



AAF COMPANY
(Trustee of the Army Amenities Fund and the Messes Trust Fund)

CORPORATE PLAN 2018-19

Covering reporting period 2018-19 to 2021-22

STATEMENT OF PREPARATION

We, the Board of Directors of the AAF Company, as the accountable authority present the AAF Company Corporate Plan 2018-19, which covers the period 2018-19 to 2021-22, as required under Section 95 of the *Public Governance, Performance and Accountability Act 2013*.

LS WILTON
Chair
AAF Company

5 July 2018

GE WARNER
Chair
Audit Committee

3 July 2018

PURPOSE

To provide amenity and related services to Army members and their families, through affordable holiday accommodation and financial support to units or associations that is not normally provided at Departmental level.

The AAF Company has set goals to continually achieve the purpose, over the current and subsequent years of the Plan. For more information visit the website: www.armyholidays.com.au

- **loans and grants** - provide amenity funding support to Army, through loans or grants to fund local amenity initiatives not provided at a Departmental level.
- **holiday accommodation** - provide affordable holiday accommodation for Army members and eligible persons through the Trust owned holiday properties.
- **financial investment** - conduct sound financial investment strategies that ensures sufficient capital is available to meet the operational goals and the Trust remains self-sustaining.

ENVIRONMENT

The Company operates within the hospitality environment through the supply of holiday accommodation. The Board, in accordance with its strategies to meet the needs of its primary customer base, reviews its property profile against the commercial sector to ensure the holiday outcome is economical.

Grants and loans will only be provided in cases where there is an amenity need, which cannot be met from other sources, and the assessed benefits accruing to Army members are appropriate to justify the expenditure.

Factors in which the Accountable Authority has full control:

- Ownership of the Trust property holdings with the ability to buy and sell.
- The approval criteria for Amenity applications.
- Board has control of the Funds Investment Strategy.

Factors in which the Accountable Authority has partial control:

- Holiday property rental rates are not to exceed the requirements of an Income Tax Exempt Charitable entity.
- Amenity loans repayments defaulting.
- Significant unanticipated building or contents maintenance.

Factors in which the Accountable Authority has no control:

- Economic conditions and their impact on investment returns and property values.
- Catastrophic building or environmental event.
- Changes within Army or Defence (policy, culture, resources) that impact on operations of the Company.
- Changes in legislation.

Administrative factors:

- The AAF Company operates within the Department of Defence portfolio.
- The AAF Company is a Commonwealth Company within the General Government Sector and is managed by Directors who are appointed by the Chief of Army and the Chair. It operates in accordance within the relevant legislations - Corporation Act 2001 (Cth), Public Governance, Performance and Accountability Act 2013, Australian Charities and Not for Profits Act and the AAF Company Constitution.
- The AAF Company has no funds but operates as the trustee for two Trusts; the Army Amenities Fund and Messes Trust Fund.

Technological factors:

- The Secretariat uses Department of Defence office facilities and ICT.
- Web site technical support and hosting is outsourced to Cornerstone Digital.

PERFORMANCE**AMENITIES LOANS AND GRANTS**

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| Activity 1 | Provide financial assistance through a loan or grant to fund unit amenity initiatives not normally provided at Departmental level. |
| Intended result | Financially supported a system of bids from Army unit commanders and associations for the provision of amenities and related services to bases, units and sporting bodies. |
| Delivery strategy | <p>The Board sets criteria to assess the worth of an application and annually review the available level of funding.</p> <p>Disburse funds in accordance with criteria and at the discretion of the Grants Committee or Board.</p> <p>Promote the availability of financial assistance to Army bases, units and sporting organisations and provide guidelines for applying for assistance on the website.</p> |
| Measuring performance annually & out to 2021-2022 | <ul style="list-style-type: none"> • Financial assistance is within annual funding allocation and was distributed in accordance with the agreed criteria. • Annual budget has been reviewed for forward years. |

HOLIDAY FACILITIES

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| Activity 2 | Provide below market rates, quality accommodation for Army members and eligible persons through Trust owned holiday properties. |
| Intended result | The portfolio of sustainable well maintained holiday accommodation met the purpose of providing amenities primarily used by current and former Army members. |
| Delivery strategy | <p>Advertise and promote the Trust holiday properties within Defence and through the web site.</p> <p>Ensure properties are managed to a high standard of service.</p> <p>The Board is kept abreast of occupancy statistics, facility matters and reviews of tariff rates in order to make strategic decisions.</p> <p>The Board will monitor shifts in economic, operational and service delivery parameters with the possible view to changes to the property portfolio.</p> <p>The Board to review the properties to ensure they are meeting the needs of Army members.</p> <p>Annually organise property valuations and ensure insurance coverage is current.</p> |
| Measuring performance annually & out to 2021-2022 | <ul style="list-style-type: none"> • Holiday facilities asset valuations reflect a sound property investment profile. • Tariff rates are less than 75% of commercial rate. • Overall property portfolio achieves an annual profit before depreciation outcome. • Annual target occupancy levels are achieved - Coogee – 65%, Docklands – 80% and Goolwa – 60%. • Army members maintain the highest occupancy level. |

FINANCIAL INVESTMENT

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| Activity 3 | Conduct sound financial investment strategies that ensures sufficient capital is available to meet the operational goals and the Trusts remain self- sustaining. |
| Intended result | Investments portfolio performance has ensured the Fund's capital will meet the operational objectives of the current and future years of the Corporate Plan and enables the entity to grow and remains relevant to the needs of Army. |
| Delivery strategy | <p>The Board to utilise independent investment management and advice but ultimately be responsible for any decisions.</p> <p>The Board will conduct regular reviews of investment opportunities, current investment strategies and returns on investments.</p> <p>The investment strategy approach is to split the investment portfolio between 70% growth and 30% defensive components.</p> |
| Measuring performance annually & out to 2021-2022 | <ul style="list-style-type: none"> • Investment returns of CPI plus 5% growth on average over a 5 year rolling period. |

CAPABILITY

The Trust has to remain self-sustaining to achieve its purpose, which is through a sound investment strategy and good financial management of its assets. It is envisaged that there will be little change to its operating environment over the period of this Plan.

The Board and Audit Committee comprise Army members and Defence APS who receive no remuneration. The Board will maintain continuous oversight of current and future capability, to maximise utility to Army. Additionally, the Board will monitor operational workload and resources to ensure efficiency is not compromised.

The Secretariat will continue to be supported by Defence; APS staff, office accommodation and ICT services.

The Trust will continue to use external providers for the website, investment services and property management.

RISK OVERSIGHT AND MANAGEMENT

Risk Appetite. The AAF Company faces a broad range of risks reflecting its responsibilities as the Trustee of the Army Amenities Fund and the Messes Trust Fund. These risks include the responsibility of being self-sustaining and performing day to day operational activities to achieve its purpose. The Company has a low to middle appetite for operational risk and makes resources available to mitigate risk to acceptable levels.

The following are the responsibilities for the Board of Directors, the Secretariat and the Audit Committee in relation to risk oversight and management of the Company:

Directors. The Board of directors will be responsible for:

- a. ensuring appropriate risk management processes are applied; and
- b. to approve the Risk Management Plan and Risk Register.

Audit Committee. The Audit Committee will be responsible for:

- a. overseeing the financial reporting and disclosure process,
- b. monitoring choice of accounting policies and principles; and
- c. carrying out regular internal reviews of financial management and business operations to ensure compliance with risk management and fraud related issues.

Company Secretary. The Secretary of the Company will be responsible for:

- a. developing a Risk Management and Fraud Control Plan,
- b. assessing identified risks and developing strategies to manage those risks as they are identified,
- c. ensuring that risks given a “H”¹ or higher grading are closely monitored,
- d. maintaining the Risk Register; and
- e. the Security Incident Register.

Note 1: “H” means “High”. It refers to the risk rating grade in the AAF Company Risk Management and Fraud Control Plan 2018-19.