



# **RANCCB 2017/2018 CORPORATE PLAN**



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## 1. Introduction

This 2017/2018 Corporate Plan for the Royal Australian Navy Central Canteens Board trading as Navy Canteens (“Navy Canteens”) covers the period 1 July 2017 to 30 June 2021. The plan is provided to meet the obligation under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*.

## 2. Purposes

### 2.1 Vision

The vision for Navy Canteens is stated as “*benefitting the Navy family*”.

### 2.2 Mission

The mission for Navy Canteens is stated as “*to grow sustainable valued benefits for the Navy family*”.

### 2.3 Navy (Canteen) Regulation 2016

Regulation 8 of the *Navy (Canteen) Regulation 2016* outlines the functions and powers of Navy Canteens. These include making grants from of money from the Navy Fund to the Navy Relief Trust Fund (RANRTF); making grants and loans to persons conducting canteens, clubs, cinemas or other institutions or facilities for the welfare and entertainment of serving Naval members.

The mission outlined at section 2.2, to grow sustainable valued benefits for the Navy family, will be enabled by Navy Canteens growing profitability through commercial business undertakings, delivering enhanced benefits to the Navy community, and maintaining efficient and effective governance of the Navy Canteens organisation.

### 2.4 Strategy

The goals and underlying objectives of Navy Canteens are detailed below. Refer to Section 8, Strategic Risk Register, for detail in respect to individual strategic risks.

## Goal 1 – Sustainably deliver valued benefits to the Navy family

### Objectives

- Better understand what is valued by the Navy family
- Grow brand awareness ashore and at sea
- Identify new opportunities to partner and grow

### Strategic Risk

SR1 – Failure to maintain financial viability

SR6 – Failure to make or maintain distributions to Navy

SR7 – Reputational damage within Navy



## Goal 2 - Ensure a safe environment

### Objectives

- Maintain and sustain Food Safety Hazard Analysis Critical Control Points (HACCP) as routine practice
- Develop managers to deliver a healthy workplace culture
- Enhance safety trend analysis and reporting culture across the enterprise

### Strategic Risk

SR2 – Failure to maintain a safe work environment

SR3 – Failure to maintain a safe environment for customers

SR7 – Reputational damage within Navy

## Goal 3 - Ensure strong governance

### Objectives

- Unqualified accounts
- Achieve assurance of appropriate fraud management
- Develop and approve a funded ICT refresh program
- Develop an operational assurance program

### Strategic Risk

SR4 – Failure to maintain internal systems of control

SR5 – Failure to maintain stable and reliable information technology infrastructure and systems

SR6 – Failure to make or maintain distributions to Navy

SR7 – Reputational damage within Navy

## Goal 4 - Grow profitability through sustainable businesses

### Objectives

- Achieve profitability of the canteen group
- Grow Win with Navy participation to 3,600 members by end of FY 17/18
- Develop and approve an enterprise capital works program

### Strategic Risk

SR1 – Failure to maintain financial viability

SR4 – Failure to maintain internal systems of control

SR5 – Failure to maintain stable and reliable information technology infrastructure and systems

SR7 – Reputational damage within Navy



## **Goal 5 - Foster strong collaborative relationships**

### **Objectives**

- Maintain a productive relationship with the ANAO
- Finalise and implement agreement with E&IG
- Develop annual program of engagement

### **Strategic Risk**

**SR6 – Failure to make or maintain distributions to Navy**

**SR7 – Reputational damage within Navy**

In year narratives are as follow:

**FY 17/18** – Adjust the business to achieve profitability to deliver improved benefits

**FY 18/19** – Achieve a sustainable enterprise to deliver benefits

**FY 19/20** – Invest in the enterprise to deliver enhanced benefits

**FY 20/21** – Review and monitor both investment in the enterprise and delivery of enhanced benefits



### 3. Environment

#### 3.1 Stakeholders

The Honourable Dan Tehan MP, Minister for Defence Personnel, currently has portfolio responsibility for Navy Canteens.

The Chief of Navy, Vice Admiral Tim Barrett, AO, CSC, RAN continues to be the principal of Navy Canteens, under delegation from Chief Defence Force.

The Navy Canteens Board is chaired by Commodore Michael Miko, RAN who was appointed Chairperson of the Royal Australian Navy Central Canteens Board on 2 December 2016. In addition to Commodore Miko, there are six other naval personnel who are directors on the Board from 1 July 2017: Commodore Stephanie Moles RAN, Captain John Metzl RAN, Captain Guy Blackburn RAN, Commander Cassandra Ryan RAN, Lieutenant Commander Marion Donaldson RAN, and Command Warrant Officer Damien Grimley (from 8 July). In addition to these Directors, CAPT Bernard York, RAN has been appointed as the Independent chair of the Risk, Compliance and Audit Committee.

#### 3.2 Industries

The activities of Navy Canteens span a number of industries including food and beverage, holiday and tourism, promotional products, entertainment and fundraising. The activities of Navy Canteens connects the organisation to both Defence and the general public.

Business Activity	Industry	Defence	Navy Only	General Public
Canteen operations on Naval establishments	Food and beverage	✓		✓
Other services to Navy	Food and beverage		✓	
Navy merchandise	Promotional products	✓		✓
Holiday centres	Holiday and tourism	✓		✓
Win with Navy raffle	Gaming / Fundraising		✓	
Navy Ticketing	Entertainment	✓		

**Figure 1: Matrix of Navy Canteens customer groups per business activity.**

The Win with Navy raffle is administered on behalf of Navy Canteens by the Returned Services League of Australia (Queensland Branch). Participation is restricted to Navy personnel only and undertaken in compliance with relevant gaming legislation. There is a very low limit (\$10) placed on the maximum amount that individuals can commit to the raffle and all profits are redistributed back to the Navy family through the normal provision of grants and disbursements.



### **3.3 Factors in full control of the entity**

Navy Canteens is in full control of decisions to disburse grants from its funds in accordance with regulation 8(2) *Navy (Canteen) Regulation 2016*.

In consultation with the Chief of Navy, Navy Canteens determines the portfolio of businesses it operates, and is in full control of the decisions to commence, vary or cease business undertakings. Navy Canteens is also in full control of access to the services it provides. For example, the holiday centres operated by Navy Canteens are open to the general public throughout the year and Defence members receive discounts on accommodation charges. Navy Ticketing utilises industry contacts to procure its discounted product, and the service provided is restricted to Defence members.

### **3.4 Factors in partial control of the entity**

Whilst Navy Canteens controls the operation of its canteen businesses on Navy establishments, Navy Canteens management works collaboratively with local Commands and Base administrative staff to meet their specific on-base requirements.

Navy Canteens has only partial control of some aspects of the maintenance and upkeep of its facilities on Navy establishments, as this is a matter managed in collaboration with Defence Estate and Infrastructure Group (EI&G), and is subject to normal Defence resource requirements.

### **3.5 Factors beyond the control of the entity**

Navy Canteens is, from time to time, subject to factors beyond its control. Examples include:

- Changes to legislation, regulation and Defence policy; although Navy Canteens is often invited to provide comment on proposed changes.
- Security requirements on Defence establishments which impose restrictions on the normal conduct of business, such as limiting access by members of the public, contractors or suppliers.
- Changes in Defence base populations, such as changes to recruit numbers on Navy training establishments.
- Changes in the competitive public marketplace for products such as the merchandise sold online by SALT, and changes in demand in the domestic tourism market.
- Effect of disruptive technologies impacting the hospitality and tourism sectors in particular



#### 4. Performance and Capability

2017/2018

<b>Purpose</b> <i>To grow sustainable valued benefits for the Navy family</i>					
Activity	Activity	Activity	Activity	Activity	Activity
Canteen operations on Navy establishments	Other services to Navy	Navy merchandise	Holiday centres	Win with Navy raffle	Navy Ticketing
Intended Results	Intended Results	Intended Results	Intended Results	Intended Results	Intended Results
Achieve overall profit for the entire canteen group	Increased revenue from National Fleet Pricing on Coca Cola Amatil products  Increase canteen goods supply to RAN ships  Maintain revenue from vending on all bases	Increased revenue from Navy units  Increased revenue from merchandise sales in canteens	Increased revenue from greater occupancy  Increased revenue from additional investment	Increased revenue through greater participation	Increased revenue streams through commissions
Delivery Strategy	Delivery Strategy	Delivery Strategy	Delivery Strategy	Delivery Strategy	Delivery Strategy
Maintain focus on reducing Cost of Goods Sold. Monitor savings from new supply chain arrangements and POS  Maintain focus on control of labour costs  Develop a Canteen Capex Program  Monitor redevelopment activity at Establishments including HMAS Cerberus and	Increased direct communication with Navy personnel and circulation of information within Navy  Negotiation of more advantageous supplier arrangements as scale of business grows	Increased direct communication with Navy personnel and circulation of information within Navy	Increased marketing activity  Research into recreation preferences of Navy personnel  Development of long term Capex program	Increased direct communication with Navy personnel and circulation of information within Navy	Continue exploring partnering opportunities with third parties



Larrakeyah Barracks and GIDP					
Implementation of new supply chain and point of sale hardware					

**Figure 2: Matrix of Navy Canteens 2017/2018 performance and capability information.**

**2018/2019**

<b>Purpose</b> <i>To grow sustainable valued benefits for the Navy family</i>					
<b>Activity</b> Canteen operations on Navy establishments	<b>Activity</b> Other services to Navy	<b>Activity</b> Navy merchandise	<b>Activity</b> Holiday centres	<b>Activity</b> Win with Navy raffle	<b>Activity</b> Navy Ticketing
<b>Intended Results</b> Achieve overall profit for the entire canteen group	<b>Intended Results</b> Increased revenue from National Fleet Pricing on Coca Cola Amatil products Canteen goods supply to RAN ships Maintain revenue from vending on all bases	<b>Intended Results</b> Increased revenue from Navy units Increased revenue from merchandise sales in canteens Refresh merchandise range	<b>Intended Results</b> Increased revenue from greater occupancy	<b>Intended Results</b> Increased revenue through greater participation	<b>Intended Results</b> Increased revenue streams through commissions
<b>Delivery Strategy</b> Maintain focus on reducing Cost of Goods Sold Maintain focus on control of labour costs Improve canteen facilities available on Navy	<b>Delivery Strategy</b> Increased direct communication with Navy personnel and circulation of information within Navy	<b>Delivery Strategy</b> Increased direct communication with Navy personnel and circulation of information within Navy	<b>Delivery Strategy</b> Increased marketing activity	<b>Delivery Strategy</b> Increased direct communication with Navy personnel and circulation of information within Navy	<b>Delivery Strategy</b> Continue partnering with third parties



establishments					
Explore new opportunities					

**Figure 3: Matrix of Navy Canteens 2018/2019 performance and capability information.**

**2019/2020**

<b>Purpose</b> <i>To grow sustainable valued benefits for the Navy family</i>					
<b>Activity</b> Canteen operations on Navy establishments	<b>Activity</b> Other services to Navy	<b>Activity</b> Navy merchandise	<b>Activity</b> Holiday centres	<b>Activity</b> Win with Navy raffle	<b>Activity</b> Navy Ticketing
<b>Intended Results</b> Achieve overall profit for the entire canteen group	<b>Intended Results</b> Increased revenue from National Fleet Pricing on Coca Cola Amatil products Canteen goods supply to RAN ships Maintain revenue from vending on all bases	<b>Intended Results</b> Increased revenue from Navy units Increased revenue from merchandise sales in canteens Refresh merchandise range	<b>Intended Results</b> Increased revenue from greater occupancy	<b>Intended Results</b> Increased revenue through greater participation	<b>Intended Results</b> Increased revenue streams through commissions
<b>Delivery Strategy</b> Maintain focus on reducing Cost of Goods Sold Maintain focus on control of labour costs Improve canteen facilities available on Navy establishments	<b>Delivery Strategy</b> Increased direct communication with Navy personnel and circulation of information within Navy	<b>Delivery Strategy</b> Increased direct communication with Navy personnel and circulation of information within Navy	<b>Delivery Strategy</b> Increased marketing activity	<b>Delivery Strategy</b> Increased direct communication with Navy personnel and circulation of information within Navy	<b>Delivery Strategy</b> Continue partnering with third parties



Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year
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**Figure 4: Matrix of Navy Canteens 2019/2020 performance and capability information.**

**2020/2021**

<b>Purpose</b> <i>To grow sustainable valued benefits for the Navy family</i>					
Activity	Activity	Activity	Activity	Activity	Activity
Canteen operations on Navy establishments	Other services to Navy	Navy merchandise	Holiday centres	Win with Navy raffle	Navy Ticketing
Intended Results	Intended Results	Intended Results	Intended Results	Intended Results	Intended Results
Achieve overall profit for the entire canteen group	Increased revenue from National Fleet Pricing on Coca Cola Amatil products  Canteen goods supply to RAN ships  Maintain revenue from vending on all bases	Increased revenue from Navy units  Increased revenue from merchandise sales in canteens  Refresh merchandise range	Increased revenue from greater occupancy	Increased revenue through greater participation	Increased revenue streams through commissions
Delivery Strategy	Delivery Strategy	Delivery Strategy	Delivery Strategy	Delivery Strategy	Delivery Strategy
Maintain focus on reducing Cost of Goods Sold  Maintain focus on control of labour costs  Maintain canteen facilities on Navy establishments	Increased direct communication with Navy personnel and circulation of information within Navy	Increased direct communication with Navy personnel and circulation of information within Navy	Increased marketing activity	Increased direct communication with Navy personnel and circulation of information within Navy	Continue partnering with third parties



Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year	Implement any new opportunities identified from previous year
<p><b>Figure 5: Matrix of Navy Canteens 2019/2020 performance and capability information.</b></p>					



## 5. Measurement and Assessment 2017/2018 – 2020/2021

The following table contains the performance measurement by business activity for the periods covered by the plan.

Business Activity	Performance Measurement	2017/2018	2018/2019	2019/2020	2020/2021
Canteen operations on Naval establishments	Comparison of actual net profit to budgeted net profit	Within 10%	Within 10%	Within 10%	Within 10%
	Labour % (Total Labour Cost as % of Gross Revenue)	31%	29%	28%	28%
	COGS % (Total COGS as % of Gross Revenue)	48%	46%	45%	44%
	Staff retention rate (%)	74%	76%	77%	78%
	Annual Customer satisfaction survey – overall satisfaction level of satisfied or better	80%	85%	85%	85%
Other services to Navy	Number of Major Fleet Unit customers supplied	10	15	15	15
Navy merchandise	Total revenue growth (over previous year)	10%	10%	10%	10%
Holiday centres	Total revenue growth (over previous year)	3%	3%	3%	3%
	Total number of customer complaints received annually (across all holiday centres)	< 70	< 60	< 60	< 60
Win with Navy raffle	Number of Navy participants	3,600	3,900	4,200	4,300
Navy Ticketing	% Number of tickets sold to Navy	60%	65%	65%	65%
	Total number of ticket sold to Defence	11,000	12,000	13,000	14,000
	Commission from Third Party arrangements	\$5,000	\$10,000	\$15,000	\$20,000
Total Navy Grants	Inclusive of Navy Sports Council, RANRTF, Shore establishments, RANCCB grants program	\$260,000	\$310,000	\$360,000	\$410,000

**Figure 6: Table detailing the performance measurement by business activity for the period 2017 - 2021**



## 6. 2016/2017 The Year in Review

### 6.1 Performance Against Goals

Goal 1 - Ensure a safe environment 40% achieved	Actions taken during the financial year
Instil Food Safety Hazard Analysis Critical Control Points (HACCP) as routine practice.	Snap audits implemented. Implemented webinars through the Northern Sydney Institute (TAFE).
Develop managers to deliver a healthy workplace culture.	Presentations supporting goals provided to canteen management at Annual Managers Conference 10-11 Jan 17. First "Excellence in Customer Service" Medallion implemented and awarded. Ongoing training in respect to workplace behaviours including anti bullying. Culture project identified.
Deliver safety trend analysis and reporting to management and the board.	Work in progress.
Goal 2 - Ensure strong governance of Navy Canteens 50% achieved	
Define our Navy Canteens business battle rhythm / cycle.	Complete
Transition to new Navy Canteens Regulations 2016.	New Navy (Canteen) Regulation 2016 in effect
Continue to have unqualified accounts.	4 Category C findings received in 2016 ANAO audit. These have been addressed and resolved.
Achieve assurance of appropriate fraud management.	Work in Progress. Association of Certified Fraud Examiners 2016 global study on fraud provided to Board and Business Unit Managers. Ongoing dialogue via Risk Compliance and Audit Committee.
Develop and approve a funded ICT refresh program for 2017/2019.	Work in Progress. Supply chain and POS Trial at Café 1 GDP undertaken and Board subsequently approved new providers Cater Care (supply chain) and Impos (POS).
Apply a revised ABR5101 – Instructions for Service Funds.	Work in Progress. An overview of RANCCB activities/accounting will be included in the "preamble" to the new manual in due course.
Goal 3 – Grow and deliver valued benefits to the Navy_family 50% achieved	
Rationalise management of grants to increase benefit to Navy family.	Complete. Grants Committee taking a more pragmatic and disciplined approach to approval of grants. Revised grants policy approved.
Better understand what is valued by the Navy family.	Work in Progress. CEO and National Marketing Manager attendance at Navy events.
Communicate to grow brand awareness at sea and ashore.	Work in Progress. Articles in Navy Daily article and Navy News. Signals promoting specific actions (ie WVN)



<b>Goal 4 - Grow profitability through sustainable businesses</b> <b>30% achieved</b>	
Return a profit for the canteen group for FY 16/17	Not achieved. Pockets of excellence but still unacceptable losses being incurred at some locations. Annual Report will disclose a FY 16/17 loss
Identify new opportunities to partner and grow.	Work in Progress. Australian Military Bank, Cater Care, Impos, iVend.
Grow Win with Navy participation to 3,300 members by end of FY 16/17	Achieved. As at 30 June 2017 there were 3,325 total participants.
Develop and approve a board funded capital works program for 2017/2019	Not achieved. Whilst Capex budgeting forms part of the annual budgeting process a longer term Capex program has not yet been finalised.
Develop and approve a funded ICT refresh program for 2017/2019	Work in Progress. Whilst new Point of Sale System has been agreed by the Board, a broader review of RANCCB systems is still required.
Grow profitability from conduct of functions	Not achieved. Activity in the function space has been disappointing. The recruitment of a dedicated functions manager in Sydney did not deliver expected result and the position has been discontinued. Loss of sole use of the dedicated Nowra based function space has also resulted in less function business. Outside of Sydney and Nowra there is little scope for large functions with most activity being small scale catering.
<b>Goal 5 - Foster strong collaborative relationships</b> <b>95% achieved</b>	
Develop the relationship with the ANAO to improve governance	Achieved. ANAO audit team appointed and working with CFO on FY 2017 audit.
Finalise and implement agreement with E&IG to support Navy Canteens	Work in Progress. Agreement between the Commonwealth and Navy Canteens is still in draft form. Draft presently sitting with EIG.
Develop annual program of engagement with Navy command	Achieved. Shore establishment CO and XO conferences continue to be addressed by Directors along with CO/XO design courses in Canberra being presented to by CEO. Ongoing relationship building activity.
Engage with DGNPSI to incorporate Navy Canteens requirements in the Navy facilities program	Achieved. Presently engaged in respect to HMAS Cerberus and Larrakeyah Barracks redevelopments. Developed close links with DGNPSI.
<b>Figure 7: Table detailing the performance against goals for the period 2016/2017</b>	



## 6.2 Performance by Activity 2016/2017

The following table shows achievement against intended results detailed in the 2016/17 Corporate Plan.

Purpose					
<i>To grow sustainable valued benefits for the Navy family</i>					
Activity	Activity	Activity	Activity	Activity	Activity
Canteen operations on Navy establishments	Other services to Navy	Navy merchandise	Holiday centres	Win with Navy raffle	Navy Ticketing
<p><b>Intended Results</b></p> <p>Achieve overall profit for the entire canteen group</p> <p><b>Not achieved.</b> Pockets of excellence but stabilisation continues</p> <p>Rationalisation of services where necessary following profitability review of all sites</p> <p><b>Achieved.</b>  <b>Nowra Hub –</b> Flight Deck Café closed  <b>Larrakeyah Barracks –</b> Larrakeyah Café closed to public and repurposed as a production kitchen</p>	<p><b>Intended Results</b></p> <p>Increased revenue from National Fleet Pricing on Coca Cola Amatil products</p> <p><b>Achieved</b></p> <p>Canteen goods supply to RAN ships</p> <p><b>Achieved</b></p> <p>Increased revenue from additional vending on all bases</p> <p><b>Achieved.</b> Vending now transferred to Navy Canteens</p>	<p><b>Intended Results</b></p> <p>Increased revenue from merchandise sales on Navy ships.</p> <p><b>Not achieved.</b> Decrease in revenue from previous year</p> <p>Increased revenue from merchandise sales in Navy canteens</p> <p><b>Not achieved.</b> Decrease in revenue from previous year</p> <p>New merchandise range</p> <p><b>Partially achieved.</b> New range delayed in transit,</p>	<p><b>Intended Results</b></p> <p>Increased revenue from greater occupancy</p> <p><b>Achieved</b></p> <p>Increased revenue from additional investment</p> <p><b>Amblin</b>            New pool roof,            Underground piping fixed,            Continued rectifications across Park  <b>Bungalow Park</b>            New jumping pillow  <b>Forster (FHV)</b>            Continued cottage refurbishment</p>	<p><b>Intended Results</b></p> <p>Increased revenue through greater participation</p> <p><b>Achieved</b></p>	<p><b>Intended Results</b></p> <p>Increased revenue streams through commissions</p> <p><b>Not achieved.</b> Impacted by higher priority operational issues.</p>



Outpipes Precinct – creation of additional outlet		certain items in stock			
<p><b>Delivery Strategy</b></p> <p>Expansion of food offering</p> <p><b>Achieved.</b> Definite improvement but work still required. A good example is the new menu offering implemented at Both Watches at HMAS <i>Cerberus</i></p> <p>Maintain focus on reducing Cost of Goods Sold</p> <p><b>Achieved.</b> Internal audits undertaken. New supply chain and POS approved at April board meeting</p> <p>Maintain focus on control of labour costs</p> <p><b>Ongoing</b></p> <p>Develop profitable cost centres across canteen operations</p> <p><b>Ongoing</b></p>	<p><b>Delivery Strategy</b></p> <p>Increased direct communication with Navy personnel and circulation of information within Navy</p> <p><b>Ongoing.</b> CO and XO presentations plus CO/XO design course presentations. Signals sent</p> <p>Develop relationships with Fleet Units Maritime Logistics Officers</p> <p><b>Ongoing</b></p>	<p><b>Delivery Strategy</b></p> <p>Increased direct communication with Navy personnel and circulation of information within Navy</p> <p><b>Partially achieved.</b> Increased survey activity. Navy Daily and Navy News coverage</p> <p>Better display of merchandise within canteens</p> <p><b>Ongoing</b></p> <p>Address merchandise quality concerns</p> <p><b>Achieved.</b> Investigation into complaints received. Nothing significant identified</p>	<p><b>Delivery Strategy</b></p> <p>Increased marketing activity</p> <p><b>Achieved.</b> Social media targeted mostly. Review of caravan shows for effectiveness. Increased children’s activity</p> <p>Targeted facility development planning and investment</p> <p><b>Not achieved.</b> Lack of available profit to be invested outside of budgeted Capex</p>	<p><b>Delivery Strategy</b></p> <p>Increased direct communication with Navy personnel and circulation of information within Navy</p> <p><b>Achieved.</b> Greater Facebook activity. Navy News ads changed to be more vibrant and contemporary. More effective use of DPN</p> <p>Variation to prize offerings.</p> <p><b>Achieved.</b> Strategy of smaller but more prizes proven to be successful</p> <p>Refine management of Direct Debit payment process</p> <p><b>Achieved.</b> Increased activity in managing credit card failures</p>	<p><b>Delivery Strategy</b></p> <p>Continue development with third parties</p> <p><b>Not achieved.</b> Delaware North luxury resorts still outstanding. Discussions currently afoot with BIG4 Holiday Parks</p>

**Figure 8: Table of achievement against stated performance for the period 2016/2017**



### 6.3 Measurement and Assessment 2016/2017

The following table contains the performance measurement targets and achievement by business activity as detailed in the 2016/2017 Corporate Plan.

Business Activity	Performance Measurement	2016/2017
Canteen operations on Naval establishments	Comparison of actual net profit to budgeted net profit	<p>Target: Within 10%</p> <p><b>Achieved: Actual Net Profit \$(276,000)*</b></p> <p><i>(*based on draft EOFY figures presently unaudited. ANAO audit to complete in Oct17)</i></p> <p><b>Budgeted Net Profit \$530,447</b></p>
	Labour % (Total Labour Cost as % of Gross Revenue)	<p>Target: 33%</p> <p><b>Achieved:39.2%*</b></p> <p><i>(*based on draft EOFY figures presently unaudited. ANAO audit to complete in Oct17)</i></p>
	COGS % (Total COGS as % of Gross Revenue)	<p>Target: 50%</p> <p><b>Achieved: 50.486%*</b></p> <p><i>(*based on draft EOFY figures presently unaudited. ANAO audit to complete in Oct17)</i></p>
	Staff retention rate (%)	<p>Target: 72%</p> <p><b>Achieved: 56%</b></p>
	Annual Customer satisfaction survey – overall satisfaction level of satisfied or better	<p>Target: 75%</p> <p><b>Speed of coffee service 90%</b></p> <p><b>Quality of coffee bean 67%</b></p> <p><b>Taste of coffee 68%</b></p> <p><b>Quality of products overall 88.63%</b></p> <p><b>Quality of service 90%</b></p>

Other services to Navy	Number of Major Fleet Unit customers supplied	<p>Target: 5</p> <p><b>Achieved: (6) HMA Ships Melbourne, Perth, Success, Adelaide, Canberra, Choules</b></p>
Navy merchandise	Total revenue growth (over previous year)	<p>Target: 10%</p> <p><b>Achieved: 6.84%</b></p> <p><b>2016: \$638,122</b></p> <p><b>2017: \$681,785</b></p>
Holiday centres	<p>Total revenue growth (over previous year)</p> <p>Total number of customer complaints received annually</p>	<p>Target: 3%</p> <p><b>Achieved 4.69% growth.</b></p> <p>Target: 36</p> <p><b>Total number of complaints received: 83</b></p> <p><b>Breakdown as follows:</b>  <b>BIG4 Bungalow Park - 20</b>  <b>Amblin Holiday Park - 24</b>  <b>Forster Holiday Village - 39</b></p>
Win with Navy raffle	Number of Navy participants	<p>Target: 3,300</p> <p><b>Achieved: 3,325</b></p>
Navy Ticketing	<p>% Number of tickets sold to Navy</p> <p>Total number of ticket sold to Defence</p> <p>Commission from Third Party arrangements</p>	<p>Target: 55%</p> <p><b>Achieved: 59.23%</b></p> <p>Target: 15,000</p> <p><b>Achieved: 7,885</b></p> <p><b>Breakdown as follows:</b>  <b>Navy - 4,670</b>  <b>Army - 1,080</b>  <b>RAAF - 598</b>  <b>APS - 1,296</b>  <b>Contractors - 241</b></p> <p>Target: \$10,000</p> <p><b>Achieved: Nil</b></p>



Total Navy Grants	Inclusive of Navy Sports Council, RANRTF, Shore establishments, RANCCB grants program	<p>Target: \$560,000</p> <p><b>Achieved: \$388,954</b></p>
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**Figure 9: Table of achievement against stated measurement & assessment for the period 2016/2017**



## **7. Risk Oversight and Management**

### **7.1 Navy Canteens Board**

The Navy Canteens Board is actively engaged by the Senior Executive in all areas of risk management. Risk is considered at Board meetings as a normal part of the CEO and CFO reports. Daily management and oversight of the operations of Navy Canteens is delegated to the CEO with reputational and contractual risk being referred where appropriate to the Board and its Committees.

### **7.2 Risk Compliance and Audit Committee**

The Navy Canteens Board is advised by the Risk Compliance and Audit Committee which continually reviews and periodically internally audits the conduct of the Navy Canteens organisation. The Committee normally meets twice as frequently as the Board and reports directly to each Board meeting to ensure all Directors are appraised of aggregated risk in all areas. The CEO is a permanently invited member of the Committee and it is advised by the CFO.

### **7.3 Director Prerequisites**

The Navy Canteens Board constitution requires all Directors to have undertaken the Australian Institute of Company Directors Course. This course provides training and assessment in all business areas including risk oversight and management. All Directors, except the most recently appointed Director, have completed this course. Risk management is also addressed through Director diversity in the Board environment, with skill sets identified to complement Board requirements during director recruitment. The Board currently comprises four male Directors and three female Directors.

### **7.4 Audit Regime**

Navy Canteens is subject to annual audit. This audit is administered by the Australian National Audit Office (ANAO) who provide independent advice on the risk and compliance status of Navy Canteens. This advice is incorporated in the Navy Canteens Annual Report to the responsible Minister which is tabled in Parliament. Navy Canteens maintains a regime of internal audit to supplement the annual audit and entrench a culture of transparency, innovation, compliance and continuous improvement.

### **7.5 Risk Register**

Navy Canteens maintains a risk register which addresses and records key risks managed by the organisation. This is administered through the Risk, Compliance and Audit Committee with full transparency to the Board.

### **7.6 Work Health and Safety (WHS)**

The Navy Canteens Work Health and Safety Management System (WHSMS) applies to all business units, sites and offices of Navy Canteens and any other sites controlled by the organisation, along with any project involving Navy Canteens' workers.

The purpose of the WHSMS is to establish and maintain a structured approach to the management of health and safety in the workplace so that the organisation can achieve a consistently high standard of safety performance. In addition, Navy Canteens strives to meet its obligations to ensure a safe workplace for all workers by compliance to all relevant work health and safety legislation and industry



best practice. The Chairperson and CEO routinely attend the Navy Safety Board to brief the Chief of Navy on Navy Canteens WHS performance.

The Navy Canteens WHS is managed in conjunction with the following registers of the Navy Canteens WHSMS:

Type of Register	Detail	Register Title
<b>Contractor Register</b>	A current list of all major contractors and their details is maintained in the Contractor Register.	Navy Canteens Contractor Register
<b>Hazardous Tasks and WHS Risk Register</b>	Hazards and Risks are identified through consultation with all site workers, managers and supervisors and are addressed in the Hazardous Task register.	Navy Canteens Hazardous Task Register
<b>Training Registers</b>	A list of all current training and qualifications held by workers are detailed in these registers. These registers also document various induction training and other training held with all stakeholders.	Navy Canteens Training Registers (compiled for each operation)
<b>Hazardous Goods Register</b>	A list of hazardous substances that exist in the work place are listed in this register. A copy of the Safety Data Sheets (SDS) are forwarded to the person responsible for First Aid.	Navy Canteens Hazardous Goods Register
<b>Electrical Equipment Register</b>	This register lists the electrical equipment that is brought on site and ensures that the use of electrical wiring, equipment, portable tools and extension leads is in accordance with applicable codes and standards including AS3012, Electrical Installations – Construction and Demolition Sites and AS3000, Wiring Rules.	Navy Canteens Electrical Equipment Register
<b>Injury and Incident Register</b>	All injuries and incidents are listed in this register. All injuries are reported to the HR Manager and CEO. A summary is presented to the Board at each meeting.	Navy Canteens Injury and Incident Register
<b>Plant and Equipment Register</b>	Regular inspections and maintenance of all plant and equipment is maintained in accordance with the relevant standard and manufacturer’s recommendations.  The inspection and maintenance history of each item is documented in this register.	Navy Canteens Plant and Equipment Register
<b>Asbestos Register</b>	This register contains the required information regarding identified Asbestos in Navy Canteens workplaces.	Navy Canteens Asbestos Register

**Figure 10: Table of registers**



## 8. Strategic Risk Register

Strategic Risk Key			
Low	Medium	High	Extreme

Legend	Owner	Legend	Owner
RCA	Risk Compliance and Audit Committee	CEO	Chief Executive Officer
NOM	National Operations Manager	CFO	Chief Financial Officer
NHM	National HR Manager	ANAO	Australian National Audit Office
BM	Business Unit Managers	Audit	Internal audit

Strategic Risk 1 - Failure to maintain financial viability			SR1
Target Risk: Medium	Inherent Risk: High	Residual Risk: Medium	
Champion(s): Board and CEO			
<b>Risk Description:</b> <ul style="list-style-type: none"> <li>Fail to maintain financial viability</li> </ul>			
<b>Failure could look like:</b> <ul style="list-style-type: none"> <li>Unplanned deficits / erosion of surplus</li> <li>Degradation of service delivery</li> <li>Reduction in grants to Navy family</li> <li>Degradation of asset quality</li> </ul>			
Controls and Ownership			
<b>Controls:</b> <ul style="list-style-type: none"> <li>Integrated planning and budgeting</li> <li>Monthly management accounts reviewed by Board</li> <li>Asset management practices</li> <li>Identify additional cost savings</li> <li>Rigorous, contestable budgeting process</li> </ul>		<b>Owner(s):</b> Executive CFO, Board Executive CEO, NOM RCA, CFO, CEO	



Strategic Risk 2 - Failure to maintain a safe work environment		SR2
Target Risk: Low	Inherent Risk: Extreme	Residual Risk: Low
Champion(s): Board and Executive		
<b>Risk Description:</b> <ul style="list-style-type: none"> <li>Fail to maintain a safe work environment – workplace health and safety arrangements are inadequate</li> </ul>		
<b>Failure could look like:</b> <ul style="list-style-type: none"> <li>Death or serious harm to an employee and contractors</li> <li>Increase in WHS incidents or near misses</li> <li>Prosecution of directors / senior executives</li> <li>Reputational damage</li> <li>Employee turnover or poor recruitment</li> </ul>		
Controls and Ownership		
<b>Controls:</b> <ul style="list-style-type: none"> <li>Governance, compliance, assurance and reporting framework (including WHS audit program)</li> <li>Quarterly Reporting to CN and Navy Safety Board</li> <li>Monthly trend analysis of injuries, incidents, hazards and near misses</li> <li>Monthly management WHS teleconference meetings</li> <li>Executive commitment to WHS demonstrated</li> <li>Inductions</li> <li>Reviews of WHS Reporting by RCA and Board</li> </ul>		<b>Owner(s):</b> Executive  Chairperson, CEO CEO, NHM  CEO, NHM CEO, NHM, NOM, BM BM, NOM, NHM RCA, Board



Strategic Risk 3 - Failure to maintain a safe environment for customers			SR3
Target Risk: Low	Inherent Risk: Extreme	Residual Risk: Low	
Champion(s): Board and Executive			
<b>Risk Description:</b> <ul style="list-style-type: none"> <li>Fail to maintain a safe environment for customers</li> </ul>			
<b>Failure could look like:</b> <ul style="list-style-type: none"> <li>Death or serious harm to a customer (i.e. food poisoning or physical injury)</li> <li>Increase in WHS incidents or near misses</li> <li>Prosecution of directors / senior executives</li> <li>Reputational damage</li> <li>Loss of customers</li> </ul>			
Controls and Ownership			
<b>Controls:</b> <ul style="list-style-type: none"> <li>Governance, compliance, assurance and reporting framework (including audit)</li> <li>Monthly management WHS teleconference meetings</li> <li>Executive commitment to WHS demonstrated</li> <li>Monthly trend analysis of injuries, incidents, hazards and near misses</li> <li>Quarterly Reporting to CN and Navy Safety Board Inductions</li> <li>WHS trend reviews by RCA Committee</li> <li>HACCP</li> <li>Arborist activity/program</li> <li>Electrical tagging</li> <li>Compliance with local council regulations and building codes</li> </ul>		<b>Owner(s):</b> <p>Executive</p> <p>CEO, NHM, BM</p> <p>CEO, NHM, NOM, BM</p> <p>CEO, NHM</p> <p>Chairperson, CEO</p> <p>RCA</p> <p>BM, NOM, NHM</p> <p>BM</p> <p>BM</p> <p>BM</p>	



**Strategic Risk 4 - Failure to maintain internal systems of control**

**SR4**

**Target Risk:** Low

**Inherent Risk:** High

**Residual Risk:** Low

**Champion(s):** CFO

**Risk Description:**

- Fail to maintain internal systems of control

**Failure could look like:**

- Systems are compromised
- Data is lost, stolen or corrupted
- Increasing severity and frequency of incidences of non compliance
- Reportable breaches of compliance
- Loss of confidence in systems
- Reputational damage
- Reducing profitability

**Controls and Ownership**

**Controls:**

- Board governance
- Governance, compliance, assurance and reporting framework (including external and internal audit)
- Systems of risk oversight and management
- Documented procedures, processes and user manuals
- Annual ANAO Audit
- Internal Audit Program
- Whistleblower scheme

**Owner(s):**

Board  
 Board, RCA, Executive  
  
 CFO  
 CFO, NOM  
 ANAO, CFO, RCA  
 RCA  
 Employees



**Strategic Risk 5 - Failure to maintain stable and reliable information technology infrastructure and systems**

**SR5**

**Target Risk:** Low

**Inherent Risk:** High

**Residual Risk:** Low

**Champion(s):** CFO

**Risk Description:**

- Fail to maintain stable and reliable information technology infrastructure and systems

**Failure could look like:**

- Loss of revenue
- Loss of critical systems at key times, impacting operations
- Loss of data
- Loss of productivity (from systems downtime)
- Loss of confidence in systems
- Reputational damage
- Qualification of Audit Opinion

**Controls and Ownership**

**Controls:**

- Business continuity plans
- Crisis management plan
- Contract with reputable and capable IT provider
- Approved and funded ICT refresh program for 2017/19

**Owner(s):**

Executive, NOM, BM  
Executive  
Executive  
CEO, Board



**Strategic Risk 6 - Failure to make or maintain distributions to Navy**

**SR6**

**Target Risk:** Low

**Inherent Risk:** Medium

**Residual Risk:** Low

**Champion(s):** Board

**Risk Description:**

- Fail to disburse any funds to Navy other than the Relief Trust Fund

**Failure could look like:**

- No grants paid to Navy
- No funds provided to Navy Sports Council
- No distributions paid to shore establishments
- Depletion of cash reserves

**Controls and Ownership**

**Controls:**

- Accurate budget planning process incorporating provision for grants
- Robust grant management process
- Review by the board of monthly management financial reporting and performance
- Open communication with Navy Sports Council and other Navy stakeholders
- Cash flow forecasting

**Owner(s):**

Executive, Board  
 Grants Committee  
 Board  
 Chairperson, Chair Grants Committee  
 CFO



Strategic Risk 7 - Reputational Damage within Navy			SR7
<b>Target Risk:</b> Low	<b>Inherent Risk:</b> Extreme	<b>Residual Risk:</b> Low	
<b>Champion(s):</b> Board and CEO			
<b>Risk Description:</b>			
<ul style="list-style-type: none"> <li>• Damage to the Navy Canteens brand within Navy such that it makes it commercially unviable to operate canteens on Navy bases or authority to operate on bases is removed</li> </ul>			
<b>Failure could look like:</b>			
<ul style="list-style-type: none"> <li>• Food poisoning outbreaks</li> <li>• Inappropriate personal conduct by directors and/ or employees</li> <li>• Gross negligence resulting in physical injury</li> <li>• Corrupt behaviour and or practices</li> <li>• Insolvent trading</li> <li>• Environmental damage</li> </ul>			
Controls and Ownership			
<b>Controls:</b>		<b>Owner(s):</b>	
<ul style="list-style-type: none"> <li>• Regular communication with Navy Commands</li> <li>• Training of staff in WHS, fraud awareness, management, leadership and Equity and Diversity</li> <li>• Executive and WHS inspections</li> <li>• Board site visits and engagement with Command</li> <li>• HACCP compliance</li> <li>• Adherence to Navy Canteens policies</li> <li>• External and Internal Audit program</li> <li>• Recruitment and police checks</li> <li>• Whistleblowing</li> <li>• Consideration of environmental impact of actions by frontline management</li> <li>• Discussion of any environmental concerns or issues at management teleconferences (i.e. Canteen teleconference, WHS teleconference)</li> <li>• Site inspections</li> </ul>		CEO, NOM  CEO, NHM, BM  CEO, NOM Chairperson, Board NOM CEO, BM RCA NHM, BM Employees NOM, CEO  NOM, CEO  NOM, CEO	

[END]