
REPORT ON THE PROPOSED FINANCIAL BUDGET FOR 2018/2019

1. SUMMARY (Please see accompanying Schedules)

1.1 GENERAL

In order to make a proper assessment of the proposed budget for April 2018 to March 2019, the analysis shows the current year March 2018 budget and the forecast results for March 2018. The March 2017 audited results are also shown for comparative purposes.

It is proposed to increase the Capital Maintenance Levies from R210 to R310 per month to be able to fund necessary Capital Maintenance (as per the accompanying schedule). The Capital Development Levy of R350 will then fall away as promised to members.

The new Waste Management levy of R25,25 will be introduced should the City of Tshwane enforce the levy.

The increase in the proposed Monthly levy is 13,5% including the R100 Capital Maintenance and the R25,25 Tshwane waste management. Without these the levy increases from R1 490 to R1 595 per month, being a 7% increase.

2. HOA/ESTATE

The increase of the current year budget (2018) to the next year budget (2019) shows an increase in expenses of 5,8% being well within the inflation rate. The 2019 budget for Security increase by 7,1% due to the increase in the Service Level Agreement and the upgrade of the Visitors Management System.

3. GOLF COURSE

The net deficit budgeted for 2019 of R911k exceeds the net deficit budgeted of R160k in 2018. This is mainly due to an increase in expenditure of 7,9% but only 2,3% in income. The main reason being no increase in membership fees, only members. However, green fees are to be increased.

However, the budget net deficit for 2019 is better than the forecasted net deficit of R1,204m for 2018 and the R1,348m actual deficit of 2017.

The tough economic and competitive operating conditions in the golf market is obviously also adversely impacting Silver Lakes. For this reason, we believe that we have taken a conservative view of membership numbers but have also offset this partly by including the turnover rental generated directly by the golf operation in supporting the clubhouse food and beverage operations, as in the previous financial year. Further marketing will also be focussed on group golf days and corporate memberships. The increase in the Payroll budget includes a new position for a Marketing Manager.

The 2019 budget also provides for a 66% increase in sponsorship revenue and the focus will be on generating income from complementary sources other than membership income. The layout and display areas of the pro shop has been upgraded and coupled with a much more focused sales and marketing effort, therefore an increase in revenue is expected.

4. CLUBHOUSE

The 2019 budgeted net operating deficit of R713k is derived from all outsourced operations being fully implemented with no income derived from the penalties levied against the outsourced operator. Additionally the whole marketing budget (R560k) is allocated to this cost centre opposed to the split allocation in previous years. This allows for a more concentrated focus and control on the marketing effort and concomitant returns. Substantial increases in the cost of electricity, water and property rates contributed to the 146, 1% increase to the budget compared to the 2017/2018 budget. These increases are not fully recoverable from the outsourced operations.

5. CAPITAL MAINTENANCE

The capital maintenance proposed for 2019 amounts to R6,1m. It is proposed to fund this expenditure by the capital maintenance levy of R310 per month per member. The capital development levy, previously R350 per month has fallen away, as agreed.

The details of the capital items are shown separately in the papers and will be discussed at the AGM. Of significance is the security upgrades of R789k, R2m for cart paths and R670k for stack folding doors at the clubhouse.

As mentioned in the previous financial year, the Contingency Fund of R500k is not budgeted for a specific item but is proposed to be used for significant unforeseen expenditures that may arise in the ensuing year. Should there be no need to utilise this Contingency Fund in 2019, it would represent a direct increase in cash and reserves.

A proposed 3-year capital plan is included and will be presented to the members at the AGM. Other than the access control upgrade, camera system upgrades, 4th tennis court and the Silver Lakes Drive wall replacement, it is unlikely that future major capital items are required in the medium term. This will provide opportunities for the Estate to generate funds for the payment of the loan capital shortfall and build up reserves for the future. This will be discussed at the AGM.