

## ANNUAL PLAN BUDGET UPDATE - PROPERTY SERVICES

Department: Property

### EXECUTIVE SUMMARY

- 1 This report provides an overview of the operating expenditure (opex) budgets for the 2022/23 Annual Plan year for the Property Group. The following activities are provided for:
  - Community Housing
  - Investment Property
  - Commercial Property
  - Operational Property
  - Community Property
  - Property management and land advisory
- 2 A schedule of proposed fees and charges for the 2022/23 year is also presented at Attachment B.

### RECOMMENDATIONS

That the Council:

- a) **Approves** the draft 2022/23 operating budget for the Property Group as shown/amended at Attachment A.
- b) **Approves** the draft 2022/23 fees and charges schedules for Property as shown/amended at Attachment B.

### OPERATING BUDGETS

#### Revenue

##### *Rates*

- 3 The rates contribution for the Group has increased by \$5.1m, due to increases in depreciation and maintenance costs. These are discussed below.

##### *External Revenue*

- 4 External revenue has increased by \$59k.
- 5 The main revenue changes incorporate the following:

- a) An increase of \$376k in the Investment Property portfolio due to improved lease terms with various tenants following rent reviews.
- b) An increase of \$182k in the Community Housing portfolio in line with the 10 year plan.
- c) A decrease of \$468k in the Community Property portfolio, due to the removal of lease revenue from High Performance Sport and Dunedin Community House. There are corresponding expenditure savings in the Reserves and Recreational Facilities Group and Community and Planning Group budgets.

## **Expenditure**

### ***Personnel Costs***

- 6 Personnel costs have increased by \$103k, 2.9% reflecting salary changes and provides additional project management resources.

### ***Operations and Maintenance***

- 7 Operations and maintenance costs have increased by \$1.4m, due to additional compliance and maintenance work. Maintenance costs have also increased and allow for living wage increases.

### ***Occupancy costs***

- 8 Occupancy costs have increased by \$225k. This includes insurance and rates increase across all portfolios. These increases are partially offset by savings in energy and cleaning costs.

### ***Depreciation***

- 9 Depreciation has increased by \$3.0 million. This increase is an estimate based on the latest asset revaluation and incorporates changes to remaining useful lives of assets. The depreciation expense is still to be finalised.

### ***Interest***

- 10 Interest has increased by \$191k, reflecting the capital expenditure programme for this activity.

## **FEES AND CHARGES**

- 11 Rental fees for community housing are proposed to increase by between 3.6% - 4.2%, being between \$4 - \$8 per unit per week. This would achieve compliance with the current revenue policy - 90% of the operating cost funded from rents, and 10% from rates, before providing for any increase in depreciation. The increase in fees would take effect from 1 August 2022. Once the depreciation expense has been confirmed, staff will provide an update on compliance with the revenue policy.
- 12 No changes are proposed for Community Gallery hire fees.
- 13 Fees for encroachments on road reserves are proposed to increase by around 1.5%.

### Signatories

Author:	Anna Nilsen - Group Manager, Property Services
Authoriser:	Robert West - General Manager Corporate and Quality

### Attachments

	<b>Title</b>	<b>Page</b>
<a href="#">↓A</a>	Property draft budget for 2022/23	128
<a href="#">↓B</a>	Property draft fees and charges for 2022/23	129

## 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spatial Plan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parks and Recreation Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Property 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 Council is committed to developing ongoing relationships with Māori communities, particularly with mana whenua. Strategic projects that have significance to Māori have been identified from across the organisation and these projects will work collaboratively with the Maori Partnerships Manager to ensure beneficial outcomes for Māori are achieved.

### ***Sustainability***

The Annual Plan is not proposing any changes to that provided for in the 10 year plan. Major issues and implications for sustainability are discussed and considered in the 50 year Infrastructure Strategy and financial resilience is discussed in the Financial Strategy of the current 10 year plan 2021-31.

### ***LTP/Annual Plan / Financial Strategy /Infrastructure Strategy***

This report provides a draft budget for the Property Group for inclusion in the draft 2022/23 Annual Plan.

### ***Financial considerations***

Financial considerations are detailed in the report.

### ***Significance***

The 10 year plan 2021-31 budgets were considered significant in terms of the Council's Significance and Engagement Policy, and were consulted on. Variations to those budgets as discussed in this report are not considered significant in terms of the policy.

### ***Engagement – external***

There has been no external engagement in updating the draft budget for the Property Group.

## SUMMARY OF CONSIDERATIONS

### ***Engagement - internal***

Staff and managers from across council have been involved in the development of the draft budget.

### ***Risks: Legal / Health and Safety etc.***

There are no identified risks.

### ***Conflict of Interest***

There are no known conflicts of interest.

### ***Community Boards***

Projects identified in Community Board Plans were considered in the development of the budgets for the 10 year plan, and Community Boards were consulted at this time. Community Boards will have an opportunity to present on the draft 2022/23 Annual Plan.

Property Services Group

## Income Statement for the Year Ended 30 June 2023

Actual	Budget	Draft Budget	Inc (Dec)	Budget Inc (Dec)
2020-21	2021-22	2022-23		
\$000	\$000	\$000	\$000	%
<b>Revenue</b>				
8,091 Rates revenue	9,155	14,201	5,046	55.1%
- Rates penalties	-	-	-	-
26,074 External revenue	17,092	17,151	59	0.3%
426 Grants and subsidies operating	60	10	(50)	-83.3%
- Grants and subsidies capital	-	-	-	-
5 Development contributions	200	295	95	47.5%
- Vested assets	-	-	-	-
8,088 Internal revenue	7,659	7,804	145	1.9%
<b>42,684 Total revenue</b>	<b>34,166</b>	<b>39,461</b>	<b>5,295</b>	<b>15.5%</b>
<b>Expenditure</b>				
3,396 Personnel costs	3,522	3,625	103	2.9%
6,749 Operations & maintenance	6,945	8,387	1,442	20.8%
7,800 Occupancy costs	8,495	8,720	225	2.6%
1,198 Consumables & general	584	782	198	33.9%
154 Grants & subsidies	157	152	(5)	-3.2%
2,993 Internal charges	2,561	2,588	27	1.1%
10,401 Depreciation & amortisation	10,371	13,390	3,019	29.1%
2,766 Interest	1,331	1,522	191	14.4%
<b>35,457 Total expenditure</b>	<b>33,966</b>	<b>39,166</b>	<b>5,200</b>	<b>15.3%</b>
<b>7,227 Net surplus/(deficit)</b>	<b>200</b>	<b>295</b>	<b>95</b>	<b>47.5%</b>

**Group - Property**

	2021/22 fees	2022/23 proposed	% change
<b>Community property</b>			
<b>Community Art Gallery</b>			
Commercial Organisations (commercial venture/selling) (Minimum weekly rate or 10% greater than Gross Revenue)	\$1,100.00	\$1,100.00	0.00%
Commercial Organisations (display purposes only) (per week)	\$1,100.00	\$1,100.00	0.00%
Community Groups (non-commercial/display only) (per day)	\$23.00	\$23.00	0.00%
Community Groups (non-commercial/display only) (per week)	\$155.00	\$155.00	0.00%
Community Groups (non-commercial/sell products) (per day)	\$45.00	\$45.00	0.00%
Community Groups (non-commercial/sell products) (per week)	\$310.00	\$310.00	0.00%
<b>Housing</b>			
<b>Housing</b>			
1 Bedroom	\$178.00	\$185.00	3.90%
2 Bedroom	\$208.00	\$216.00	3.80%
Bedsit	\$118.00	\$122.00	3.40%
Double (partitioned flat)	\$165.00	\$171.00	3.60%
Double (separate flat)	\$170.00	\$176.00	3.50%
Single (partitioned flat)	\$120.00	\$125.00	4.20%
Single (separate flat)	\$125.00	\$130.00	4.00%
<b>Property management</b>			
<b>Encroachments on road reserve (per annum)</b>			
<b>Commercial Use (fee is negotiated)</b>			
New application establishment administration fee	\$64.00	\$65.00	1.60%
Residential – Double garage <50m <sup>2</sup>	\$275.00	\$279.00	1.50%
Residential – Single garage <25m <sup>2</sup>	\$137.50	\$139.50	1.50%
All other encroachment types (8% of adjacent unimproved rated value \$/m2)			