



FINANCIAL RESILIENCE LEVY

Explanatory overview

In the midst of a global pandemic, Basketball Hawthorn was faced with an instant shutdown of play, resulting in no revenue, essentially for the remainder of the year. It was a situation that was both unforeseen and unenviable; its ending constantly unknown.

Our predicament was compounded by the fact that, historically, we have low cash reserves. Our financial strength is that every season we play thousands of games - in effect we have strong annuity revenues every year. But this annuity revenue, this financial strength, was removed this year in a single moment.

The loss of our ongoing revenue stream then crystallised a historic debt position. There was little solace for any in our community that this historic issue was already under investigation. It was clear that the debt would require significant intervention to redress.

The good news is that we now have a plan that has been endorsed and agreed to by our major stakeholders that will enable us to bounce back to financial stability over the coming years. We have developed a Financial Resilience Plan that will see some changes to set us up for a more buoyant, resilient and successful future.

We have recognised that we need to change the way we govern and operate to achieve a better outcome for our members. So the Board has initiated a plan to reset the financial practices, reporting protocols, budget allocations, governance framework and audit processes of the Association to deliver a refreshed, robust and more accountable financial model.

What created the historic debt position?

Our Audit and Risk Committee (ARC) undertook a restatement of accounts over the past six years. Over those last six years BH has changed and grown, both in number of players and in our aspiration for best practice. Normally, costs incurred in a season would be paid for from revenues from the same season. The research by the ARC found that BH had financed the last season's costs from the coming seasons' revenues. This is a little like an overdraft borrowing from the future season to pay costs from the current. By the time COVID-19 hit, the debt position was around \$500k, and with no income, this debt position crystallised.

How will we redress it?

The BH Board is committed to:

- At all times holding true to our Strategic Plan 2017-2020 and the Constitution (to act in the best interests of all stakeholders)
- Introducing a Financial Resilience Plan capable of achieving zero debt for the Association within 4 years, with 3 years as a stretch target
- Scaling back and tightening our belts without completely cutting our programs and competitions so we remain positioned for strong rebound once we are out of debt
- Maintaining a consolidated revenue model; wherein revenue and expenditure are independently identifiable, but each segment does not need to be self-funding
- Looking at all aspects of administration to simplify operations and to reduce costs
- Guaranteeing debt-related revenue raising initiatives will not outweigh cost-cutting measures across the period
- Acknowledging that some operational changes will be required at all levels and by all stakeholders to reflect reduced administration / resourcing capacity
- Minimizing and sharing the impact across our playing community
- Giving timely notice of any changes that will impact any specific group or segment
- Committing to working more closely with our Domestic Club Delegates

Major changes for 2021 and beyond

- A new registration system, PlayHQ, enabling introduction of a resilience levy (equivalent to \$1.00 per player per game; discounted on volume to \$0.50c per player per game for Junior Domestic players)
- Efficiencies in grading processes, time & resources
- A new venues management plan, delivering consistency in invoicing and payments
- A new referee payment system
- A creditor payment plan to ensure highest priority creditors are repaid in a timely manner, utilizing a government-backed bank loan
- Appointment of a new auditor

In short, the plan is thorough, workable and equitable. It will deliver stability through change and it will deliver a debt-free Association within 3-4 years.