



Department
for Business
Innovation & Skills

Secretary of State

Martin Donnelly CMG

Permanent Secretary

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Dear Secretary of State

SSI: APPRENTICES

The closure of the SSI steelworks at Redcar is a major shock to the economy of the Tees Valley. Since the announcement BIS officials have been working closely with partners in the SSI Taskforce to execute the up to £80m support package so that local people and businesses receive the help they need in a rapid and targeted way. Good progress is being made. However one specific area, that of wage subsidies to employers taking on apprentices, raises issues in relation to value for money and therefore for my role as Accounting Officer.

Apprenticeships are a major priority for the Government and for BIS. They provide a high quality pathway for young people into rewarding careers and set them up for life. Over this Parliament we are working to deliver 3 million starts. There were 50 apprentices employed at SSI. It is normal practice in this situation for the National Apprenticeship Service to seek to place apprentices with other employers so that they can complete their training.

In the case of the Tees Valley, the Taskforce is proposing that in order to place the apprentices rapidly the Government should pay a 100% wage subsidy for the 50 apprentices who have lost their jobs, as well as paying the importing company costs and overhead costs for local brokerage services. In addition to the apprentices currently employed the proposal is to make this offer to the apprentices who were in receipt of a job offer. This requires £1.7 million of Government funding.

In accordance with our obligations to secure value for money for the taxpayer, we have considered the proposal against the criteria as set out by HMT in *Managing Public Money*. The required appraisal process concludes that this would not offer value for money even after taking into account the very real economic challenges facing apprentices in the Tees Valley at this time. It is the case that apprenticeship training offers a value for money investment and that there is economic value in supporting the apprentices to complete their training. The value for money issue stems from the level of subsidy that the Taskforce have requested in this case. I am also concerned that spending at this level would be repercussive, and might create an unhelpful precedent.

This is however a decision with broader implications. Set against the value for money position, it is proper for you to consider the wider strategic issues that cannot feature in the formal value for money assessment. These include maintaining confidence in the Tees Valley economy, the Government's commitment to local decision-making and the integrity of our apprenticeship programme. If you wish to accept the request of the taskforce, then I will proceed accordingly but I require your written instruction to do so. I will then ensure the necessary steps are taken to carry forward your instruction without delay. I will alert the Comptroller and Auditor General, who will inform the Public Accounts Committee, in line with the standard procedure for handling all directions.

yours ever

Martin Donnelly,

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