



AAF COMPANY

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

CORPORATE PLAN 2020–21

For the reporting period 2020–21 to 2023–24

STATEMENT OF PREPARATION

We, the Board of Directors of the AAF Company, as the Accountable Authority of the Trusts, present the AAF Company *Corporate Plan 2020–21*, which covers the period 2020–20 to 2023–24, as required under Section 95 of the *Public Governance, Performance and Accountability Act 2013*.

WB Stothart, DSC, AM, CSC
Brigadier
Chair - AAF Company

July 2020

SM Trim
Lieutenant Colonel
Chair Audit & Risk Committee

July 2020

PURPOSE

To provide amenity and related services to Australian 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 this 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 trust-owned holiday properties.
- **Financial investment**—conduct sound financial investment strategies to ensure sufficient capital is available to meet the operational goals and the Trust remains self-sustaining.

For more information visit <http://www.armyholidays.com.au>

ENVIRONMENT

The AAF 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 for Army members are appropriate to justify the expenditure.

Factors in which the Accountable Authority has full control:

- Ownership of the trust-owned property holdings with the ability to buy and sell.
- The approval criteria for amenity applications.
- The Trust's 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:

- External – the social, economic and environmental in sustainability.
- Internal – organisational changes within Army or Defence that impact on operations of the AAF Company.

PERFORMANCE

AMENITIES LOANS AND GRANTS

Activity 1	Provide financial assistance through a loan or grant to fund unit amenity initiatives not normally provided at Departmental level.
Intended result	Financially support 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 amount 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 and out to 2023–2024	<p>Financial assistance is within annual funding allocation. It was distributed in accordance with the agreed criteria.</p> <p>Annual budget has been reviewed for forward years.</p>

HOLIDAY FACILITIES

Activity 2	Provide quality accommodation at below market rates 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>Promote the holiday accommodation within Defence and through the website.</p> <p>Ensure properties are managed to a high standard of service.</p> <p>The Board is informed about 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 a view to possible changes to the property portfolio.</p>

	The Board to ensure strategies are meeting the needs of Army members.
Measuring performance annually and out to 2023–2024	<p>Tariff rates are less than 75 per cent of commercial rate.</p> <p>Overall property portfolio achieves a positive outcome.</p> <p>Army members maintain the highest occupancy level.</p>

FINANCIAL INVESTMENT

Activity 3	Conduct sound financial investment strategies that ensure sufficient capital is available to meet the operational goals and the Trusts remain self-sustaining.
Intended result	Investments portfolio performance has ensured the Trust’s capital will meet the operational objectives of the current and future years of the Corporate Plan and enable the entity to grow and remain relevant to the needs of Army.
Delivery strategy	<p>The Board will 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 per cent growth and 30 per cent defensive components.</p>
Measuring performance annually and out to 2023–2024	Investment returns of CPI plus 5 per cent 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 and Risk Committee comprise Army members and Defence Australian Public Service (APS) staff 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 Department of Defence through 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 AAF Company has a low to middle appetite for operational risk and makes resources available to mitigate risk to acceptable levels.

Management of Key Risks

Risk 1 - Incapacitation of key personnel

The agreed contingency is to be managed by the AAF Company staff who will outsource where applicable. It is acknowledged there will be a cost for salaries, oncost if outsourced and risk for the use of external service providers. The mitigation actions to be taken include:

- Business employs expertise on a casual or part-time basis.
- Staff training of staff.
- Implementing a business plan and to ensure business continuity.
- Audit review of all external service providers.

Risk 2 - Collapse of Financial Institutions

The agreed preventive is to be managed by the Board and Management. The mitigation actions to be taken include:

- Diversify term deposits.
- Diversify fund managements.

Risk 3 - Personnel fraud

The agreed preventative and contingency will be managed by the Board and Management. The mitigation actions to be taken include:

- All bank financial transactions require two signatories.
- Insurance cover for fraud and fidelity.
- Annual External Audit carried out by RSM Auditing and Australian National Audit Office's contractor.
- Internal audit procedures instigated by Audit and Risk Committee.
- ADO staff undertake mandatory Fraud & Integrity Awareness training.
 - Business plan delegation of Authority Policy.

- Corporation Act 2001.
- Public Governance, Performance and Accountability Act 2013.

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

The **Board of Directors** is responsible for:

- ensuring appropriate risk management processes are applied; and
- approving the Risk Management and Fraud Control Plan and Risk Register.

The **Audit and Risk Committee** is responsible for:

- overseeing the financial reporting and disclosure process; and
- carrying out regular internal reviews of financial management and business operations to ensure compliance with risk management and fraud issues.

The **Management of the Company** is responsible for:

- managing financial compliance and reporting;
- assessing identified risks and developing strategies to manage those risks; and
- maintaining the Risk Management and Fraud Control Plan and the Risk Register.