



Department  
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Meg Hillier MP  
Chair  
Public Accounts Committee

Iain Wright MP  
Chair  
Business, Innovation and Skills Committee

*Dear Chairs*

You have asked for further information about the work done to estimate the costs of different scenarios in relation to the closure of the Sheffield office and the transfer of policy posts to London.

As I and the Secretary of State have explained, the proposal to move policy roles to London forms part of a wider strategic case to enable us to deliver £350m of savings and be more effective in delivering Ministerial priorities. The proposals were not formed on the basis of any individual business case for a single location and our consultation is continuing.

Since the consultation was launched in February, and subsequent to the hearing of the Business, Innovation and Skills Committee, we have been looking at a range of workforce plans to ensure that policy priorities are not disrupted in the event of a decision to proceed with the proposals. We have also started to work through the likely associated costs of different options, recognising that the primary driver for savings is headcount reductions and that final decisions on headcount have not yet been taken. Our internal work uses the annual costs of running the Sheffield office to illustrate the range of permanent, annual savings under different scenarios for staff replacement (including no replacement, ie the maximum potential annual saving). This was not a formal cost benefit analysis, in the terms set out in Treasury guidance. It did not consider the one-off costs of transition including redundancies, which remain subject to decisions following the conclusion of the consultation.

There are some smaller, more detailed costs associated with the proposals that we are able to identify. Information about different elements of these costs have been provided in correspondence and in response to parliamentary questions.

As you will understand, I am unable to comment on a leaked document. I set out for your information below the total annual costs of the Sheffield site, in case this is helpful. These represent the maximum permanent savings if the office is closed and no staff replaced.

Table 1: Maximum potential savings from Sheffield Office closure

	£k per annum	£k per annum
Cost rent, rates and maintenance of 2 St. Paul's Place		890
Cost of rail travel between London and Sheffield		460
Cost of Hotel stays by Sheffield staff in London	148	
Cost of Hotel Stays by London Staff in Sheffield	20	
Total Cost of Hotel Stays		168
<b>Cost of Sheffield site, excluding pay</b>		<b>1,518</b>
Cost of Staff (based on average salaries)		12,824
Relevant IT Costs		249
<b>Total Cost of Sheffield site</b>		<b>14,591</b>

I stand ready to discuss these issues further at the Public Accounts Committee hearing next week.

*Yours sincerely*  
*Martin Donnelly,*

**MARTIN DONNELLY**