CITY PROPERTIES - DRAFT OPERATING BUDGET 2026/27

Department: Property

EXECUTIVE SUMMARY

1 This report provides an overview of the draft operating budget for the Annual Plan 2026/27 for the City Properties Group, as shown at **Attachment A**. A draft funding impact statement is shown at **Attachment B**. The following activities are provided for:

- Community Housing
- Community Property
- Holding Property
- Investment Property
- Operational Property
- Property Management
- Parking Operations

2 A schedule of proposed fees and charges for the 2026/27 year is also presented at **Attachment C**.

3 This report asks the council to adopt the draft operating budgets and fees and charges for the purpose of developing the annual plan 2026/27.

RECOMMENDATIONS

That the Council:

a) **Adopts** for the purposes of developing the Annual Plan 2026/27:

i) The draft 2026/27 operating budget for the City Properties Group as shown/amended at Attachments A and B.

ii) The draft 2026/27 fees and charges schedules for the City Properties Group as shown/amended at Attachment C.

OPERATING BUDGET

4 The 2026/27 draft operating budget is $52.464 million. This is an increase of $2.207 million (4.4%) from the 2025/26 year. The following sections explain the revenue and expenditure changes from the previous year.

Revenue

Rates

5 Rates revenue has increased from $12.821 million to $13.458 million, an increase of $637k (5.0%).

External revenue

6 External revenue has increased from $28.568 million to $29.930 million, an increase of $1.362 million (4.8%).

7 Community Housing revenue has increased from $7.940 million to $8.454 million, an increase of $514k (6.5%) based on an 8% rental increase.

8 Community property revenue has increased by $676k (90.4%) due mainly to $389k additional electricity recoveries for the Dunedin Ice Stadium and $130k rental revenue for 301 Moray Place, which was previously unbudgeted.

9 Holding property revenue has decreased by $149k (16.0%) due to reduced revenue for 1 White St and 278 King Edward St, offset by $105k additional waste levy recoveries from the Milners Road property.

10 Parking Operations has increased by $9k (0.1%). Parking occupancy has been lower than anticipated in 2025/26. This decreased occupancy has been considered in combination with an increase in parking fees.

Fair value gain

11 Fair value in investment property has decreased from $5.800 million to $2.018 million, a decrease of $3.782 million (65.2%). The fair value gain of $2.018 million has been calculated based on the current value of the portfolio, historical movements and current market indicators.

Internal revenue

12 Internal revenue has increased from $8.382 million to $8.590 million, an increase of $208k (2.5%), driven by internal rent changes across activities.

Expenditure

Personnel costs

13 Personnel costs have increased from $4.178 million to $4.186 million, an increase of $8k (0.2%), driven by a general salary increase. However, this is partially offset by a staff member transfer to the Governance and Support Services Group.

Operations and maintenance costs

14 Operations and maintenance costs have increased from $7.876 million to $8.913 million, an increase of $1.037 million (13.2%), primarily due to:

a) Two major supplier contracts; grounds maintenance and compliance services have been publicly tendered in the previous two years and cost increases have been reflected in the 2026/27 budgets. Staff have reviewed services provided under this contract to ensure spend is optimised and fits within the budget envelope.

b) The planned compliance budget has increased by $1.018 million across the portfolios, which is partly offset by a $548k decrease in the planned maintenance budget. Compliance costs relate to the work required to maintain Building Warrant of Fitness'. These costs will now be tracked separately from planned maintenance.

c) Reactive maintenance has increased by $490k (13.1%). This includes increases to public toilet maintenance ($46k) and the Municipal Chambers Exterior Heritage Restoration project ($100k). This also include an increase to the general reactive maintenance budget of $200k to accommodate increasing costs.

d) Contracted Management Services for the Wall St Mall have increased by $60k (19.7%). Mall Management Services will be publicly tendered in 2026. Property valuation and rental assessment services have increased by $35k (20.9%) to reflect the residential property valuation cycle.

Occupancy costs

15 Occupancy costs have increased from $12.366 million to $13.804 million, an increase of $1.438 million (11.6%). This is primarily due to:

a) Rates have increased by $602k (10.8%), reflecting a budgeted increase for rates.

b) Electricity and gas increased by $495k (27.8%), largely due to $369k increased electricity costs for the Dunedin Ice Stadium, which is recoverable, as noted in the External Revenue section.

c) Contract cleaning costs have increased by $127k (8.5%), reflecting an anticipated 4.2% increase in the Living Wage, as well as additional public toilet facilities.

d) Insurance costs have increased by $193k (8.1%).

e) The above increases are partially offset by rental cost reduction of $93k (65.3%) relating to Burns House.

Consumables and general costs

16 Consumables and general costs have decreased from $1.876 million to $1.792 million, a decrease of $84k (4.5%). This is primarily due to $105k of increased recoverable waste levy costs, offset partly by a $31k decrease in CCTV costs.

Grants and Subsidies costs

17 Grants and subsidies costs have decreased from $464k to $448k, a decrease of $16k (3.4%) due to community hall service agreement grants decreasing $15k.

Internal Costs

12 Internal costs have increased from $3.907 million to $3.980 million, an increase of $73k (1.9%), reflecting a CPI increase to corporate charges.

Depreciation costs

18 Depreciation has decreased from $15.068 million to $14.500 million, a decrease of $568k (3.8%). The decrease is due to asset revaluations and updated depreciation rates. A depreciation review is currently in underway, and any changes will be incorporated into the May 2026 budget update.

Interest costs

19 Interest has increased from $4.523 million to $4.841 million, an increase of $318k (7.0%). This is mainly due to increased debt resulting from the capital programme and the change in interest rate.

FEES AND CHARGES

20 Fees and charges for the City Properties Group have generally remained flat. There are some exceptions:

a) Housing charges have increased by an average of 8%, reflecting an increase in operating expenditure for community housing. Refer to the 'Community Housing rent update' section below for more information.

b) On-street, hourly parking charges in the city's Core Zone and Inner Zone have increased by just over 14% ($0.50), noting this increase compensates for the previous budget which overstated occupancy.

c) Additionally, parking charges have increased on weekdays for off-street metered car parks at Filleul Street, as well as on weekends at the car park building on Great King Street.

21 New fees relating to disruption of on-street parking for 5 days or more have been proposed.

Community housing rent

22 The draft budget 2026/27 has been based on an 8% rental increase. This results in 22% for rates revenue and 78% external revenue. This does not comply with the current Revenue and Financing Policy of 10% rates revenue and 90% external revenue.

23 To fall within the Revenue and Financing policy, an increase of 28% for external revenue (rental) would need to occur.

Signatories

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Attachments

	Title	Page
A	Draft Operating Budget 2026/2027	
B	Funding Impact Statement - City Properties	
C	Draft 2026/27 fees and charges - City Properties	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities, and promotes the social, economic, environmental and cultural well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	✓	☐	☐
Economic Development Strategy	☐	☐	✓
Environment Strategy	☐	☐	✓
Arts and Culture Strategy	✓	☐	☐
3 Waters Strategy	☐	☐	✓
Future Development Strategy	✓	☐	☐
Integrated Transport Strategy	✓	☐	☐
Parks and Recreation Strategy	✓	☐	☐
Other strategic projects/policies/plans	✓	☐	☐

The City Properties Group activities primarily contribute to the objectives and priorities of the above strategies

Māori Impact Statement

Council budgets impact broadly across all Dunedin communities, including Māori. The adoption of Te Taki Haruru – Māori Strategic Framework signals Council's commitment to mana whenua and to its obligations under the Treaty of Waitangi. Mana whenua and matāwaka will have an opportunity to engage on the Annual Plan 2026/27.

Sustainability

The Annual Plan 2026/27 is not proposing any changes to that provided for in the 9 year plan 2025-34. Major issues and implications for sustainability are discussed in the Infrastructure Strategy and financial resilience is discussed in the Financial Strategy of the current 9 year plan 2025-34.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

This report provides draft budgets for the City Properties Group for inclusion in the Annual Plan.

Financial considerations

Financial considerations are detailed in the report.

Significance

The 9 year plan 2025-34 budgets were considered significant in terms of the Council's Significance and Engagement Policy, and were consulted on. Variations to those budgets are discussed in this report. The draft budgets will be included in the Annual Plan 2026/27, and will be consulted on.

Engagement – external

There has been no external engagement in developing the draft budgets for the City Properties Group.

Engagement - internal

Staff and managers from across Council have been involved in the development of the draft budgets.

SUMMARY OF CONSIDERATIONS
Risks: Legal / Health and Safety etc. There are no identified risks.
Conflict of Interest There are no known conflicts of interest.
Community Boards Community Boards will have an opportunity to present on the draft 2026/27 Annual Plan.