoing focus, 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 surplus each year. Changes to improve and expand our services and improve our efficiency and cost base are aimed at AAFCANS continuing to be self-sufficient, thereby enabling ongoing reinvestment in our facilities, maintaining lower retail selling prices and being able to contribute to the local base communities.

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

- ✧ improving ADF productivity by expanding our services to be convenient to our customers which in turn increases our cost of operation;
- ✧ in line with Army and Air Force's expectation, providing welfare support to personnel on exercise/deployment at little more than break-even to enhance the ADFs away-from-home environment;
- ✧ operating on small bases that are not positive contributors.

Our strategic imperatives are outlined in this plan each year.

In addition to our internal sustainability, Defence and AAFCANS are working together to improve support to the base ecosystem from a welfare and amenity perspective, including potential support to Regimental Trust Funds in PGPA Act compliance. These strategies are in their infancy and will develop over the coming year.

Financial Performance

AAFCANS are required to be commercially self-sustaining. Our net surplus for the financial year 2019-20 is forecast at \$126k. This was heavily impacted by the bushfires and COVID-19.

Units were deployed, and canteen facilities closed in regions that experienced bushfires at the end of 2019 and early 2020.

In the initial stages of COVID-19, a miscommunication on eligibility for the federal Job Keeper scheme led AAFCANS to fund and claim employee wages in April and May 2020. These team payments were then determined ineligible for the scheme and are to be repaid. As a result, AAFCANS not only retained employees in our business but paid an additional \$257k to team members in excess of their normal work hours. The overall cost of the Job Keeper refund is \$920k. This cost is provided for in the 2019-20 result.

With ongoing outbreaks occurring across the country, the quantum impact of COVID-19 on our forecast result for 2020-2021 remains unknown.

Any surplus will be 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. Through enabling our teams, we aim to ensure that the wishes of our customers are met in tandem with the regulatory and strategic objectives of AAFCANS.

Capital Investment Strategy

AAFCANS conducts its operations from Defence facilities. Supplementary Defence facility upgrade funding has ceased. To continue to achieve our purpose, AAFCANS must be self-sustaining. Surplus funds from trading are directed toward facility improvements in line with our purpose to provide services to Army and Air Force personnel.

Pending financial performance during the pandemic, the following capital projects are being considered by AAFCANS, and will proceed on a case by case basis:

- ✧ Enoggera canteen extension – expected completion June 2021
- ✧ Latchford Barracks canteen refurbishment – expected completion not yet determined
- ✧ 2 x 2WD Mobile Food Vans (MFVs) – expected April 2021
- ✧ Kitchen and front of house equipment upgrades throughout the period.

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 appointee. The vans/trailers will be constructed by Defence-expert contractors.

ICT Capability

AAFCANS information and communications technology (ICT) infrastructure now operates on a cloud-based model. This has provided AAFCANS with a reduction in long-term ICT costs

while allowing greater scalability, operational efficiency and agility.

Our capability is focused on:

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

Our cloud-based sales ePOS software 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.

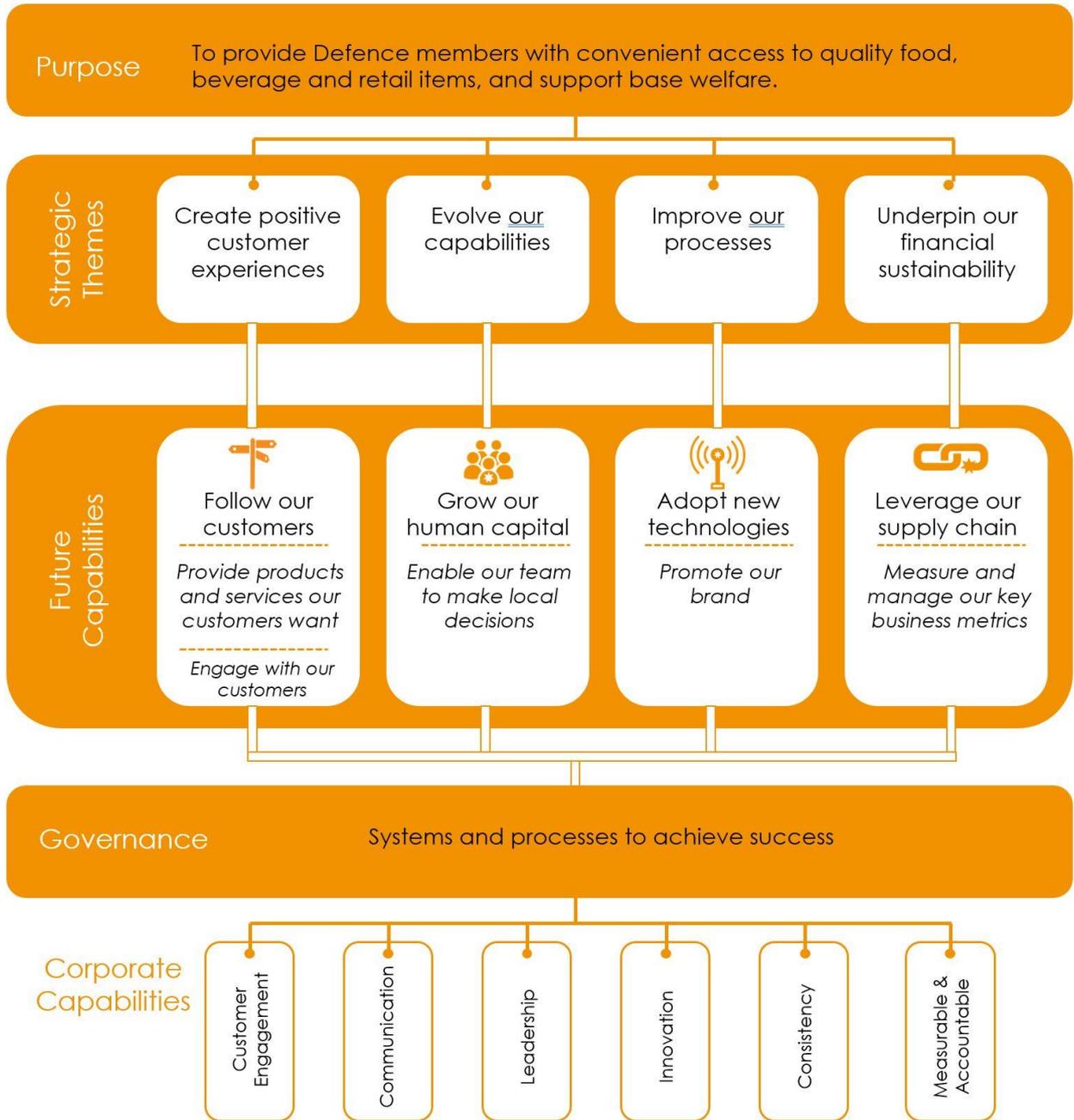
The HRIS offers greater integration between the payroll, time and attendance systems and other human resource (HR) functions. Improving efficiency and accuracy on HR processes allows the People & Culture team to focus on supporting the people within the entity.

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.

The REFSS retail electronic food safety system along with our OEP Operations excellence audits assist our operational staff ensure a clean and contemporary environment.

IAAS removes the burden of server hardware ownership, allows redundancy and growth and provides the IT team the ability to focus on client services and improving software systems.

Capability Snapshot





Risk

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.

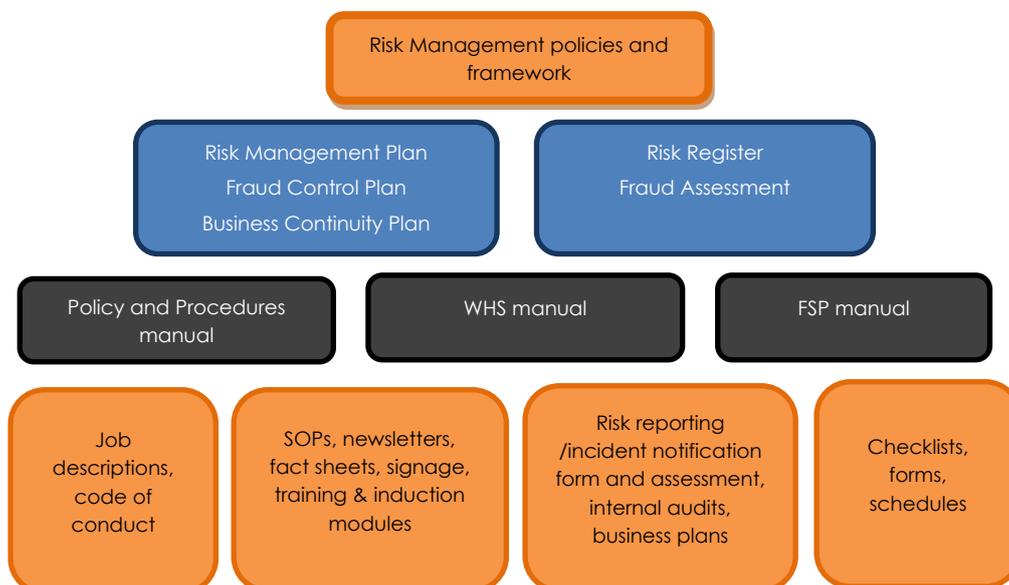
AAFCANS maintains a suite of risk documents which assist and inform all staff on our risk management strategies.

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.

Risks are controlled and mitigated through the following plans and initiatives:



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)	0 risk identified
Moderate risk (rated 5-11)	12 risks being monitored under our ongoing improvement program
Low risk (rated 1-4)	14 risks being continuously monitored

Emerging Risks

Looking forward and assessing our future operating environment, key emerging risks and their related management are outlined below:

- Business continuity. With the recent COVID-19 pandemic, the balance between financial management of the business, service to our customers, and team members welfare is a key morale consideration.
- Relationship with Ministers, Chief of Army, Chief of Air Force and the Department of Defence. As the business develops, the ecosystem within Defence and with AAFCANS is maturing along with shifting responsibilities. This is an emerging risk as the new structure and its reporting settles.
- IT Security. We expect an increase in cyber-attacks in the wake of the pandemic, as global players look to gain any advantage.



Cooperation

AAFCANS is highly reliant upon and directly impacted by the Department of Defence specifically with the Australian Army and the Royal Australian Air Force. Lines of cooperation and reporting occur at a number of levels within Defence.

Closely assisting AAFCANS with its strategic direction and communications are our two military directors sitting on the Board, one appointed from each service, Army and Air Force.

Recently, a Liaison Officer was appointed by the Army and Air Force to more closely manage and facilitate our relationship.

Regular discussions with Defence and other Government entities occur:

Operations

- Defence
 - Senior ADF Officers on each base and their delegates, Base Service Managers and other key personnel seeking feedback and service integration – frequent.

People and Culture

- Defence
 - Estate & Infrastructure Group (E&IG) on each base issuing Defence base passes
- Comcare – WHS matters, insurance and claims

Finance

AAFCANS report financial and performance information regularly to associated government departments.

- Defence
 - Offices of the Minister for Defence and Minister for Defence Personnel
 - AAFCANS Advisory Committee (AAC) Secretariat
 - Defence Finance Group
- Australian National Audit Office (ANAO)
- Department of Finance

Technology

- Defence
 - Chief information Officer Group (CIOG) – network, telephone and security communications
 - Australian Signals Directorate (ASD) – security governance and updates
 - Australian Cyber Security Centre – security resources
 - Australian Security Intelligence Organisation (ASIO) – access to security updates
 - Business and Governance Liaison Unit – security reports

Managing Director and Board

The Managing Director and members of the Board hold strategic and operational discussions with the following personnel to ensure AAFCANS is meeting our partners' requirements and AAFCANS purpose.

- Defence
 - Minister for Defence Personnel
 - AAFCANS Advisory Committee (AAC) chaired by the Deputy Chief of Army and attended by the Deputy Chief of Air Force
 - Deputy Chief of Army and Deputy Chief of Air Force
 - Senior ADF Officer on each base
 - Director General Estate Service Delivery
 - Director of Hospitality, Estate & Infrastructure Group

Governance

AAFCANS has ongoing communication regarding compliance and guidance from the following entities:

- Defence
 - Office of the Minister for Defence Personnel
 - AAFCANS Advisory Committee (AAC) Secretariat
- Department of Finance: Comcover insurance
- Attorney-General's Department
- National Archives of Australia



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	2020-21	2021-22	2022-23	2023-24
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 to mid quartile of coffee sales prices and in the middle quartile of snack item sales prices.	✓	✓	✓	✓
Maintain a committed and competently trained workforce through team member engagement.	<ul style="list-style-type: none"> Team member turnover rate of less than 25%, compared to an industry average of over 40%. 	✓	✓	✓	✓
Upgrade or establish at least two retail facilities (including satellite kiosks and MFVs) each year. This may be dependent upon funding from Defence for a significant upgrade, and plan approval by Defence E&IG.	<ul style="list-style-type: none"> 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 2020-21 corporate plan, please contact the Managing Director, AAFCANS on (07) 3332 6360 or send an email to cosec@aafcans.gov.au.

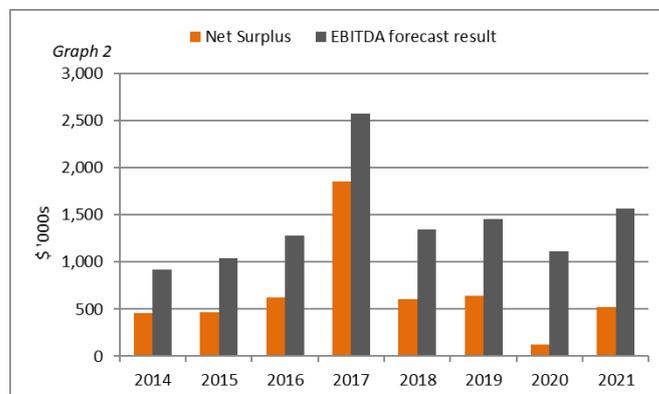
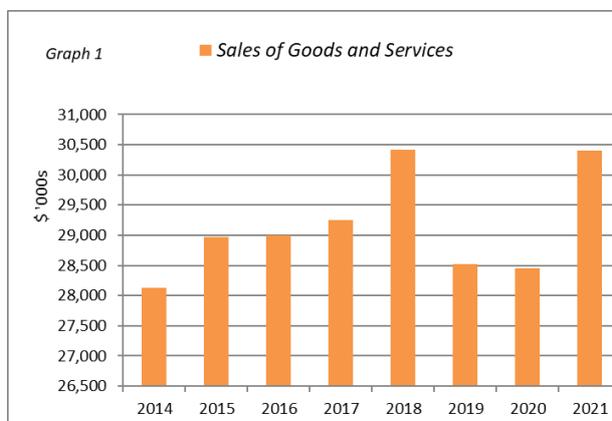
Further information can be located on the website www.aafcans.gov.au.

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 2020



PURPOSE	To provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare				
Target	Key Performance Measures	2020-21	2021-22	2022-23	2023-24
Continue to manage expenditure within budget and ensure that AAFCANS is self-sustainable.	Final net trading variance no greater than negative 10% compared to budget.	✓	✓	✓	✓

Financial Forecast

2021-2024

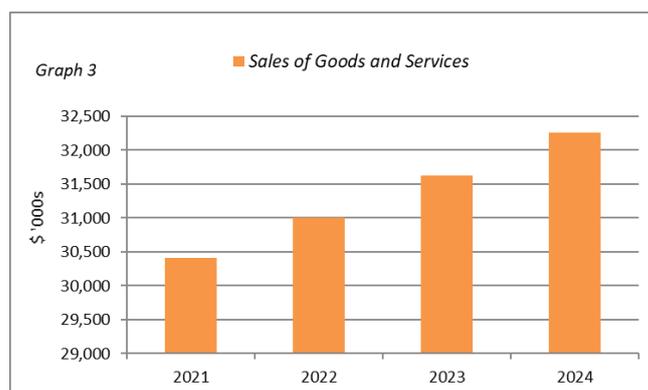
The strategic initiatives outlined in this plan have formed the basis of the financial forecast for 2021-2024.

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 forecast sales for 2020-21 increase to \$30.4 million from the prior year of \$28.5 million. The current forecast was based on a return to normal trading post Covid19 being achieved early in the financial year. The volatility of the current situation will have to be closely monitored and may require adjustments to the forecast.

The sales forecast for the next four years to 2024 is estimated to increase on average per annum by \$462k or 1.6%. Refer to Graph 3.

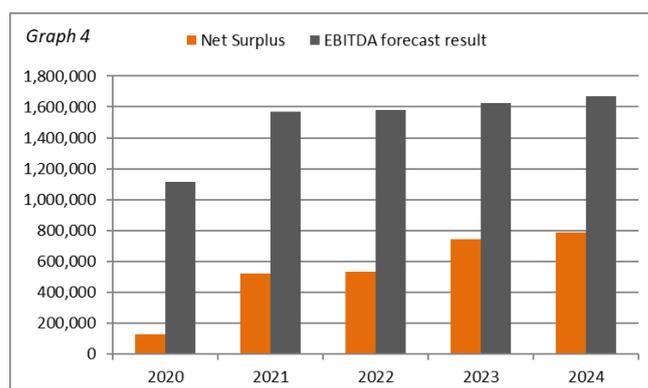


Projections and Reinvestment

In 2019-20 the net surplus is \$126k and \$1.1 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 to 2024.



Please note that the \$400k Government grant received for facility upgrades ceased at the end of this year's 2019-20 plan.