



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

**CORPORATE PLAN**  
**2017-2018**

R30608964

**STATEMENT OF PREPARATION**

We, as the Accountable Authority of the AAF Company, present the Corporate Plan of the entity as required under paragraph 35(1)(a) of the *Public Governance, Performance and Accountability Act 2013* and the AAF Company Constitution. The Plan is prepared in accordance with Section 16E and 27A of the Public Governance, Performance and Accountability Rule 2014,

**This Plan is prepared for the 2017-2018**

**The Plan covers the period to 2020-2021**

The Plan is accepted in accordance with a Resolution by the Accountable Authority (Board of Directors).

**LS WILTON**  
Chair  
AAF Company

16 July 2017

**GE WARNER**  
Chair  
Audit Committee

17 July 2017

## **PURPOSE**

To provide amenity and related service 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.

- **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 Company owned holiday properties.
- **financial investment** - conduct sound financial investment strategies that ensures sufficient capital is available to meet the operational goals and the Company remains self sustaining.

## **ENVIRONMENT**

Through the supply of holiday facilities the Company operates within the hospitality environment. 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 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 value.
- 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), PGPA Act 2013, Australian Charities and Not for Profits Act) and the AAF Company Constitution.

**Technological factors:**

- The Secretariat uses Department of Defence office facilities and ICT.
- A Company owned laptop is used for MYOB financial management.
- Web site technical support and hosting is outsourced to Cornerstone Digital.

## **PERFORMANCE**

### **AMENITIES LOANS AND GRANTS**

<b>Activity 1</b>	<b>Provide financial assistance through a loan or grant to fund unit amenity initiatives not normally provided at Departmental level.</b>
<b>Intended Result</b>	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.
<b>Delivery strategy</b>	<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 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>
<b>Measuring performance annual &amp; out to 2019-20</b>	<ul style="list-style-type: none"> <li>• Financial assistance is within annual available funds and was distributed in accordance with the agreed criteria.</li> <li>• Increased number of grants from 2016-17.</li> </ul>

## HOLIDAY FACILITIES

<b>Activity 2</b>	<b>Provide below market price quality accommodation for Army members and eligible persons through Company owned holiday properties.</b>
<b>Intended Result</b>	The portfolio of sustainable well maintained holiday accommodation met the purpose of providing amenities primarily used by current and former Army members.
<b>Delivery strategy</b>	<p>Advertise and promote Company 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>Annually organise property valuations and ensure insurance coverage is current.</p>
<b>Measuring performance annual &amp; out to 2019-20</b>	<ul style="list-style-type: none"> <li>• Holiday facilities asset valuations reflect a sound property investment profile.</li> <li>• Tariff rates meet the &lt;75% commercial rate.</li> <li>• Overall property portfolio achieves an annual cash break even or better outcome.</li> <li>• Annual target occupancy levels are achieved. <ul style="list-style-type: none"> <li>○ Coogee – 65%</li> <li>○ Docklands – 80%</li> <li>○ Goolwa – 60%</li> </ul> </li> <li>• Army members maintain the highest occupancy level.</li> </ul>

## FINANCIAL INVESTMENT

<b>Activity 3</b>	<b>Conduct sound financial investment strategies that ensures sufficient capital is available to meet the operational goals and the Company remains self sustaining.</b>
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<b>Intended Result</b>	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.
<b>Delivery strategy</b>	<p>The Board to utilise independent financial service for 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>Investment strategy is to split the investment between;</p> <ul style="list-style-type: none"> <li>• <b>'Administrative'</b> component of investment portfolio will aim to generate sufficient income to fund loans and grants and 'normal' operations. Sufficient income is defined as a return on liquid assets of a minimum of CPI + 2%</li> <li>• <b>'Growth'</b> component reflects positive growth and invested at the direction of the Board. Income to be utilised as required for funding strategic decisions. <ul style="list-style-type: none"> <li>• Growth/Defensive ratio of 70:30 to apply as benchmark</li> <li>• Growth portfolio return to be measured annually and over 5 year rolling period</li> <li>• Manager to achieve a rate of return of CPI+5%</li> </ul> </li> </ul>
<b>Measuring performance annual &amp; out to 2019-20</b>	<ul style="list-style-type: none"> <li>• Investment returns of; Administrative CPI+2% and Growth CPI+5% have been achieved this period or if not over a 5 year rolling period.</li> </ul>

## **CAPABILITY**

The AAF Company 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 of Army members and Defence APS who receive no remuneration. The Board will maintain a continuous business oversight of current and future capability, to maximise its 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 Company will continue to use external providers for; the website, investment services and property management. MYOB will continue to be used for finance management and reporting.

## **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 those resulting from its 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 of the Accountable Authority, the Secretariat and Audit Committee in relation to risk oversight and management of the Company:

**Accountable Authority.** Ultimate responsibility for ensuring appropriate risk management processes are applied rests with the Board of Directors. The Board of Directors are to review and approve the risk management plan and risk register.

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

- a. Development and implementation of a Risk Management and Fraud Control Plan;
- b. Assessment of identified risks and developing strategies to manage those risks, as they are identified;
- c. Ensuring that risks given an H or higher grading are closely monitored;
- d. Maintenance of the Risk Register; and
- e. Maintenance of the Security Incident register.

**Audit Committee.** The Audit Committee will be responsible for:

- a. Reviewing the Risk Management and Fraud Control Plan prior to the Board of Directors for approval.
- b. Carrying out regular internal reviews of financial management and business operations to ensure compliance with risk management and fraud related issues.