Australian Government

Army and Air Force
Canteen Service
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AAFCANS

Army & Air Force Canteen Service

CORPORATE PLAN
2021-2022

Leonie Taylor, Chair

Introduction

We, as the accountable authority of the Army and Air Force Canteen Service (AAFCANS) present the 2021-22 AAFCANS corporate plan, which covers the periods of 1 July 2021 to 30 June 2025, 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 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, the Minister for Defence Personnel.

Our Stakeholders

CUSTOMERS

ADF members and their families and Defence civilians and contractors

DEFENCE

The Chief of the Defence Force, the Chief of Army and the Chief of Air Force

OTHER

- AAFCANS team
- Suppliers
- Amenity and welfare funds

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 2021, 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 $532,000 for the 2020-21 financial year. Each quarter the proceeds from this program are distributed to the Army and Air Force welfare trust funds and unit social clubs.

This plan closes out our AAFCANS Strategic Plan 2018 – 2022. AAFCANS has successfully implemented nearly all the strategic objectives set out in this five year plan. Those that were not implemented were set aside due to a lack of commercial success during trials.

Prior to the conclusion of the 2021 calendar year, the Board will finalise the next five year plan.

External Environmental Factors

External competition is evident at most bases immediately outside the base gates, and with amenities provided by regimental trust funds (RTF) and social clubs. AAFCANS are supporting Army and Air Force's work to align the base 'ecosystem'. The outcome will define responsibilities and accountability for each provision of service.

Whilst messes on base have always provided meals at subsidised prices, they are increasingly providing a range of similar products and services including convenient Grab & Go options.

Similarly, offices and break areas operate automatic coffee machines and sell charity confectionary. These developments are mirroring some of AAFCANS' offer. 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 feedback, we have sought to improve our business offer and time efficiencies through customer flow, labour scheduling, enabling our managers, real time data to enhance agility 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 a Liaison Officer (LO) to improve our knowledge on military activities. Historically, Defence deployment, training and exercises constantly change our customer base which hasmade it difficult to forecast our business. 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 continues to directly impacted AAFCANS trading, not only through State and Territory shutdowns and restrictions but also as a result of the front-line support Defence provides across Australia. As a consequence, our plans for the coming year and beyond remain flexible and subject to change.

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, safety and human resource software are all being utilised.

With the full implementation of our point of sale system (Bepoz) some AAFCANS outlets now offer online ordering. As the system is fine-tuned, additional key locations will be added to the service.

The new app-driven loyalty platform launched in July 2020 equips AAFCANS with a contemporary method for customer engagement, providing access to the online ordering portal, links to local canteen menus, trading hours, google maps and contact information. The platform offers rewards for brand loyalty, special member promotions and a direct feedback channel for two-way customer communication. The digital wallet equips app members with a cash-free card-free method of commerce. This new platform has been specifically developed for AAFCANS with ADF as a primary focus.

These new technologies assist AAFCANS to serve our customers with the right product at the right time quickly.

A new coffee supplier with strong ties to the ADF was appointed in October 2020. Full implementation of the new offer was completed across our network at the end of December. Our focus for 2021-22 will be ensuring a quality consistent coffee product for all outlets through overview and increased training.

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. With the advent of the COVID virus, it is essential our service level and product offer are flexible and scalable, yet 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

Team members are our most important asset. We strive to ensure that our Venue Managers have the tools available to react appropriately and make the necessary decisions to manage their facilities. All bases are different. Our Venue Managers are able to tailor our products, align hours and fluctuate team member numbers, ensuring that we provide our best service to our Defence partners.

AAFCANS continues to evolve our HR systems. The recent introductions of our online HRIS system Employee Connect (EC), Ask AVA (AAFCANS Virtual Assistant) and our online training platform LITMOS are all available to our team members. The recent upgrade of our time management system to the Human Force app allows team members to accept posted shifts, see real time rosters and sign in and sign out seamlessly.

The revamp of SharePoint allows our Venue Managers and team members to have a one stop shop for all processes, polices and guidelines. It is a communication tool for all the team, providing regular updates to inform all our members.

We recently launched our Reward and Recognition program. This encourages the nomination of a team member as a match to one of our values. This program was one of the main requests from our recent engagement surveys.

During the pandemic we the initiated an Employee Assistance Program. This is free and available 24 hours a day, seven days a week. It ensures our team have someone to talk to in difficult times.

Our key people focus within AAFCANS remains the development of our internal team, utilising our Venue Managers, subject matter experts (SME) and LITMOS to advance of our skills and involve the team in our ongoing strategy.

Sustainability to Support Our Purpose

AAFCANS remains highly 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, even when faced with a global pandemic. 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 that enhances support to base welfare through modern and inviting facitlities, 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 experience;
- operating on small bases that are not positive contributors.

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 along with ease of access, improved capabilities and supply opportunities. These strategies are in their infancy and will develop over the coming year.

Our Strategic Plan 2018-2022 will be completed in this year in focus, with all objectives and strategies met or tested and removed. Our Board and management team will meet in October to develop the strategic plan for the next five years to 2026.

Financial Performance

AAFCANS are required to be commercially self-sustaining. Our net surplus for the financial year 2020-21 is forecast at $589k excluding the Job Keeper funds below. This was heavily impacted by COVID-19 and the March 2021 floods in Qld and NSW.

A miscommunication in eligibility for the federal Job Keeper scheme in the initial stages of COVID-19 resulted in AAFCANS incorrectly paying and then claiming employee wages in 2020. This claim was reviewed by the Australian Tax Office (ATO). After considering the evidence and purpose of AAFCANS, the ATO determined that funds claimed were to be retained by AAFCANS. This provided welcome revenue of $927k to our result in the 2020-21 financial year.

These funds have been effectively quarantined by the Board and management to address the improvement of outlet environments for team members and customers through capital projects and engineering safety controls.

With COVID-19 outbreaks occurring across the country, the ongoing impact of regional shutdowns on our forecast result for 2021-2022 remains difficult to reliably ascertain.

Any operating 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 presently directed toward facility improvements in line with our purpose to provide enhanced 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:

- Latchford Barracks canteen refurbishment – expected completion not yet determined due to COVID issues.
- 4 x 2WD Mobile Food Vans (MFVs) and a mobile kitchen trailer
- Kitchen and front of house equipment upgrades and innovations
- Puckapunyal grocery store renovation
- Harry's canteen, Lavarack upgrade

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 are constructed by 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, security, operational efficiency and agility.

Our capability is focused on:

- cloud-based electronic Point of Sale system (ePOS)
- cloud-based Human Resource Information System (HRIS)
- Retail Electronic Food Safety System (REFSS)
- SharePoint online including Ask Ava
- Microsoft O365 Office
- cloud-based 'Infrastructure As A Service' (IAAS) model
- AAFCANS APP and Online ordering

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.

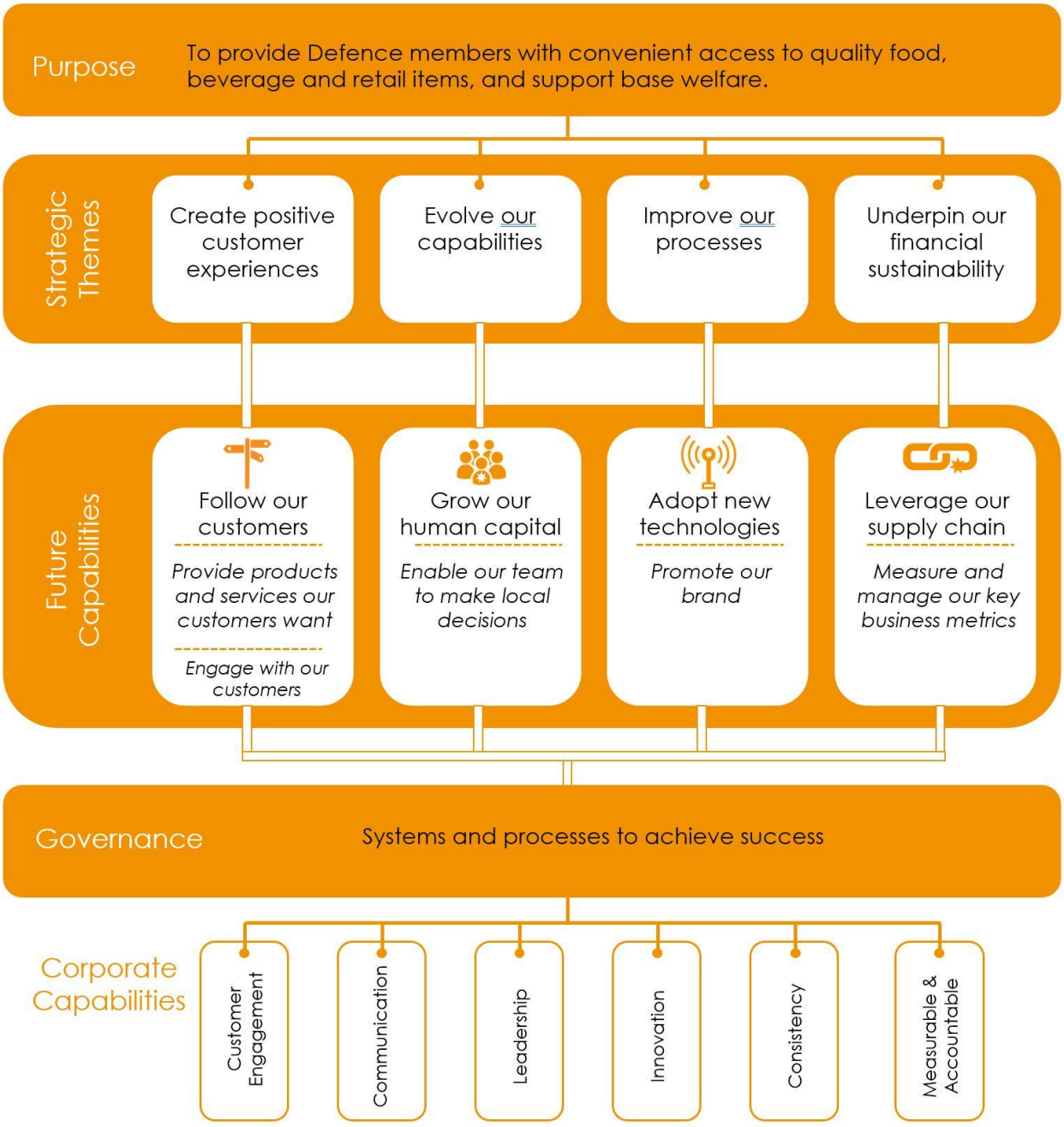
The HRIS offers greater integration between the payroll, time and attendance systems and other human resource (HR) functions. Improving efficiency and accuracy on HR processes allows the People & Culture team to focus on supporting the people within the entity.

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

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 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 aspects 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.

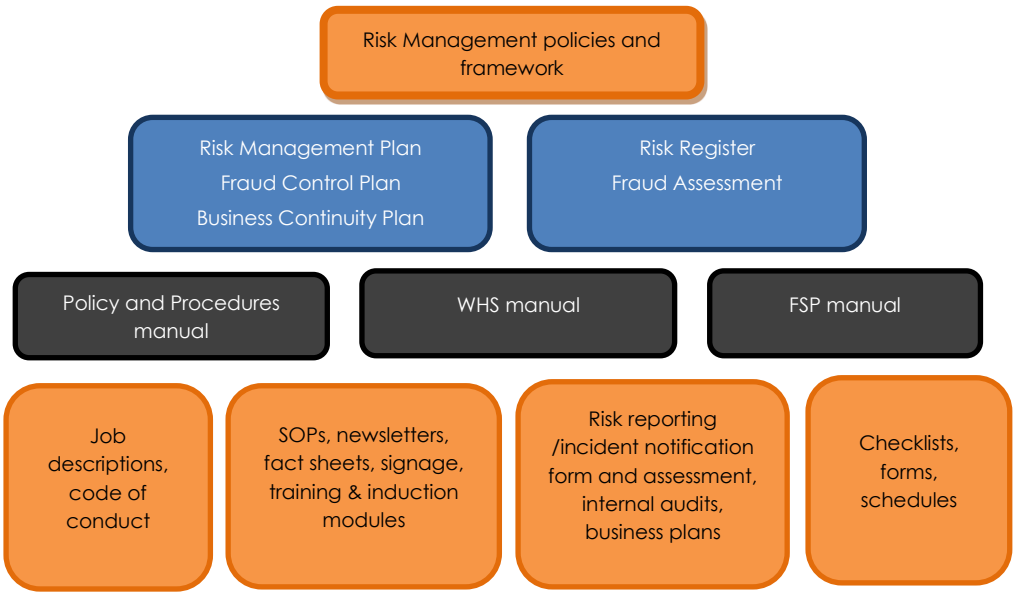
AAFCANS maintains a suite of risk documents which assist and inform all staff on our risk management strategies.

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

Our board committees review our risks at their quarterly meetings. A breakdown of our identified risks ratings shows the following:

High risk (rated 17 – 25)	0 risk identified
Serious risk (rated 12-16)	1 risk identified
Moderate risk (rated 5-11)	11 risks being monitored under our ongoing improvement program
Low risk (rated 1-4)	14 risks being continuously monitored

The serious risk identified relates to stakeholder expectations on our business. Presently our agreement with Defence for the next five years is under re-negotiation, with the new agreement to remove key funding lines within our business. As this will materially alter our operational baseline, ensuring productive engagements with our Minister and senior Defence leadership is of high importance during this period of adjustment.

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.
- Effective stakeholder relationships. Effective relationships with Ministers, Chief of Army, Chief of Air Force and stakeholders within the Department of Defence are key as AAFCANS' position within the Defence amentities ecosystem is maturing, along with shifting responsibilities.. This is an emerging risk as the new structure and its reporting settles.
- IT Security. The increasing occurrence of cyber-attacks are a strong focus 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 to more closely manage and facilitate our relationship with both Army and Air Force.

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

People and Culture

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

Finance

Reporting 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

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

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.

In October 2021, a new five year strategic plan will be created. Finalisation of the plan will occur over the subsequent months. This new plan may impact the measures below.

PURPOSE	**To provide Defence members with convenient access to quality food, beverage and retail items, and support base welfare**	2021-22	2022-23	2023-24	2024-25
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.	○ Team member turnover rate of less than 38%, 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 and infrastructure processes within E&IG.	○ 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. The impact and success of the strategic initiatives are reviewed, and priorities are re-evaluated throughout the year. Strategic planning will be conducted in late 2021 to develop the next 5 year Strategic Plan. This will form the development of next year's corporate plan. Corporate plan objectives in various formats are discussed at each Board meeting. The final corporate plan is sent to the Minister for feedback and approval.

Further Information

For further information on the AAFCANS 2021-22 corporate plan, please contact the Managing Director, AAFCANS on (07) 3320 2649 or send an email to cosec@aafcans.gov.au.

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

Acronyms

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