



A Note from your Rescom



BROADACRES VILLAGE RESIDENTS COMMITTEE

COMMUNIQUE ON BUDGET FY 2023

24 May 2022

Dear Resident,

BUDGET FY 2023

Further to my Communique 04/2022 of 23 May 2022, you are invited to attend a meeting with ResCom to discuss the way forward. The attached document, includes high level summaries of the outcomes of engagements on the Budget for FY 2023 and an outline of issues, which ResCom believes should form the basis of negotiation with Management on the issues raised at the last meeting on the same topic.

Time: 09h00 to 11h00

Location: Lifestyle Centre

Please confirm your attendance with me at laurain@iafrica.com

*Laurraine Lotter
ResCom chairman.*

FEEDBACK ON ENGAGEMENT WITH MANAGEMENT ON BUDGET PROPOSALS FOR FY 2023

INTRODUCTION

The Village Manager circulated the budget proposals to all residents inviting input. Input was collated by ResCom and sent to Management. Responses to questions raised were circulated and three meetings with residents were convened. From the questions raised and input made in the meetings a clear picture of residents' views on the proposals has emerged. ResCom representatives engaged with Garry Reed, Managing Director of ELV at a ManCom meeting. This document is intended to provide feedback on the outcome of that meeting and a subsequent meeting of ResCom.

Summary of original, management budget proposals

The original proposal is presented in summary here as the starting point for the discussion.

- Need to operate the Village on a breakeven basis
- Desire to change the levy cycle of 1 September contained in Life Right Agreements (LRA) to 1 March to coincide with the financial year of the Village
- The additional person levy currently included in the basic levy to be reflected separately in levy statements on a cost neutral basis
- Addition of a health care and catering levy of R250 each per unit to the basic levy.
- Additional levies to be introduced on 1 July 2022.
- No increase in the basic levy until 1 March 2023
- Each resident to sign an addendum to his/her LRA in respect of the change of date.
- Inclusion of head office and insurance costs in the basic levy.
- Potential savings in operational costs limited to health care and catering levies.

The presentation by the Village Manager addressed a number of the questions raised and on the basis of the original process included a voting process, particularly on the catering and health care levy for which options were presented.

High level summary of response by residents

The response by residents can generally be categorized as generating a high level of concern and even distress on the following basis.

- Unaffordability of the proposals
- Lack of certainty on the level of service to be offered for health care and catering
- Historically overall lack of engagement on the level of service which forms the basis of the current levy
- General absence of understanding of the claim by management that the health care and catering levy were not included in the levy currently being paid as the package marketed to prospective purchasers included these services.
- Concern that poor business decisions on the part of management which have resulted in the ongoing deficit are laid at the door of the residents.
- Unfairness of the imposition of a per unit charge for health and catering levy which are both individual user based services.

- Potential savings must be found in management costs recognising that these cost are as high as they are as a result of a level of service which is considered excessive e.g. 24.7 operation of Lifestyle Centre.

There was general agreement on the following:

- General agreement (not consensus) that the change in the levy cycle date to coincide with the financial year was practical and could be supported.
- General agreement that the Village must be operated on a breakeven basis.
- Consideration must be given to differentiating between single and dual occupancy in respect of the health care and catering levies.

RESPONSE OF MANAGEMENT TO VIEWS OF RESIDENTS

It was accepted that no change could be made to the LRA by resolution but only, by signature of both parties to the agreement, namely the resident and EPI.

The following addendums to LRAs will be presented to individual residents for signature:

- Change of date of levy cycle
- Additional person levy to be reflected separately on levy statement on a cost neutral basis with effect from 1 March 2023.
- Health care levy
- Catering levy

In general Management has taken note of the views of residents and is willing to negotiate a change to the original approach on the following package basis:

- Change of date of levy cycle
- Additional person levy to be reflected separately on levy statement on a cost neutral basis with effect from 1 March 2023.
- Proposals for catering and health care levy proposals to be implemented with effect from 1 March 2023 and to be phased in over 2-3 years in a manner to be agreed with residents.
- Imposition of health care and catering levies to be on a unit and not individual basis to be discussed further.
- Level of service and cost of health care and catering levies to be negotiated with residents.
- Additional health care levy refers only to clinical services and is completely separate from the emergency response.
- Residents to be engaged on overall management costs with a view to achieving cost savings in management costs and a consequential reduction in the basic levy.

PROPOSED FURTHER RESPONSE TO MANAGEMENT ON REVISED PROPOSAL

OUTLINE OF RESPONSE

- Response based on understanding that residents will be requested to sign amendments to their LRA, which address the issues set out below and that acceptance is at the discretion of the individual resident.
- Recognition that this response is based on in principle agreement that Village operations should be run on a breakeven basis and that the burden of cost will be spread over all units.

- Developer must continue to pay levies and property rates on unsold units and this payment to be reflected in the budget as income on a monthly as was the case historically
- Change of date of levy cycle to coincide with the financial year is accepted on the condition that any increase in the levy must be subject to overall approval by residents of the budget on which the levy is based, well in advance of the start of the financial year.
- Reflection of the additional person levy on levy statement on a cost neutral basis with effect from 1 March 2023 is accepted provided that any increase of this amount is on the same basis as the basic levy.
- Proposals for catering and health care levies to be implemented with effect from 1 March 2023 and to be phased in over 2-3 years in a manner to be agreed with residents, on the understanding that the imposition of these levies are subject to signature by residents of the relevant amendment to their LRA
- Imposition of health care and catering levies to be considered on the basis of a person rather than a unit
- Level of service and cost of health care and catering levies to be negotiated with residents.
- In respect of the health care confirmation that the additional health care levy refers only to clinical services and is completely separate from the emergency response, which is included in the basic levy.
- Residents to be engaged on overall management cost (with a view to achieving cost savings in management costs) and a consequential reduction in the basic levy.
- Basis of the application of CPI to any increase (s) must be clearly set out in the LRA and must be based on the CPI figure published by Statistics SA for January of the new financial year.
- Operating surplus to be ringfenced for use by the Village