



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

CORPORATE PLAN
2016-2017

R26692194

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 2016-2017

The Plan covers the period to 2019-2020

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

LS WILTON
Chair
AAF Company

8 August 2016

GE WARNER
Chair
Audit Committee

8 August 2016

PURPOSE

The purpose of the AAF Company, as the Trustee of the Army Amenities Fund, is to provide amenity and related services to Army members and their families not normally provided at Departmental level.

The Accountable Authority 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, 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 return.
- Catastrophic building or environmental event.
- Changes within Army (policy, culture, resources) that impact on holiday accommodation bookings.
- Changes in legislation.

Administrative factors:

- The AAF Company operates within the 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 Defence office facilities and ICT environments at no cost and MYOB for financial management.
- Web site technical support and hosting is outsourced to Cornerstone Digital.

PERFORMANCE**AMENITIES LOANS AND GRANTS**

Activity 1	Provide financial assistance through a loan or grant to fund unit amenity initiatives.
Intended Result	<p>Meets the purpose of providing amenity and related services to Army Members and their families not normally provided at Departmental level through funding.</p> <p>A system of bids from Army unit commanders and associations for the provision of amenities and related services to bases, units and sporting bodies.</p>
Delivery strategy	<p>The Board will set 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>
Measuring performance annual & out to 2019-20	Support for financial assistance is within annual available funds and distributed in accordance with the criteria.

HOLIDAY FACILITIES

Activity 2	Provide below market price quality accommodation for Army members and eligible persons through Company owned holiday properties.
Intended Result	Meets the purpose of providing amenities primarily used by current and former Army members through a portfolio of sustainable well maintained holiday accommodation facilities.
Delivery strategy	<p>Advertise and promote Company holiday properties within Defence and through the Army holidays web sites.</p> <p>Ensure properties management agents are supplying a high standard service.</p> <p>The Board is kept abreast of occupancy statistics, facility matters and reviews of tariff rates (< 75% commercial rate requirement).</p> <p>Survey and evaluate suggestions from tenants for improvements to holiday facilities and customer satisfaction levels.</p> <p>Monitor shifts in economic, operational and service delivery parameters with the possible view to:-</p> <ol style="list-style-type: none"> 1. dispose of any underperforming facility, or 2. seek possible acquisition opportunities that will provide good quality, affordable holiday accommodation. <p>Annual property valuations are performed and insurance coverage is current.</p>
Measuring performance annual & out to 2019-20	<ul style="list-style-type: none"> • Provision of holiday facilities profile that meets its goal with book valuations that reflect a sound property investment profile. • Tariff rates meet the <75% commercial rate. • Overall property investment profile continues to achieve an annual cash break even or better outcome. • Annual target occupancy levels are achieved. <ul style="list-style-type: none"> ○ Coogee – 65% ○ Docklands – 80% ○ Goolwa – 60% • Army members maintain the highest occupancy level.

FINANCIAL INVESTMENT

Activity 3	Conduct sound financial investment strategies that ensures sufficient capital is available to meet the operational goals and the Company remains self sustaining.
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Intended Result	Met the purpose of sound investments that ensures the Fund has sufficient capital to meet the operational objectives of the current and future years of the Corporate Plan and to ensure the entity ‘grows’ and remains relevant to the needs of Army.
Delivery strategy	<p>The Board seeks independent financial advice for investment decisions.</p> <p>The Board will conduct regular reviews of investment opportunities, current investment strategies and interest rates paid on investments.</p> <p>Reinvestment will be in accordance with Board directions.</p> <p>The Secretariat will support the Board decisions and provide sound financial management.</p>
Measuring performance annual & out to 2019-20	<ul style="list-style-type: none"> • Financial Statements indicate achievement of operational goals and self-sustainment through sound investment. • Although the economic market changes from year to year the investment strategies aim is to:- <ol style="list-style-type: none"> 1. Invest according to balanced profile of 70% growth / 30% defensive with a tolerance of + / - 2%. 2. Aim to earn a 5% above inflation on an average 5 year return on financial investment.

CAPABILITY

The Accountable Authority has three activities that support its purpose. 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 improvement, especially in relation to workflow processes, to maximise its utility to Army. Additionally, the Board will regularly review workloads to ensure staffing levels are not being overstretched and therefore compromise efficiency.

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

The Company will continue to use external providers for; the website, investment advice 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. Acceptance of some degree of risk is often necessary to foster innovation within business practices. Nonetheless, the Company has a low to middle appetite for most types of operational risk and makes resources available to control it 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 business operations to ensure compliance with risk management and fraud related issues.