

EVERGREEN LIFESTYLE VILLAGE – BROADACRES
BUDGET FY2023

HIGH LEVEL ASSUMPTIONS / METHODOLOGY

1) **BUDGET OBJECTIVES**

- Balanced budgets
- Market related levies
- Reasonable services
- Village comparability
- Labour vs Technology

2) **HIGH LEVEL BUDGET CHANGES**

- Levy cycle period change
- No immediate levy increases
- Split expenses in two categories – Included and Excluded from LRA
- LRA cost inclusion implementation
- LRA cost recovery implementation
- Evergreen Property Investments (EPI) consolidation of contributions
- Operating surpluses to be ring-fenced
- Levy standardization

2.1) **Levy cycle period change**

Cycle change from current 1 September to 31 August period, to fall in line with financial year of 1 March to 28 February.
This represents an LRA change.

2.2) **No levy increase FY23**

Proposal to only increase levies 1 March 2023, - a 18-month relief for residents. This relief will assist with implementation of other changes proposed in the budget.

2.3) **LRA cost inclusion**

Head Office costs recovery methodology

ELV Head Office costs are to be recovered from residents as per the LRA. It is acknowledged that the current head office structure is set-up to manage a larger number of units than the current units. Therefore, the head office costs have been allocated using a 2000 units base and then apportioned to each village based on the actual current unit numbers. The calculated recovery, at R300 per unit per month, represents an under-recovery of approximately 50%, which are funded by Evergreen Property Investments (EPI). This will further reduce as more units are built and added to the greater Evergreen business.

Insurance costs recovery methodology

Building and public liability insurance costs are to be recovered from residents as per the LRA. Annually we meet with the insurance broker to determine the estimated property replacement value, on which the insurance premium is based.

2.4) **LRA cost recovery**

Healthcare and Catering services fall outside of the 'Facilities and Services' as agreed upon in the LRA. Historically these services have been erroneously allocated to the operational expenses. As a corrective action these costs will now be charged to residents on a per home basis.

2.5) **Evergreen Property Investments (EPI) consolidation of contributions**

Evergreen Property Investments (EPI) contribution consolidated to Operations Loss Recovery. The focus remains to run the Village on a profitable basis.

2.6) **Operating Surplus to be ring-fenced in "the Village"**

As it is our intention to bring this Village from a loss-making entity in to a breakeven entity. From time-to-time villages will make a profit in a financial year. As the revenue is generated from resident levies any and all profits will remain "in the village" where discussions between Rescom and Management will determine how these funds will be disbursed. Some of these ideas may include;

- Capital Enhancements to the Village
- Introduction of new technologies (Security, renewable energy)
- Rebate on levies

2.7) **Levy standardization**

Calculation of theoretical levy

Revenue consists of fixed income (resident levies) - limited to the number of units per Village. Operating costs should therefore be managed at levels below the fixed income mark. A theoretical levy calculation assisted to determine these levels. These newly determined levies form the base of all new LRA's signed effective 1 March 2022.

Treatment of the additional person levy

As part of the calculation of the theoretical levy, we extrapolated the second person levy for the total levy income and we are now showing this separate. The principle applied is that all levies quoted are for single occupancy (basic levy) and a second person levy (additional person levy) will be charged over and above

3) **MID-YEAR FORECAST**

Actual implementation dates of above might vary from Budget assumption implementation date, thus an updated mid-year forecast will be prepared.