

1. Financial Implications

1.1 Savings targets

There are 2 savings targets linked to Office Rationalisation, which are built into the Council's MTFP:

1. £2.4m ongoing revenue running cost savings, starting in 24/25 with £0.5m, with remainder to be delivered in 25/26.
2. £4m one off capital receipt from site disposal.

1.2 Current Revenue running costs of main office sites

The total net running costs for the current main office sites is £3.476m, giving an average running cost of £9.97 per Sq Ft. This includes the running cost of the building (including Business Rates, Energy, Maintenance, Cleaning, Security), and income received for leasing arrangements in place. This currently *excludes* staffing (see below). The table below shows the breakdown by each office site:

Space	Running Costs		Revenue		NET	Sq Ft	£Cost per Sq Ft
	£	-£	£	-£			
Walton Street	£ 1,022,959	-£ 49,773	£ 973,185		£ 973,185	129,458	£ 7.52
QVR, High Wycombe	£ 414,322	-£ 306,538	£ 107,784		£ 107,784	55,854	£ 1.93
Gateway	£ 888,658		£ 888,658		£ 888,658	71,731	£ 12.39
KGVH, Amersham	£ 1,098,100	-£ 257,680	£ 840,420		£ 840,420	38,858	£ 21.63
Capswood	£ 643,146	-£ 114,000	£ 529,146		£ 529,146	27,835	£ 19.01
Wycombe Old Library	£ 136,946		£ 136,946		£ 136,946	25,000	£ 5.48
TOTAL	£ 4,204,130	-£ 727,991	£ 3,476,139		£ 3,476,139	348,736	£ 9.97
66 High Street*		-£ 167,538	-£ 167,538		-£ 167,538		
Easton Street, High Wycombe*		-£ 245,990	-£ 245,990		-£ 245,990		
TOTAL	£ 4,204,130	-£ 1,141,519	£ 3,062,611		£ 3,062,611		

**previous corporate estate, now fully let; this income is budgeted for separately in the Councils Medium Term Financial Plan*

1.3 Estimated Savings from Work Smart Estate Strategy proposals

- 1.4 Based on the recommendations set out in the estates strategy, the closure and/or subletting of office space will result in estimated savings of £2.579m pa; with additional/replacement space in Aylesbury and Amersham at a cost of c£0.3m pa, will give a total estimated saving of £2.279m pa.

- 1.5 Further savings of £0.12m pa would be needed to meet the budget, however it is anticipated there would be some staff efficiencies from closures of buildings and/or reduction in the size of the Estate.
- 1.6 These figures exclude both 66 High Street, Aylesbury and Easton Street, High Wycombe as the properties are currently leased and the income has already been budgeted in last year's MTFP process.

1. Savings from Closures/Lettings	
Close Walton Street	£ 973,185
Close KGVH	£ 840,420
Let out Wycombe Old Library (running costs saving plus income from letting based on emerging Heads of Terms)	£ 236,946
Close/Let out Capswood	£ 529,146
Saving from Closures/Lettings	£ 2,579,697
2. Additional Costs of new Space needed after closures	
Aylesbury – additional Sq Ft estimate	£ 20,000
Amersham – additional Sq Ft estimate	£ 10,000
Total Sq ft of new office space needed	£ 30,000
Additional Annual cost @£10/Sqft	£ 300,000
3. Net Savings on Running Costs only (1 less 2)	
	£ 2,279,697
<i>Additional Savings/Income needed to meet £2.4m target</i>	<i>£ 120,303</i>

- 1.7 Full savings are only realised once a building let, sold, or demolition works start. Mothballing buildings/floors in the intervening period will result in a proportion of savings being made on e.g. Utilities, Cleaning and Maintenance, depending on the extent of the closure. Business Rates only attract a 3 month empty rate relief.
- 1.8 **Capital Investment Costs and Receipts**

The recommendations in the main report would have estimated capital investment costs of around £4.5m, and produce estimated capital receipts (income) of around £8.5m, leaving a net receipt of £4m to meet the Capital Receipts target. This means that the Estates Strategy should be 'self-funding' and not require additional capital investment, providing the estimated costs and receipts come in in line with estimated set out in the table below.

Capital Investments - Costs and Receipts

	£m
Disposal of KGVH after deduction of sale fees, and master planning of £200k	-6.1

NCO Disposal after deduction of sale fees and legal due diligence at £100k based on Consultant appraisal	-2.9
Contingency	0.5
Total Receipt	-8.5
Provision of 10,000 Sq Ft in Amersham, comprising base fit out cost of £120 psf and the remainder in fees.	1.5
Fitout of Gateway including fees based on phase 1 roll out.	1.0
Provision of 20,000 sq Ft in Aylesbury, based on refurbishment of existing building probably 66 High Street which has already been refurbished including fees. If Friars Square was progressed the costs would be in the order of £4.5m but part of the financing could be off set by income from 66 High Street	2.0
NCO Demolition (budget included in development appraisal for NCO disposal)	
Total Cost	4.5
NET	-4.0

To note:

- The council will need to cashflow (via short term internal borrowing or temporary use of reserves) upfront costs, such as the Gateway fit out and NCO demolition, pending the capital receipt coming in later. There would be an opportunity cost of lost interest on cash balances used.
- The costs and receipts listed above are early estimates. More due diligence will be required on costs as project plans are developed further.
- These projects are not yet built into the Council's Capital MTFP Programme. Projects would need adding in as and when they receive formal approval.
- If Amersham needed to close for an interim period for re development then the anticipated staff re location costs would be in the order of £80,000

1.9 Income

- 1.10 The letting of Wycombe Old Library is expected to yield new additional income of £100k pa, on top of running costs set out above. This income would be used to meet the £2.4m savings target, or, if that has already been delivered, to contribute towards