

## **PROPERTY - OPERATING BUDGET 2024/25**

Department: Property

### **EXECUTIVE SUMMARY**

- 1 This report provides an overview of the operating expenditure budgets for the Annual Plan 2024/25 for the Property Group, as shown at Attachment A. A draft funding impact statement is shown at Attachment B. The activities in this group include:
  - Community housing
  - Community Property
  - Investment Property
  - Operational Property
  - Property management
  - Holding Property
- 2 A schedule of proposed fees and charges for the 2024/25 year is also presented at Attachment C.

### **RECOMMENDATIONS**

That the Council:

- a) **Adopts** for the purposes of developing the Annual Plan 2024/25 and consulting with the community
  - i) The draft 2024/25 operating budget for the Property Group as shown/amended at Attachment A.
  - ii) The draft 2024/25 fees and charges schedules for the Property Group as shown/amended at Attachment C.

### **OPERATING BUDGETS**

#### **Revenue**

##### ***Rates***

- 3 Rates have increased in the Property Group by \$2.997 million, 18.9%. The main driver of this is increases in budgeted costs that are only partially funded by increases in external rents.

### **External Revenue**

- 4 External revenue has increased by \$877, 5.1%. Community housing rentals have increased by \$474k, which funds the majority of the budgeted increase in operating expenditure, mainly rates and insurance.
- 5 Investment property income has increased \$379k. This is mainly due to the property at 414 Moray Place being fully tenanted following completion of the capital upgrade project.

### **Internal Revenue**

- 6 Internal revenue has increased by \$301k, 3.9%. Internal rents have increased \$162k in line with the Local Government Cost Index projection of 3.1%.
- 7 Investment property internal rental has increased \$167k for the portion of the property at 414 Moray Place being leased by Parking Operations.

## **EXPENDITURE**

### **Personnel Costs**

- 8 Personnel costs have increased by \$203k, 5.3%. The budget includes a general salary increase, along with one additional FTE.

### **Operations and maintenance**

- 9 Operations and maintenance costs have decreased by \$145k, -1.7%. Maintenance project budgets have reduced by \$380k for the Railway Station and Dunedin Ice Stadium.
- 10 Offsetting this, planned and reactive maintenance costs for all other properties have increased by \$236k, including a new maintenance budget of \$105k for the Forbury Park property.

### **Occupancy costs**

- 11 Occupancy costs have increased by \$1.780 million, 19.4%, \$329k of this increase relates to the South Dunedin Community Complex and Forbury Park properties, both of which were not included in the 2023/24 budget.
- 12 Rates have increased by \$825k reflecting an increase in general rates across all portfolios, as well as a targeted rate increase for community housing for the new kerbside collection service. A new rates budget of \$168k has been included for the Forbury Park property.
- 13 Insurance costs across the property portfolios have increased \$396k.
- 14 Additional electricity and rental costs for Burns House total \$254k due to an extension of the rental agreement to include the 8<sup>th</sup> floor.

### **Grants and Subsidies**

- 15 Grants and Subsidy costs have increased by \$14k, 8.9%. These grants are paid to community hall committees that maintain and operate Council-owned community halls on behalf of Council. The grants have not increased for over ten years and this increase follows a review of operating budgets in consultation with the various hall committees.

### **Depreciation**

- 16 Depreciation has increased by \$932k, 6.7% reflecting the capital expenditure programme.

### **Interest**

- 17 Interest expense has increased by \$1.394 million, 35.8% reflecting the increase in borrowing to fund the capital expenditure programme along with the increase in the cost of borrowing.

## **FEES AND CHARGES**

- 18 Fees and charges for activities in the Property Group, other than community housing, have increased by 3% and 4%, with an increase of 11% proposed for Community Housing.
- 19 An 11% increase is proposed for Community Housing. This is an increase of between \$14 and \$25 per week in rents for community housing tenants and reflects the increase in costs to provide this service. A separate report is on the agenda for Community Housing Fees & Charges.

### **Signatories**

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

### **Attachments**

	<b>Title</b>	<b>Page</b>
<a href="#">↓A</a>	Property Income Statement	162
<a href="#">↓B</a>	Property Funding Impact Statement	163
<a href="#">↓C</a>	Draft Fees and Charges 2024/25 - Property	164

## 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 type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other strategic projects/policies/plans	✓	<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 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 Māori will have an opportunity to engage on the Annual Plan 2024/25.

### ***Sustainability***

The Annual Plan 2024/25 is not proposing any changes to that provided for in the 10 year plan. Major issues and implications for sustainability are discussed in the 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 draft budgets for the Property Group for inclusion in the 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 are discussed in this report. The draft budgets will be included in the Annual Plan 2024/25, and will be consulted on.

### ***Engagement – external***

There has been no external engagement in developing the draft budgets for the Property 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 2024/25 Annual Plan.

Property  
Income Statement  
for the Year Ended 30 June 2025

Actual		Budget	Draft Budget	Inc (Dec)	Budget Inc
2022/23		2023/24	2024/25		(Dec)
\$000		\$000	\$000	\$000	%
<b>Revenue</b>					
12,749	Rates revenue	15,874	18,871	2,997	18.9%
-	- Rates penalties	-	-	-	-
17,739	External revenue	17,329	18,206	877	5.1%
20	Grants and subsidies operating	-	-	-	-
40	Grants and subsidies capital	-	-	-	-
66	Development contributions	295	295	-	-
-	- Vested assets	-	-	-	-
7,804	Internal revenue	7,654	7,955	301	3.9%
<b>38,418</b>	<b>Total revenue</b>	<b>41,152</b>	<b>45,327</b>	<b>4,175</b>	<b>10.1%</b>
<b>Expenditure</b>					
3,639	Personnel costs	3,828	4,031	203	5.3%
7,594	Operations & maintenance	8,378	8,233	(145)	(1.7%)
9,406	Occupancy costs	9,191	10,971	1,780	19.4%
12,855	Consumables & general	657	711	54	8.2%
153	Grants & subsidies	157	171	14	8.9%
2,689	Internal charges	2,600	2,632	32	1.2%
13,735	Depreciation & amortisation	13,870	14,802	932	6.7%
2,959	Interest	3,898	5,292	1,394	35.8%
<b>53,030</b>	<b>Total expenditure</b>	<b>42,579</b>	<b>46,843</b>	<b>4,264</b>	<b>10.0%</b>
<b>(14,612)</b>	<b>Net surplus/(deficit)</b>	<b>(1,427)</b>	<b>(1,516)</b>	<b>(89)</b>	<b>6.2%</b>
<b>Expenditure by Activity</b>					
6,831	Community Property	5,807	6,696	889	15.3%
9,009	Housing	9,315	10,413	1,098	11.8%
847	Holding Property	581	1,631	1,050	180.7%
16,732	Investment Property	4,823	5,096	273	5.7%
14,552	Operational Property	15,722	16,179	457	2.9%
5,059	Property Management	6,331	6,828	497	7.9%
<b>53,030</b>	<b>Total expenditure</b>	<b>42,579</b>	<b>46,843</b>	<b>4,264</b>	<b>10.0%</b>

Dunedin City Council  
Funding Impact Statement  
for the Year Ended 30 June 2024 for Property

	2023/24 Annual Plan \$000	2024/25 Long-term plan \$000	2024/25 Annual Plan \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	15,874	13,325	18,871
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	17,329	18,700	18,206
Internal charges and overheads recovered	7,654	8,380	7,955
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>40,857</b>	<b>40,405</b>	<b>45,032</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	22,210	22,295	24,117
Finance costs	3,898	2,223	5,292
Internal charges and overheads applied	2,600	2,764	2,632
Other operating funding applications	-	-	-
<b>Total application of operating funding (B)</b>	<b>28,708</b>	<b>27,282</b>	<b>32,041</b>
<b>Surplus/(deficit) of operating funding (A-B)</b>	<b>12,149</b>	<b>13,123</b>	<b>12,991</b>
<b>Sources of capital funding</b>			
Subsidies and grants for renewals expenditure	-	-	-
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	295	309	295
Increase/(decrease) in debt	14,568	10,990	20,509
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>14,863</b>	<b>11,299</b>	<b>20,804</b>
<b>Application of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	242	-
- to improve the level of service	2,955	7,438	19,610
- to replace existing assets	24,057	16,406	14,185
Increase/(decrease) in reserves	-	-	-
Increase/(decrease) in investment (DCHL)	-	-	-
Increase/(decrease) of other investments	-	336	-
<b>Total application of capital funding (D)</b>	<b>27,012</b>	<b>24,422</b>	<b>33,795</b>
<b>Surplus/(deficit) of capital funding (C-D)</b>	<b>(12,149)</b>	<b>(13,123)</b>	<b>(12,991)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2023/24 fees	2024/25 proposed fees	\$ change	% change
<b>Property</b>				
<b>Community property</b>				
<b>Community Art Gallery</b>				
Commercial Organisations (commercial venture/selling) (Minimum weekly rate or 10% greater than Gross Revenue)	\$1,133.00	\$1,165.00	\$32.00	3%
Commercial Organisations (display purposes only) (per week)	\$1,133.00	\$1,165.00	\$32.00	3%
Community Groups (non-commercial/display only) (per day)	\$24.00	\$25.00	\$1.00	4%
Community Groups (non-commercial/display only) (per week)	\$160.00	\$165.00	\$5.00	3%
Community Groups (non-commercial/sell products) (per day)	\$47.00	\$49.00	\$2.00	4%
Community Groups (non-commercial/sell products) (per week)	\$320.00	\$330.00	\$10.00	3%
<b>Housing</b>				
<b>Housing</b>				
1 Bedroom	\$195.00	\$216.00	\$21.00	11%
2 Bedroom	\$228.00	\$253.00	\$25.00	11%
Bedsit	\$128.00	\$142.00	\$14.00	11%
Double (partitioned flat)	\$179.00	\$199.00	\$20.00	11%
Double (separate flat)	\$185.00	\$205.00	\$20.00	11%
Single (partitioned flat)	\$131.00	\$145.00	\$14.00	11%
Single (separate flat)	\$136.00	\$151.00	\$15.00	11%
<b>Property management</b>				
<b>Encroachments on road reserve (per annum)</b>				
All other encroachment types (8% of adjacent unimproved rated valu	-	-	-	-
Commercial Use (fee is negotiated)	-	-	-	-
New application establishment administration fee	\$67.00	\$69.00	\$2.00	3%
Residential – Double garage <50m <sup>2</sup>	\$287.00	\$295.00	\$8.00	3%
Residential – Single garage <25m <sup>2</sup>	\$144.00	\$148.00	\$4.00	3%