HM Government

Europe 2020:

UK National Reform Programme 2015

March 2015

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Foreword

The UK government's long term economic plan is working. The economy is growing, the deficit is falling, and more people are in work than ever before. The 2015 UK National Reform Programme (NRP) updates on progress with economic and employment reforms, and reports on the impact of reforms implemented over the past year.

Since the 2014 UK NRP was published a year ago, the UK economy has continued to perform strongly. GDP grew by 2.6% in 2014, the strongest annual growth since 2007, and the fastest in the G7. At the end of 2014 employment was at its highest ever level at 30.9 million, more than 1 million above its pre-crisis peak. The employment rate for 3 months to December 2014 was 73.2%, the joint highest level since records began. Earnings growth has been strengthening, with total pay up 2.1% in the 3 months to December 2014 compared to a year earlier.

The NRP reports on the actions that the government is taking in relation to the country-specific recommendations (CSR) addressed to the UK by the Council of the European Union in July 2014, in the areas of deficit reduction, improving housing market function, skills shortages, workless households, access to finance and infrastructure. It also reports against policies to support the Europe 2020 Strategy priorities of employment, research and development, secondary and tertiary education, poverty reduction and energy and climate change.

The NRP is presented to the European Commission as part of the Europe 2020 Strategy for smart, sustainable and inclusive growth. As part of the European Semester process for aligning reporting and surveillance of national fiscal, economic and employment policies, the NRP is presented in parallel with the 2015 UK Convergence Programme, which reports on the UK's implementation of the Stability and Growth Pact.

The European Semester process is a means for coordinating individual member states' structural reform programmes in an EU context, and as such has the potential to support economic growth across the EU as a whole. Comprehensively addressing the EU's growth challenge and tackling overall low productivity, lack of economic dynamism and flexibility is a challenge shared by all member states, and one which requires decisive action to be taken at all levels.

In a context of continued pressure on public finances, it is essential to complement the actions of individual member states with a determined effort to drive growth using EU level policy levers to enact high-impact, low-cost supply-side reforms. This has been endorsed at the highest levels by the Council, and includes completing ambitious free trade agreements, further reducing the burden of EU regulation and strengthening the single market by pushing for further liberalisation in services, digital and network industries. This is an agenda for the EU as a whole, and the UK will work tirelessly with other member states in pursuit of a flexible and competitive EU economy.

1 Introduction

Context

1.1 In 2008 the UK was hit by the most damaging financial crisis in generations and in 2010 the government inherited the largest deficit since the Second World War and rapidly rising debt. Across the world, recovery over the past 6 years has been slower than forecast, and the euro area was still suffering from negative growth as recently as 2013.

1.2 The government's economic strategy was set out in the June Budget 2010[1] and more recently carried out by the Autumn Statement 2014[2] and Budget 2015.[3] The government's long-term economic plan has restored fiscal credibility, allowing activist monetary policy and the automatic fiscal stabilisers to support the economy. This has been supported by far-reaching reform of the financial system, a comprehensive package of structural reforms and investment in infrastructure.

1.3 The devolved administrations are also taking action to tackle structural reform challenges in areas of devolved competence:

- The **Northern Ireland Executive** has, through its programme for government[4], its economic[5] and investment[6] strategies and, more recently, in 'Together: Building a United Community'[7] set out its priorities for sustainable growth, prosperity and building a better future. In particular, it has set twin goals of rebalancing the economy and undertaking a more immediate rebuilding phase to address the impact of the global downturn on the local economy and labour market. The Investment Strategy, which coordinates the Executives' investment plans, will provide an economic stimulus that will flow across the region and into the wider economy, helping to keep people in productive employment and maximising the positive impact on jobs. The new good relations strategy 'Together: Building a United Community' reflects the Executive's commitment to improving community relations and continuing the journey towards a more united and shared society.
- The **Scottish government** published *Scotland's Economic Strategy*[8] on 3 March 2015. This sets out how the Scottish government intends to achieve a more productive, cohesive and fairer Scotland. The approach is based on the 2 key pillars of increasing competitiveness and tackling inequality. It sets out 4 priority areas where action will be focused to deliver this vision for Scotland: investing in people and infrastructure in a sustainable way; fostering a culture of innovation and research and development; promoting inclusive growth and creating opportunity through a fair and inclusive jobs market and regional cohesion; and, promoting Scotland on the international stage to boost trade and investment, influence and networks.

[1] http://cdn.hm-treasury.gov.uk/junebudget_complete.pdf
[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf
[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413949/47881_Budget_2015_Web_Accessible.pdf
[4] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf
[5] http://www.northernireland.gov.uk/ni-economic-strategy-revised-130312.pdf
[6] http://www.sibni.org/investment_strategy_for_northern_ireland_2011_-_2021.pdf
[7] http://www.ofmdfmni.gov.uk/together-building-a-united-community-strategy.pdf
[8] http://www.gov.scot/Topics/Economy/EconomicStrategy

- The **Welsh government**'s programme for government,[9] which is reviewed and updated on an annual basis, sets out a plan of action that is designed to achieve priority objectives such as creating sustainable jobs, stimulating growth and reducing poverty in line with the goals outlined in the Europe 2020 strategy.

2015 UK National Reform Programme

1.4 As part of the Europe 2020 strategy for smart, sustainable and inclusive growth, member states submit NRPs to the Commission outlining their structural reform plans to promote growth and employment. In parallel, under the Stability and Growth Pact, member states submit Stability Programmes (euro area member states) or Convergence Programmes (non-euro area member states) reporting on budgetary and fiscal policies. In this way, the European Semester aligns reporting cycles for Europe 2020 and the Stability and Growth Pact.

1.5 The NRP is presented in accordance with Council recommendation 2010/410 on broad guidelines for economic policy. The parts of the NRP relating to country-specific recommendations on skills and workless households comprise the UK's report to the Council and Commission on employment policy measures, in light of the guidelines for employment under Article 148 TFEU.

1.6 This NRP sets out the UK's economic prospects and plans, including:

- the macroeconomic context in the UK, consistent with the UK's 2014-15 Convergence Programme
- actions taken in relation to 6 country-specific recommendations (CSRs) addressed to the UK by the Council in July 2014
- the UK's approach to national monitoring and actions taken in support of the 5 headline Europe 2020 targets agreed by the Council in June 2010

1.7 The 2015 NRP draws on publicly available information, including the Autumn Statement 2014, Budget 2015 and other relevant documents and announcements. Further details are available in the original documents, which are referenced throughout.

1.8 The 2015 NRP emphasises reporting on the implementation of existing structural reform commitments. As such, it sets out recent actions taken by the UK as a whole, including those by the UK government and by the devolved administrations of Scotland, Wales and Northern Ireland, where policies are devolved. This distinction is made clear throughout the document. These actions are consistent with the Europe 2020 Integrated Guidelines (made up of the Broad Economic Policy Guidelines and the Employment Guidelines) presented under Articles 121 and 148 of the Treaty of the Functioning of the European Union.[10] They also follow the broad orientations for structural reforms provided by the European Commission's 2015 Annual Growth Survey and the March 2015 Council conclusions.

1.9 The part of the NRP reporting on CSRs 3 and 4 also serves to complete multilateral surveillance in the EU Employment Committee (EMCO) which carries out the Council's examination of member states' employment and labour market policies, in the light of the Employment Guidelines in the procedure specified in Article 148 TFEU.

1.10 The **devolved administrations** have contributed fully to the development of the 2015 UK NRP. In addition, the Scottish government has produced its own distinct NRP,[11] which is

[9] http://wales.gov.uk/about/programmeforgov/?skip=1&lang=en

[10] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:0047:0200:en:PDF

[11] The report is available from the Scottish government website at: http://www.scotland.gov.uk/Topics/Economy/Publications

intended to complement the UK NRP, in order to help provide the Commission with more detail on the Scottish government's approach in supporting the delivery of the Europe 2020 ambitions. This is in line with the devolved administrations' commitment to engage positively with the EU Institutions and represent regional interests.

Stakeholder engagement

1.11 Substantial engagement with national Parliaments and the wider public is critical to the success of Europe 2020. The government consults widely on policy development as a matter of course. The governing principle is proportionality of the type and scale of consultation to the potential impacts of the proposal or decision being taken, and thought is given to achieving real engagement rather than merely following bureaucratic process. Consultation forms part of wider engagement, and decisions on whether and how to consult should in part depend on the wider scheme of engagement. Since the NRP does not contain any new policy announcements, it is not subject to formal consultation.

1.12 The government has engaged closely with Parliament on the European Semester more broadly. In particular, the House of Commons debated the UK's 2015 Convergence Programme (24 March 2015), the 2014 country-specific recommendations addressed to the UK (13 June 2014), and the Annual Growth Survey, Alert Mechanism Report and Joint Employment Report (4 March 2015). The House of Lords debated the Commission's 2014 Annual Growth Survey, Alert Mechanism Report and the UK's 2015 Convergence Programme (26 March 2015).

1.13 In the context of preparing the 2015 NRP a stakeholder event was held by the Scottish government in Edinburgh on 12 March 2015. This event was attended by representatives from the government, the European Commission, devolved administrations and other interested stakeholders.

1.14 The focus of the 2015 NRP is on implementation and delivery of existing reform commitments. Given the key role that non-governmental organisations play in delivering structural reforms, this document is illustrated with examples of how stakeholders are involved in translating policies into concrete outcomes.

2 Macroeconomic context

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) economic forecasts for 2012-18. This includes forecasts for aggregate gross domestic product (GDP) growth, the components of GDP, inflation and the labour market.

Table 2.A: Summary of the OBR's central economic forecast

	Percentage change on a year earlier, unless otherwise stated						
			Forecast				
	2013	2014	2015	2016	2017	2018	2019
GDP growth	**1.7**	**2.6**	**2.5**	**2.3**	**2.3**	**2.3**	**2.4**
Main components of GDP							
Household consumption[2]	1.7	2.0	2.6	2.7	2.5	2.3	2.2
General government consumption	-0.3	1.5	0.8	-0.7	-0.9	-0.2	1.5
Fixed investment	3.4	6.8	4.3	6.2	5.6	5.7	4.4
Business	5.3	6.8	5.1	7.5	6.5	6.4	4.4
General government[3]	-8.1	7.3	2.3	1.9	1.6	1.5	2.8
Private dwellings[3]	6.2	6.6	3.5	5.4	5.5	6.2	5.2
Change in inventories[4]	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Net trade[4]	0.0	-0.5	-0.1	-0.4	-0.2	-0.2	-0.2
CPI inflation	**2.6**	**1.5**	**0.2**	**1.2**	**1.7**	**1.9**	**2.0**
Employment (millions)	**30.0**	**30.7**	**31.1**	**31.4**	**31.5**	**31.7**	**31.9**
ILO unemployment (% rate)[5]	**7.6**	**6.2**	**5.3**	**5.2**	**5.3**	**5.3**	**5.3**

[1] All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components may not sum to total due to rounding and statistical discrepancy.
[2] Includes households and non-profit institutions serving households.
[3] Includes transfer costs of non-produced assets.
[4] Contribution to GDP growth, percentage points.
[5] International Labour Organization.
Source: Office for Budget Responsibility, Office for National Statistics.

Growth forecast

2.2 The UK economic recovery is now well established and growth is broad based across the main sectors of the economy. UK annual GDP growth was 2.6% in 2014, the strongest annual growth since 2007.[1] Manufacturing, construction and services all grew by 2.5% or more in 2014.

2.3 UK GDP exceeded its pre-crisis peak in Q3 2013 and in Q4 2014 was 3.4% higher than the pre-crisis peak in Q1 2008. The OBR has revised up its forecast for UK growth in 2015 from 2.4% to 2.5% and in 2016 from 2.2% to 2.3%. The OBR forecasts growth of 2.3% in 2017, rising to 2.4% in 2019.

Employment forecast

2.4 The OBR forecasts employment to be 31.1 million in 2015, rising to 31.9 million by 2019. The OBR has revised down its forecast for the unemployment rate in 2015 from 5.4% to 5.3%. The OBR forecasts unemployment of 5.2% in 2016 and 5.3% for the remainder of the forecast period.

[1] All UK economy data from the Office for National Statistics (ONS) unless otherwise stated

Inflation and average earnings forecast

2.5 The OBR expects CPI inflation to be below target in 2015 at 0.2% and then to remain subdued, returning to the 2.0% target at the end of forecast period. The OBR forecasts average earnings to grow 2.3% in 2015, and it expects average earnings to grow faster than inflation through the forecast period.

Table 2.B: Detailed summary of forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2013	2014	2015	2016	2017	2018	2019
UK economy							
Gross domestic product (GDP)	1.7	2.6	2.5	2.3	2.3	2.3	2.4
GDP level (2013=100)	100.0	102.6	105.1	107.6	110.1	112.7	115.3
Nominal GDP	3.5	4.4	4.1	3.5	3.8	4.3	5.0
Output gap (per cent of potential output)	-2.2	-1.0	-0.4	-0.2	-0.1	0.0	0.0
Expenditure components of GDP							
Domestic demand	1.8	2.9	2.6	2.6	2.4	2.5	2.5
Household consumption[1]	1.7	2.0	2.6	2.7	2.5	2.3	2.2
General government consumption	-0.3	1.5	0.8	-0.7	-0.9	-0.2	1.5
Fixed investment	3.4	6.8	4.3	6.2	5.6	5.7	4.4
Business	5.3	6.8	5.1	7.5	6.5	6.4	4.4
General government[2]	-8.1	7.3	2.3	1.9	1.6	1.5	2.8
Private dwellings[2]	6.2	6.6	3.5	5.4	5.5	6.2	5.2
Change in inventories[3]	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Exports of goods and services	1.5	0.4	3.9	4.0	4.5	4.4	4.3
Imports of goods and services	1.4	1.8	4.0	4.8	4.6	4.6	4.4
Balance of payments current account							
Per cent of GDP	-4.5	-5.4	-4.3	-3.2	-2.6	-2.4	-2.3
Inflation							
CPI	2.6	1.5	0.2	1.2	1.7	1.9	2.0
RPI	3.0	2.4	1.0	2.1	2.8	3.1	3.1
GDP deflator at market prices	1.8	1.8	1.6	1.1	1.5	1.9	2.5
Labour market							
Employment (millions)	30.0	30.7	31.1	31.4	31.5	31.7	31.9
Productivity per hour	-0.1	0.1	0.9	2.1	2.5	2.5	2.4
Wages and salaries	2.9	3.8	4.0	3.9	4.1	4.5	4.9
Average earnings[4]	1.6	2.2	2.3	3.1	3.7	4.0	4.4
LFS unemployment (% rate)	7.6	6.2	5.3	5.2	5.3	5.3	5.3
Claimant count (millions)	1.42	1.04	0.77	0.74	0.76	0.77	0.77
Household sector							
Real household disposable income	0.1	1.4	3.7	2.1	2.2	2.1	2.0
Saving ratio (level, per cent)	6.4	6.7	7.4	7.3	7.2	7.2	7.2
House prices	3.5	10.0	5.9	4.9	6.4	6.9	6.4
World economy							
World GDP at purchasing power parity	3.3	3.3	3.5	3.6	3.9	4.0	4.0
Euro area GDP	-0.4	0.9	1.2	1.4	1.6	1.6	1.6
World trade in goods and services	3.4	3.1	4.0	4.9	5.3	5.4	5.4
UK export markets[5]	2.5	3.1	3.7	4.7	5.1	5.2	5.2

[1] Includes households and non-profit institutions serving households.
[2] Includes transfer costs of non-produced assets.
[3] Contribution to GDP growth, percentage points.
[4] Wages and salaries divided by employees.
[5] Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

3 UK country-specific recommendations

3.1 The country-specific recommendations addressed to the UK by the Council of the European Union July 2014, are to:

1. Reinforce the budgetary strategy, endeavouring to correct the excessive deficit in a sustainable manner in line with the Council recommendation under the Excessive Deficit Procedure. Pursue a differentiated, growth-friendly approach to fiscal tightening by prioritising capital expenditure. To assist with fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Address structural bottlenecks related to infrastructure, skills mismatches and access to finance for SMEs to boost growth in the export of both goods and services.

2. Increase the transparency of the use and impact of macro-prudential regulation in respect of the housing sector by the Bank of England's Financial Policy Committee. Deploy appropriate measures to respond to the rapid increases in property prices in areas that account for a substantial share of economic growth in the United Kingdom, particularly London, and mitigate risks related to high mortgage indebtedness. Monitor the Help to Buy 2 scheme and adjust it if deemed necessary. Consider reforms to the taxation of land and property including measures on the revaluation of property to alleviate distortions in the housing market. Continue efforts to increase the supply of housing.

3. Maintain commitment to the Youth Contract, especially by improving skills that meet employer needs. Ensure employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. Reduce the number of young people with low basic skills.

4. Continue efforts to reduce child poverty in low-income households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare.

5. Continue efforts to improve the availability of bank and non-bank financing to SMEs. Ensure the effective functioning of the Business Bank and support an increased presence of challenger banks.

6. Follow up on the National Infrastructure Plan by increasing the predictability of the planning processes as well as providing clarity on funding commitments. Ensure transparency and accountability by providing consistent and timely information on the implementation of the Plan.

Fiscal consolidation

Recommendation 1

Reinforce the budgetary strategy, endeavouring to correct the excessive deficit in a sustainable manner in line with the Council recommendation under the Excessive Deficit Procedure. Pursue a differentiated, growth-friendly approach to fiscal tightening by prioritising capital expenditure. To assist with fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Address structural bottlenecks related to infrastructure, skills mismatches and access to finance for SMEs to boost growth in the export of both goods and services.

3.2 The government inherited the largest deficit since the Second World War at 10.2% of GDP in 2009-10, due to the financial crisis and unsustainable pre-crisis increases in public spending. This level of borrowing risked undermining fairness, growth and economic stability in the UK. Indeed, in 2010 the UK was forecast by the IMF to have both the largest budget deficit in the G20 and the largest structural deficit in the G7.

3.3 Since then, the government has made substantial progress on reducing the deficit: by the end of 2014-15, borrowing is forecast to have halved as a percentage of GDP from its 2009-10 peak. As a result of the economic impact of the euro area sovereign debt crisis, high commodity prices and the ongoing impact of the financial crisis on credit conditions, the economy over the past 2 years has not performed as well as originally forecast.

3.4 The government's response to the economic headwinds has been to stick to its plan set out in 2010 which has secured our fiscal credibility, allowing the automatic stabilisers to support the economy alongside active monetary policy, and which has seen the UK emerge as the fastest growing economy in the G7 in 2014. Despite these economic headwinds, the deficit continues to fall year on year and is forecast to reach a surplus of 0.2% in 2018-19.

Fiscal consolidation

3.5 The government has made substantial progress on reducing the deficit: 2014-15, borrowing is forecast to have halved as a percentage of GDP from its 2009-10 peak. This year the government will have achieved 88% (£106 billion) of the total consolidation planned to be in place by the end of 2015-16. The government is on course to deliver £121 billion of fiscal consolidation by the end of 2015-16, remaining broadly in line with Budget 2010 expectations. 85% (around £83 billion) of total spending consolidation will be in place, and all £23 billion tax consolidation will have been implemented.

3.6 The government's long term economic plan has delivered stability and security and, as a result, the UK currently has the fastest growth among G7 economies. However, despite progress since 2010, external risks still remain and therefore the government will continue to take the difficult decisions needed to secure a responsible recovery. The government's goal is a stronger economy in a fairer society.

3.7 In 2010 the government said that it would revisit the fiscal rules once the public finances were closer to balance. Since 2009-10 the government has reduced the cyclically-adjusted current deficit from 4.7% of GDP – the highest on record – to 2.6% of GDP, and is forecast to run a cyclically-adjusted surplus of 0.8% of GDP in 2017-18 and of 1.7% in 2018-19.

3.8 The UK maintains its commitment to deficit reduction through the revised Charter for Budget Responsibility which was approved by Parliament on 13 January 2015. The government was assessed against the updated Charter for the first time at Budget 2015. The new Charter sets out:

- A revised fiscal mandate, with an aim to achieve cyclically-adjusted current balance by the end of the third year of the rolling 5-year forecast horizon. The OBR's judgement is that the government's policies are consistent with roughly a 65% chance of achieving the fiscal mandate in 2017-18.
- A supplementary aim for public sector net debt as a percentage of GDP to be falling in 2016-17. The OBR forecasts that the supplementary debt target will be met a year early, with debt falling by 0.2% of GDP between 2014-15 and 2015-16.

3.9 Over the next 5 years (between 2014 and 2019), the IMF forecast that the UK will reduce both headline and structural deficit levels by more than any other G7 economy. In addition for the same period (next 5 years from 2014 to 2019), the IMF expect that the reduction in the UK headline deficit will be more than double the average reduction of Eurozone and G20 advanced economies.

Expanding and preserving tax bases

3.10 Autumn Statement 2014 announced a series of measures that will protect and expand a number of tax bases by tackling avoidance and unfair outcomes including: stopping the avoidance of income tax through miscellaneous loss relief, introducing measures to stop investment fund managers from disguising their management fees as capital gains, prohibiting structures used to circumvent the payment of stamp duty on company takeovers, and tackling 2 unfair tax advantages regarding goodwill. The government also announced at Autumn Statement that companies within banking groups and building societies will only be able to offset carried forward losses against 50% of its profits.

3.11 The government is also taking further steps to clamp down on tax avoidance by multinational companies through: introducing the Diverted Profits Tax, publishing a consultation on the UK plans for implementing the G20-OECD rules for neutralising hybrid mismatch arrangements, legislation that gives the UK power to implement the G20-OECD model for country-by-country reporting and reforming the rules governing the requirement to withhold income tax.

3.12 Budget 2015 announced further measures to tackle offshore evasion and close down tax avoidance, including tougher sanctions for those who evade and avoid tax. Specific announcements include: compensation payments will be made non-deductible for corporation tax purposes; businesses will no longer be allowed to take account of foreign branches when calculating how much VAT on overhead costs can be reclaimed in the UK; rules changes to restrict travel and subsistence relief for workers engaged through an employment intermediary; and address the use of entrepreneurs' relief for tax planning.

Capital expenditure

3.13 The government has consistently prioritised capital investment over day-to-day spending. At Autumn Statement 2011 and Autumn Statement 2012, the government increased its capital spending plans by £10 billion, funded by permanent reductions in day-to-day expenditure. At Budget 2013, the government committed to maintaining this higher level of investment permanently. Public sector gross investment will be held constant in real terms in 2016-17 and 2017-18, and will increase in line with GDP from 2018-19, meaning that overall as a share of GDP, public investment will be higher on average over this decade than over the whole period of the last government. Within the capital envelope, projects have been prioritised through a zero-based review of the economic returns of every central government capital programme, with investment being targeted increasingly at economic infrastructure.

3.14 At Autumn Statement 2014 the government used some of the unprecedented long-term capital budgets announced at Spending Round 2013 to set out detailed plans for investment over the next 5 years, including over £20 billion in national and local roads, around £6 billion in science infrastructure and £2.3 billion towards flood and coastal defences. As a result of the National Infrastructure Plan and other policies average annual investment, in the public and private sectors, has been 15% higher between 20011-14 than it was between 2005-2010.

Housing market reforms

Recommendation 2

Increase the transparency of the use and impact of macro-prudential regulation in respect of the housing sector by the Bank of England's Financial Policy Committee. Deploy appropriate measures to respond to the rapid increases in property prices in areas that account for a substantial share of economic growth in the United Kingdom, particularly London, and mitigate risks related to high mortgage indebtedness. Monitor the Help to Buy 2 scheme and adjust it if deemed necessary. Consider reforms to the taxation of land and property including measures on the revaluation of property to alleviate distortions in the housing market. Continue efforts to increase the supply of housing.

3.15 The government has taken significant steps to boost housing supply. These include the introduction of a new National Planning Policy Framework; the most ambitious affordable housing programme for 20 years; development finance measures to provide access to finance and restart stalled sites; unlocking large scale housing developments such as garden cities; removing planning obstacles on brownfield sites and creating 30 new housing zones in England.

3.16 We are seeing the results, with both annual housing starts and planning approvals at 7 year highs, but there is more to do to ensure housing supply keeps up with demand. Measures introduced in the last year will further increase and accelerate housing supply.

3.17 House prices rose strongly during 2014, with growth largely concentrated in London and the South East. Recent data suggests that, in the year to January, UK house prices increased by 6.8%. More recently there has been cooling in the housing market. Major indices have signalled a slowdown in annual price growth alongside a gradual decline in mortgage approvals and property transactions.

3.18 London house prices have risen above their previous peak in both nominal and real terms, by 36% and 12% respectively. When excluding London, UK house prices are 5% above their pre-crisis peak in nominal terms but still remain 14% below their pre-crisis peak in real terms.

3.19 Planning law, the operation of the planning system, and various aspects of property taxation are devolved responsibilities in Northern Ireland, Scotland and Wales. Some policies announced by the government – for example the equity loan element of Help to Buy – apply in England only, with the devolved administrations receiving funding to permit them to develop schemes which best fit local priorities.

Increasing housing supply

3.20 There has been a considerable supply response to housing market activity. In 2014 housing starts increased by 10% compared with the previous year and are 81% higher than the trough (year to June 2009). Both annual housing starts and planning approvals are at 7 year highs with 537,000 new homes being built during this parliament. There are signs that this will continue. Housing construction output is increasing strongly with new housing showing the largest increase in output of any sector last year – increasing by 23% in 2014 compared with 2013.

3.21 In June 2014 the government announced the creation of 20 new housing zones in London Local authorities will package together brownfield land into a housing zone, remove all unnecessary planning restrictions and partner with a developer to build new homes. Central government will make loans available for infrastructure as well as capacity funding and technical planning support. In London, the first 9 housing zones have been designated. These will accelerate the building of up to 30,000 new homes, 9,000 of which will be affordable. Budget 2015 designated the first 20 Housing Areas outside London, and the government is continuing to work with the other 8 shortlisted areas. These zones could support up to 45,000 new homes.

3.22 The government has made significant progress on its commitments to build a garden city at Ebbsfleet with 15,000 new homes; unlock 11,000 new homes at Barking Riverside, 7,500 homes at Brent Cross; and kick start the regeneration of social housing estates to provide 8,000 homes.

3.23 New measures announced at Autumn Statement 2014 include agreement to support a new garden town at Bicester, subject to value for money, which will provide up to 13,000 new homes. The government also announced it would trial a new, innovative delivery model by leading the development of Northstowe, near Cambridge. The new model is expected to double the rate of build-out on the site and support the construction of up to 10,000 new homes.

3.24 Affordable Homes are a key contributor to housing supply, and at Autumn Statement 2014 the government extended the capital settlement for affordable housing by £957 million in each of 2018/19 and 2019/20, to ensure that 275,000 new affordable homes can be delivered over the next Parliament.

3.25 The government recognises that it plays a key role in supply of land for development and has committed to releasing enough land to build up to 150,000 homes between 2015 and 2020.

3.26 The Chancellor recently announced a new London Land Commission, to help London develop it's brownfield land and meet the ambition of delivering over 400,000 new homes by 2025. The Commission will produce the most comprehensive database of public sector land in the country, identify opportunities for disposal, and identify sites for transfer to the GLA for sale.

3.27 The Help to Buy: equity loan scheme provides support to purchasers of new-build homes in England. In its first 22 months, the scheme has helped over 42,000 households into home ownership. The scheme is on track to support 74,000 households by 2016, as announced when the scheme was launched in 2013. Most of the purchases in the scheme have been made by first time buyers, accounting for 83% of total purchases. All regions of England are benefiting and more than 94% of all completions are outside London.

Planning

3.28 The government has reformed the planning system through the introduction of the National Planning Policy Framework.

3.29 The government has taken significant steps to simplify the planning system and speed up planning decisions. We estimate there is enough suitable brownfield land to accommodate up to 200,000 homes. The government is providing financial support to local authorities that are taking forward local development orders that grant planning permission for housing on suitable brownfield sites. Building on this progress, at Autumn Statement 2014 the government took further action to speed up the end-to-end planning process for major and minor applications, and to support SMEs.

3.30 Budget 2015 launched a consultation into the compulsory purchase regime to make it clearer, faster and fairer for all parties. This will support the government' commitment to improving the consenting and planning processes for applicants and claimants to support brownfield development.

Macroprudential regulation

3.31 In the June 2014 Financial Stability Report (FSR) the Financial Policy Committee (FPC) issued guidance for lenders in order to insure against the risk of a loosening in underwriting standards and a further significant rise in the number of highly indebted households. The FPC also noted its concerns about a further increase in risk to financial stability arising from the housing market.

3.32 The December 2014 FSR judged that, although such an increase has not so far occurred, debt levels in the UK household sector remain high relative to incomes. So the insurance provided by the FPC's June recommendations remain warranted. The December 2014 FSR also commented that, since June, UK house price growth has moderated amid a slowdown in near-term demand for house purchase. As a result there have been modest falls in mortgage approvals, with property transactions generally remaining flat in the latter half of 2014.

3.33 In order to increase transparency of the use and impact of macro-prudential regulation, the government will grant the Bank of England's Financial Policy Committee (FPC) powers of direction over the owner-occupied mortgage market. The government launched a consultation on 30 October on granting these powers, which closed on 28 November. As a result, the government laid legislation in Parliament on February 12 granting the FPC new powers of direction to deal with potential risks to the housing market. The FPC has been clear that since its June action, there has been no increase in financial stability risk from the housing market.

3.34 Powers of direction increase the transparency of the use and impact of macroprudential tools. For each of its powers of direction, the FPC is required to produce and maintain a statement of policy. The policy statement sets out how the specific tools are defined, the likely impact the tools are expected to have on lenders' resilience and the wider economy (i.e. a cost-benefit analysis where practicable), and in what situations the FPC would expect to use the power. The FPC is also expected to provide as part of the statement a list of key indicators that it will consider when judging if policy action using the tool in question is appropriate.

Monitoring Help to Buy 2

3.35 The Help to Buy: mortgage guarantee scheme has so far supported just over 40,000 mortgage completions with an average house price of £156,000, well below the average UK house price of £272,000. The Chancellor asked the FPC to undertake an annual review to assess the ongoing impact of the Help to Buy: mortgage guarantee scheme. In particular, the Chancellor asked the FPC to advise on whether key parameters of the scheme, the price cap and the fees charged to lenders, remain appropriate. The FPC published the conclusions of its first review on 2 October 2014. These were that the scheme does not present a material risk to financial stability, that it has not been a material driver of recent house price growth, and that its key parameters remain appropriate. In its 2015 Country Report the European Commission broadly agreed with this analysis, saying impact of the policy at the macroeconomic level is likely to be muted and the more significant impact is likely to be at the microeconomic level.

3.36 The Chancellor announced in his Mansion House speech in June that any mortgage lending limits introduced by the Bank of England would apply to all new Help to Buy mortgage guarantee loans. Following the Bank of England's introduction of a loan-to-income limit of 4.5

on parts of lenders' mortgage lending, this limit was therefore applied to every single Help to Buy loan. While fewer than 5% of loans under the mortgage guarantee scheme were at loan to income ratios at or above 4.5, the scheme rules have now been amended to ensure no new loans at or above 4.5 times borrowers' income can be included in the Help to Buy mortgage guarantee scheme from 1 October 2014. This provides a further safeguard and ensures that the Help to Buy mortgage guarantee scheme continues to support responsible lending.

Reforms to taxation of land and property

3.37 At Autumn Statement 2014 the government announced a radical reform of **Stamp Duty Land Tax** (SDLT) on residential properties, cutting the tax for 98% of homebuyers who pay it. The reform of SDLT improves the fairness and efficiency of the tax system as each new SDLT rate will only be payable on the portion of the property value which falls within each band, rather than tax being due at one rate on the entire property value. All properties purchased for under £937,500 will see their SDLT cut or stay the same, reducing the upfront cost of purchasing a home. SDLT continues to be an important source of government revenue, raising several billion pounds each year to help pay for the essential services the government provides and supports. As the European Commission noted in its 2015 Country Report, the reduction in stamp duty payments associated with the changes should increase the efficiency of the property tax system. The government keeps all taxes under review and will carefully consider further changes ahead of future fiscal events as appropriate.

3.38 Autumn Statement 2014 also committed the government to consider long-term reform to business rates. A review of the future structure of business rates will report by Budget 2016. This review will run alongside the government's ongoing review of business rates administration announced at Autumn Statement 2013, the interim findings for which were published on 10 December 2014. The government will continue to consider the case for more frequent revaluations of non-domestic property and assess the impacts on businesses and local government.

3.39 The government keeps all taxes under review and will carefully consider further changes ahead of future fiscal events as appropriate. With respect to council tax the government has ruled out a revaluation over the course of this Parliament.

Devolved administrations

Northern Ireland

3.40 The Northern Ireland Executive is committed to delivering social and affordable housing and has set out a comprehensive package of measures. In the 2013 – 14 financial year, 2,522 social and affordable homes were achieved against a 'Programme for government' target of 1,775, with 2,500 to be delivered in 2014 – 15.

3.41 Following publication in 2012 of the housing strategy 'Facing the Future'[1] and a full public consultation[2] on the strategy's proposals, the Department for Social Development published an Action Plan[3] in July 2013 to deliver on the commitments in the strategy. The Action Plan contains 33 actions designed to support the 5 themes in 'Facing the Future': ensuring access to decent, affordable, sustainable homes across all tenures; meeting housing needs and supporting

1 http://www.dsdni.gov.uk/housing-strategy-consultation.pdf

2 http://www.dsdni.gov.uk/facing-the-future-consultation-responses.pdf

3 http://www.dsdni.gov.uk/facing-the-future-action-plan.pdf

the most vulnerable; housing and welfare reform; driving regeneration and sustaining communities through housing; and getting the structures right.

Scotland

3.42 The Scottish government's housing strategy **Homes Fit for the 21st Century**[4] aims to deliver a substantial increase in the number of homes across all tenures: at least 30,000 affordable homes over the 5-year term of the Scottish Parliament, including 20,000 social homes of which at least 5,000 will be Local Authority homes. This is currently on track: Up to March 2015 we have delivered 23,979 affordable homes, 16,679 of which are for social rent.

3.43 The Scottish government is working with the entire housing sector to increase the supply of affordable homes, create new opportunities for those who want to own a home and deliver vital support for construction and house building companies of all sizes throughout Scotland. As part of that package of action, the Scottish government has increased subsidy rates for social housing by £16,000 and is investing over £1.7 billion in affordable housing through our Affordable Housing Supply Programme over the 5 year period to 2015-16.

3.44 The Scottish government have also put in place a range of schemes to support private sector activity, This includes the £305 million Help to Buy (Scotland) shared equity scheme, which was launched in September 2013. In January 2015, the Scottish government introduced a new £30 million small developers fund through Help to Buy (Scotland), which supports buyers who wish to purchase a new build property from smaller developments in Scotland. 4,360 homes have been purchased through the Help to Buy (Scotland) scheme to date. Our support for the private sector-led MI New Home Initiative scheme (due to close to new applications on 31 March 2015), helps credit worthy buyers access 90-95% loan to value mortgages for new build homes.

3.45 The Scottish government is continuing to work with its partners and use innovative ways to deliver more homes. The contribution from innovative financing approaches using government guarantees, loans, grant recycling and new sources of private funding is substantial and growing. The Scottish government is investing a further £25 million in Charitable Bonds in 2015/16, which could lead to up to 450 affordable homes being built. Through such approaches, which also include the National Housing Trust initiative (NHT), around 2,600 new affordable homes are now being delivered in communities across Scotland

3.46 **Land and Buildings Transaction Tax** (LBTT) will replace Stamp Duty Land Tax (SDLT) in Scotland from April 2015, under powers devolved by the Scotland Act 2012. The Scottish Parliament legislated in 2013 to ensure that LBTT has a marginal progressive rate structure for the taxation of residential and non-residential transactions. The marginal progressive rate structure is intended to remove existing distortions in the housing market by smoothing the marginal rate of tax payable when prices cross a threshold between bands.

3.47 The Scottish government's proposed residential LBTT rates and bands are designed to be proportionate to the taxpayer's ability to pay, to reflect the Scottish housing market and to be revenue neutral. Under these rates, no tax is payable on property purchases up to £145,000, taking around 50% of purchases out of the scope of the tax in order to provide support to first-time buyers. The tax charge on over 90% of house purchases in Scotland (all those below £330,000) will either be zero or will be lower than the charge under the previous SDLT regime.

[4] http://www.scotland.gov.uk/Resource/Doc/340696/0112970.pdf

Wales

3.48 The Welsh government's Housing (Wales) Bill received Royal Assent in September 2014. Its provisions are being implemented. The Act, which contributes to the Welsh government's 3 strategic priorities for housing: more homes, better homes, and better services, will be supplemented by another significant piece of legislation, the Renting Homes (Wales) Bill, which will improve the law for renting a home in Wales. The Renting Homes Bill was introduced into the National Assembly for Wales in February 2015. In January 2015, as part of action to tackle housing supply pressures, the Welsh government published for consultation proposals for legislation to end the current right for tenants to buy their social rented home from their landlord. In the Welsh government's view this is part of action to protect social housing, and demonstrates the use of housing policy to tackle poverty.

3.49 The Housing (Wales) Act 2014 is improving the private rented housing sector by introducing a mandatory registration and licensing scheme for landlords and letting and management agents. The Act places an even greater emphasis on action to prevent people from becoming homeless, thus helping avoiding the devastating impact that homelessness has on the lives of adults and children.

3.50 More is being done to meet the needs of Gypsy and Traveller communities, which will help tackle inequalities. The Act will provide local authorities with a discretionary power to charge a higher rate of council tax on empty homes, which have been unoccupied for more than twelve months and on second homes as part of the Welsh government's broad programme to address housing pressures. The empty homes aspect complements the Welsh government's innovative and very successful Houses into Homes programme, which uses loans instead of grants to bring long-term empty homes back into use. The programme has increased considerably the number of homes being brought back into use. As a result, after the first 3 years of this term of government, it is only 521 short of its target of 5,000 brought back into use.

3.51 The Act is assisting the expansion of co-operative housing as another way of increasing the supply of affordable homes and for existing social housing, is setting standards for local authority rents, services charges and quality of accommodation to support the achievement of the Welsh Housing Quality Standard. The Housing Revenue Account Subsidy system is being abolished, allowing local authorities to become self-financing.

3.52 The Welsh government has set a target for the number of additional affordable homes in Wales of 10,000 during the term of this government. To date, they have achieved 6,890 against this target. Whilst a substantial proportion of these homes are delivered via the normal Social Housing Grant programme, the Welsh government is working with the housing association sector in Wales to deliver as many affordable homes without grant as possible. The Welsh government has also introduced a long term revenue stream, the Housing Finance Grant, to help fund over 1,000 new affordable homes, is supporting intermediate rent via the Welsh Housing Partnership and is investing £40 million in delivering 1 and 2 bedroom homes.

3.53 As well as continuing to support those in greatest need of housing, the Welsh government also operates the Help to Buy – Wales initiative which will provide a boost to the housing industry by supporting the construction of 5,000 new homes across Wales.

Youth employment

Recommendation 3

Maintain commitment to the Youth Contract, especially by improving skills that meet employer needs. Ensure employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. Reduce the number of young people with low basic skills.

3.54 The government continues to successfully pursue its strategy to reduce youth unemployment. Action to help young people has focused on:

- ensuring young people have the skills that employers need, including through quality vocational education and training
- encouraging employers to offer work experience and Apprenticeships
- promoting personal responsibility: ensuring that work pays and facilitating unemployed young people to prepare and search for work effectively
- helping those at risk of falling through the net, by supporting local partners to provide effective, co-ordinated services
- creating the wider conditions for balanced, sustainable growth, including through protecting and extending flexibilities of the UK labour market

3.55 Youth unemployment has fallen from its peak of 1,051,000 (22.5%) in September – November 2011 to 743,000 (16.2%) in November – January 20145, a fall of 308,000.

3.56 The improvement of the UK economy makes it more important than ever that young people have the skills they need to take up the new vacancies that are arising. The government works to achieve this in partnership with employers to ensure that their needs are understood and that the necessary skills continue to be identified and developed, at all levels. This is in parallel with well-adapted support and encouragement for particularly hard-to-reach groups of young people, and the continued exploration and testing of new interventions.

3.57 There is now real growth in sustained employment for young people. The employment rate for age 16-24 is now 4th highest in EU, and their temporary employment is 5th lowest.

Table 3.A: Labour market situation of young people aged 16-24

Employed in FTE	873,000
Employed not in FTE	2,974,000
Unemployed in FTE	246,000
Unemployed not in FTE	496,000
Inactive in FTE	2,040,000
Inactive not in FTE	653,000

Source: Labour Market Statistics: March 2015 Office for National Statistics

3.58 As the economy recovers so does employment, including for young people. The employment rate for young people who are not students is 72.1% up 2.5% on year and 4.8% higher than in 2010. The unemployment rate for young people aged 16-24 has fallen to 16.2% (14.3% if full-time students are excluded).

3.59 As of Nov-Jan 2015, 84.2% of those aged 16-24 were in full-time education or employment. Of the 16-24 population, some 53% were in employment and 43% in full-time education, with 12% in both. There are 743,000 unemployed people aged 16-24 according to the International Labour Organization (ILO) definition, a fall of 181,000 on year. Excluding from the figure those in full time education gives a total of 496,000 unemployed, down 136,000 on year and representing 6.8% of young people aged 16-24. The number of young people who are not in work or in full time education fell 111,000 on year to 1.15 million, or 15.8% of 16-24 year olds. Since this group includes those in part-time study, the level of those who are not in work or any education and are classified as "NEET" (Not in Education, Employment or Training) is lower at 963,000 as of Q4 2014, a fall of 78,000 on year from Q4 2013.

Employability

3.60 The government maintains its commitment to supporting young people into work. Launched April 2012 this is a well-established package of additional help to ensure that every unemployed 18-24 year old who needs support gets it. In addition to regularly published statistics there is a programme of qualitative and quantitative evaluation of the Youth Contract, and feedback on the Work Experience and sector-based work academy elements is very positive.

3.61 Good progress has been made towards achieving an additional 250,000 work experience and sector-based work academy places through the Youth Contract. By November 2014 nearly 198,000 people aged 18-24 had started a Work Experience opportunity. A recent survey of Youth Contract participants showed that some 75% felt they had acquired new skills and increased confidence, 71% were more motivated to find work, 22% of those completing placements were offered a job by the placement organisation; and 42% of participants were in work or had employment soon after their placement ended.

3.62 By the end of March 2014 over 60,000 18-24 year-olds started sector-based work academies, which offer training, work experience and a guaranteed interview. Feedback was similarly positive to that for Work Experience, if not better.

3.63 An internal impact assessment is planned for sector-based work academies, and the intention is also to extend and update a work experience impact analysis that was conducted at an early stage of the Youth Contract.

3.64 Resources available with the ending of wage incentives for employers are being redeployed to tackle youth unemployment in other ways, including targeting on areas of high youth unemployment and disadvantaged young people who are not in employment, education or training (NEET) and others further away from the labour market and to support pilot programmes to test new approaches to increasing youth unemployment.

New initiatives

3.65 The government continues to focus support on young people, including NEETs, and announced in December 2014 the Intensive Activity Programme (IAP). From October 2015 jobseekers aged 18 to 24 who are NEET will participate in a period of intensive activity and job search support at the start of their benefit claim. They will be expected to follow a structured employability 'curriculum', completing at least 71 hours of work-focused activities in the first 21 days of their claim, to help them become effective jobseekers as early as possible.

3.66 Two versions of IAP pilot were tested in small-scale trials. Early qualitative evaluation of the trials was encouraging, suggesting IAP improves the speed at which participants leave benefit. The longer-term effects are under evaluation. Building on the positive results from the small-scale trials, a larger scale randomised-control is planned for 2015. These pilots will run from

March 2015 for approximately 6 months, with a group of 7,000 claimants and a corresponding comparison control group of 7,000 spread over 7 sites in Northern England.

3.67 In October 2014 in England the government launched the first part of a pilot to extend Jobcentre Plus (JCP) support to 16 and 17 year olds who are NEET and not in receipt of an out of work benefit. This pilot will aim, in partnership with some 30 local authorities plus other agencies, to re-engage up to 3,000 16 and 17 year olds with education, employment with training or training to help them avoid becoming long term unemployed later in life. By providing a single point of contact for labour market advice, JCP will be able to enhance the diversity of what local authorities can offer to young people by making its skills, networks and experience more easily available locally.

3.68 Also in October, the government introduced an intensive 3 month support package for 18-19 year olds from the first day of their benefit claim in areas of high youth unemployment and in the 8 areas with the highest concentration of young claimants from black and minority ethnic groups.

3.69 Two "Work Skills" pilots launched in November 2014 will help 18-21s with training on literacy and numeracy or involve work or skills related activity.

3.70 The pilot on basic skills is for young people aged 18-21 without a Level 2 qualification in English and Mathematics. It requires that they undertake training to improve these skills from the start of their claim for benefit. Learning will be delivered by online and classroom support. The aim is to boost participants by at least one level from that at which they were initially assessed.

3.71 The second pilot requires that all young people aged 18-21 who have been on Jobseeker's Allowance (JSA) for 6 months must, where appropriate, undertake work related activity. This could include referral to work experience or a sector based work academy. Some young people will already be in programmes to improve their employability skills by the time they reach the 6 month point of their claim. This pilot ensures that this is the case for all. A full evaluation of the pilots will be conducted in due course and the evidence used to inform future policy decisions.

The Youth Engagement Fund

3.72 The Youth Engagement Fund (YEF) was set up in April 2014 to tackle the attainment gap and reduce the number of young people who become NEET. The YEF, whose prospectus was published on 23 May 2014, builds on earlier initiatives, particularly the Innovation Fund. The YEF has £16 million in cross-government funding, and aims to secure further contributions from schools and Local Authorities. The target is a cohort of up to 18,000 young people aged 14-17 when they start the programme. These will be young people who are disadvantaged or at risk of being disadvantaged.

3.73 The interventions will test a range of innovative delivery and social investment models delivered by social investment bonds. The YEF is aimed at helping young people to re-engage and succeed in education or training, improve their future employability, at the same time reducing their long-term dependency on benefits and their likelihood of offending. The design, commissioning and implementation of the fund are conducted in partnership by the Department for Work and Pensions and the Cabinet Office. Delivery is expected to begin in Spring 2015.

Box 3.A: Stakeholder focus: Movement to Work

The employer-led Movement to Work initiative seeks to provide 100,000 vocational training and work experience opportunities for 18-24s NEETs with 14 large UK private-sector companies by the end of 2015. The ambition is for 50% of those who complete such an opportunity to gain employment. The government works with employers to offer advice on shaping their training and work experience, and helping identify suitable candidates Jobcentre Plus gives practical support to the Movement to Work initiative. Coaches in Jobcentres are able to refer young people to these opportunities where appropriate. This initiative demonstrates the value of private sector initiatives and government policy aligning. In addition, the civil service is contributing 6,000 work experience opportunities to Movement to Work.

Employers and skills

3.74 Employer involvement in up-skilling and re-skilling is vital for success equipping young people with the skills they need, and is central to the government's approach in this area. The government actively encourages employers to invest in young people by offering work experience and internships. For young people, such opportunities can be an excellent way to gain transferable skills, experience and knowledge in a working environment, and increase their employment chances.

3.75 National Colleges are being established to provide specialist higher level vocational training at levels 3 to 5 (but predominantly levels 4+) in sectors critical to economic growth, where there is a recognised skills gap. They will operate alongside schools, colleges and other providers of further education to provide strong progression routes from entry level to post-graduate. They will be employer led, and will set industry standards for training within their particular sector based on emerging and future technology, using cutting edge technology and state-of-the-art equipment.

3.76 In December 2014, the government announced plans to create 4 new national colleges, specialising in Digital Skills; Creative and Cultural Industries; Wind Energy and Advancing Manufacturing. These colleges will join the 3 National Colleges announced in 2014, which will specialise in High Speed Rail, Nuclear and Onshore Oil and Gas. Up to £80 million capital funding will be provided for these colleges across the financial years 2015-16 and 2016-17, to be matched by employers.

3.77 The government is supporting the growth of skills in new technologies and in growth sectors of the economy through the Employer Ownership Pilots. From 2015 this will become a mainstream Employer Ownership Fund (EOF) for which employers can bid. Calls for bids under EOF have been launched for the automotive and engineering sectors. All funding will involve co-investment with employers.

3.78 The government funds training in England through the government's Adult Skills Budget, managed by the Skills Funding Agency. Benefit claimants who are required to seek work are eligible for fully-funded training to help them find work. The training offer is developed in consultation with employers, and skills funding rules are regularly reviewed in response to employer feedback. Elements of the current provision (academic year August 2014 to 31 July 2015) of particular relevance to young unemployed people are:

- everyone in England aged 19 years and over, regardless of benefit status, is eligible for basic literacy and numeracy training fully funded by the Department for Business, Innovation and Skills

- people aged 19 to 23 are eligible for fully funded training for a first level 2 qualification (equivalent to 5 GCSEs at grades A*-C)
- people aged 19 to 23 are eligible for fully funded training for a first level 3 qualification (equivalent to 2 A levels)
- people on benefit eligible for fully funded training still have to fulfil the conditions for receiving their benefit

3.79 Support for 18 year olds is the responsibility of the Education Funding Agency, providing learning and skills opportunities through Foundation Learning. Young people on Foundation Learning follow personalised programmes that are tailored to their particular needs, interests and aspirations.

3.80 The government is also encouraging Local Enterprise Partnerships (LEPs) to have more responsibility in addressing local skills needs. LEPs have a strategic partnership with the Skills Funding Agency and also hold European Social Fund funding.

Apprenticeships

3.81 Following on from the Wolf Review of vocational qualifications for age 14-19 the government continues to ensure that the vocational education system is more closely linked to the world of work. Apprenticeships play a vital role for many young people, helping them at the outset of their working lives to progress their careers. Apprenticeship starts for under 19s in 2013/14 were 119,800. For 19-24 year olds the number was 159,100. Trailblazers led by employers, large and small, and professional bodies are designing apprenticeships for occupations within their sector. Over 1,200 employers are already involved, over 125 standards have been published and more than 150 are in development.

3.82 The Apprenticeship Grant for Employers (AGE) supports small businesses taking on young apprentices. By October 2014 there had been 106,700 apprenticeship starts for which a payment was made through the AGE Grant. A further 24,300 were approaching payment. The 2014 Budget announced a further £170 million to extend AGE funding over 100,000 additional payments for employers to take on young apprentices. Payments were initially available to businesses with fewer than 1,000 employees who have not had an apprentice in the last year, and for up to 10 new apprentices. From January 2015, the scheme tightened its focus onto companies with fewer than 50 employees to encourage this group in the light of their lower-take up in this group.

3.83 The government is also taking steps to fill the UK's high-level vocational skills gap through higher level apprenticeships. The 2014 Budget announced £20 million over 2 financial years to support employer investment in Higher Education within Apprenticeships up to postgraduate level. This complements the £40 million announced in the 2013 Autumn Statement to fund 20,000 more Higher Apprenticeships over the 2013/14 and 2014/15 academic years. As announced in the Autumn Statement 2014, from April 2016 employers will not have to pay National Insurance Contributions (NICs) in respect of all but the highest earning apprentices aged less than 25. This is in addition to the removal from April 2015 of employer contributions for most workers aged less than 21. As the Commission noted in its 2015 Country Report, this increase in funding for higher apprenticeships is a welcome contribution towards a rebalancing of the apprenticeship programme towards higher skills.

3.84 Budget 2015 announced the introduction of an Apprenticeship Voucher, which will put employers in control of the government funding for the training apprentices need. The new mechanism, which will be developed and tested with employers and providers immediately and fully implemented from 2017, will give employers the purchasing power to have an even greater say in the quality, value for money and relevance of the training that their apprentices receive.

Graduate Talent Pool

3.85 Graduate internships can offer businesses a short-term boost and an opportunity to benefit from the knowledge and skills that graduates can bring to the workplace. The government-funded Graduate Talent Pool[5] (GTP) is a one-stop website that brings together employers looking to take on interns and recent graduates seeking an internship. By simplifying the recruitment process, GTP aims to break down barriers which prevent employers, particularly in smaller businesses, from offering graduate opportunities. Since it began in July 2009, GTP has helped to expand the graduate internship market, attracting over 61,000 internship vacancies, of which the great majority have been paid. By end January 2015, over 10,000 employers and 110,500 graduates had registered to use the free service. Due to its success, especially around the quality and number of paid internships, government support has been extended until March 2017.

Traineeships

3.86 Traineeships for ages 16 to 23 give young people the skills and work experience they need to compete successfully for an Apprenticeship or other job. At their core are work preparation training, English and maths and a high quality work placement. In the academic year 2013/14 there were over 10,400 starts of which some 7,000 were aged under 19. Hundreds of employers are already offering work experience placements and we have seen commitments from major national employers thousands more over the coming years.

Devolved administrations

Northern Ireland

3.87 A key priority for the Department of Education (DE) is to ensure that our children and young people have the knowledge, skills and attitudes to succeed and do well in work and in life and has a specific focus on improving outcomes in the key skills of literacy and numeracy. DE continues to implement its Count, Read: Succeed Strategy[6] to improve outcomes in literacy and numeracy.

3.88 Specific programmes are being implemented in 2014/15 to improve literacy and numeracy outcomes for children and young people in socially disadvantaged areas. These include the Delivering Social Change Improving Literacy and Numeracy programme,[7] the Community Education Initiatives Programme,[8] a professional development programme for teachers of English and Mathematics across Key Stages 2 and 3; and the Education Works advertising campaign[9] that promotes the value of education and its contribution to the economy thereby raising aspirations.

3.89 DE has a range of intervention programmes in place to help to address the level of employability skills in young people. One such initiative involves Young Enterprise Northern Ireland (YENI). Its interventions are expected to reach 68,050 pupils in 2014/15. YENI offers 20 programmes which help to build the skills of young people. There are 3 main types of programme offered: company based programmes (where young people run their own business); masterclass industry events (young people develop business plans for specific industries and

5 www.direct.gov.uk/graduatetalentpool

6 http://www.deni.gov.uk/count_read_succeed_a_strategy_to_improve_outcomes_in_literacy_and_numeracy.pdf

7 http://www.ofmdfmni.gov.uk/improving-literacy-and-numeracy

8 http://www.niesis.org/resources/5891/5907_5891_89_Annex%20A%20CEIP%20Programme%20Specification.pdf

9 http://www.nidirect.gov.uk/education-works

meet with entrepreneurs from that sector); and classroom based programmes (structured activities developing business skills with volunteers from business). Engaging with business stakeholders is key to the success of these initiatives and the business community has expressed its desire to engage with young people to ensure that they have the skills that that the business sector require.

3.90 Improving employability and the level, relevance and use of skills is an objective of the Northern Ireland Economic Strategy[10]. In post-primary schools the flexibility offered by the Entitlement Framework[11] (EF) means that schools can plan their curricular offer to meet the needs of both young people and the economy, while continuing to develop the skills young people need for the world of work. Skills such as creativity, entrepreneurship, problem-solving and working with others are developed alongside literacy, numeracy and ICT which are fundamental for all young people. The EF is about putting the needs, interests and aspirations of the pupil first. Since September 2013, every pupil in every post-primary school is entitled to access a wide range of courses, both applied and general, that are economically relevant and have clear progression routes to education, training and employment. The EF is a key education policy for raising standards; young people who see their time at school as relevant are more likely to remain engaged with their education and more likely to succeed and achieve their full potential. This in turn contributes to raising standards; increasing staying on rates; improving the life chances of individuals; and, impacting positively on the economy.

3.91 The Northern Ireland Executive agreed a cross-departmental strategy for those young people in the Not in Education, Employment or Training (NEET) category, 'Pathways to Success'[12] in May 2012.

3.92 The strategy is made up of a 3 tier package aimed at:

- preventing young people missing opportunities for Education and Training, and/or becoming unemployed
- helping young people in the 16-18 age group, especially those facing barriers
- assisting unemployed young people aged 18-24 more generally

3.93 The strategy contains an Action Plan which pulls together these tiers and actions across departments and supports implementation. This is supported by a delivery infrastructure including the NEET Advisory Group which is chaired by DEL, and brings together key decision makers from government departments, voluntary and community, education, health, social care and business sectors and local government.

3.94 A formal evaluation was undertaken by the Centre for Economic & Social Inclusion, with a final evaluation report due at the end of February 2015. The outcome of this will inform a refresh of the strategy going forward.

3.95 The Department for Employment and Learning is taking the lead on United Youth – a good relations programme that will provide flexible, high-quality, young-person-centred opportunities for 16–24 year olds who are not in education, employment or training. The programme is a key commitment in the Northern Ireland Executive's 'Together: Building a United Community' Strategy. Funding has been secured via the Change Fund to deliver a number of pilots. Over 150 concept proposals from a wide range of sectors were received, and 50 organisations have been invited to work with the department and hone their proposals into pilot applications. Following

[10] http://www.northernireland.gov.uk/ni-economic-strategy-revised-130312.pdf
[11] http://www.legislation.gov.uk/nisi/2006/1915/contents
[12] http://www.delni.gov.uk/del-pathways-to-success-v6.pdf

this, the department will fund around 10 pilots to move into delivery mode later in 2015, prior to the anticipated full roll-out of the programme in 2016.

3.96 In June 2014, DEL published a new Apprenticeship Strategy for Northern Ireland[13] which aims to significantly reform the apprenticeship system in Northern Ireland by raising the skills level and widening the range of occupations where apprenticeship opportunities are offered. Elements of the new system are currently being tested, with a view to Northern Ireland's new approach being fully operational by September 2016.

3.97 Similarly, the department published the interim report and consultation document for the Review of Youth Training[14] in November 2014. Following the consultation period, a final strategy for youth training is being developed for publication in Spring 2015, outlining how the new system will be implemented in 2016/17.

3.98 The review seeks to target support as effectively as possible, on the needs of both young people and employers, by matching training provision to the needs of individual sectors. The review will also seek to align training provision to wider economic priorities.

Box 3.B: Stakeholder focus: Delivering Social Change Improving Literacy and Numeracy

The Delivering Social Change Improving Literacy and Numeracy programme has seen the recruitment of 269 full-time equivalent teachers placed in 291 schools (151 primary schools and 140 post-primary schools). Schools have been able to provide additional support to 9,700 pupils in the first year of the programme in either English and/or maths. Anecdotally, Principals are reporting that the programme has been instrumental in enabling more pupils to achieve a Grade C or above in GCSE English/ and or maths and some schools are reporting that pupils who have received support are showing increased confidence across the curriculum.

Scotland

3.99 The Scottish government is helping to shape how Scotland's education system connects young people to the world of work. The Curriculum for Excellence is helping young people develop vital skills for life and work, while colleges are being reformed to ensure the skills people develop will help them find work and grow the economy.

3.100 The Scottish government is committed to helping young people remain and succeed in education, and is investing over £1 billion in Scotland's university sector over 2015-16 to ensure that access to higher education remains free for eligible students. There are 705 more students in Scotland's universities now than in 2006-07. In addition, the Scottish government set a funding floor of £522 million for colleges in 2013-14 and 2014-15, and has committed to increasing this to £526 million for 2015-16.

3.101 Developing the Young Workforce, Scotland's Youth Employment Strategy[15] launched in December 2014, is building on this foundation. It will strengthen the links between schools, colleges and employers, ensuring young people can leave school with a host of work-related skills, qualifications and experience that equip them for their next step, whether that is training, further or higher education, or employment, and future economic success.

3.102 The Scottish government has also retained the Education Maintenance Allowance (EMA) in Scotland to provide financial support to eligible 16-19 year olds from the lowest-income

[13] http://www.delni.gov.uk/securing-our-success-the-ni-strategy-on-apprenticeships.pdf

[14] http://www.delni.gov.uk/index/review-of-youth-training

[15] http://www.gov.scot/Resource/0046/00466012.pdf

families to enable them to continue to stay in education and learning beyond the school leaving age (16). In academic year 2012-13, £27.8 million of funding was provided to support 35,515 young people. Over a third (34%) of all school pupils in Scotland received an EMA payment, with 25.6% of all EMA recipients living in Scotland's most deprived areas.

3.103 The Opportunities For All commitment[16] ensures an offer of a place in education or training for all 16-19 year olds who are not currently in education, employment or training. Supported by £30 million of funding over 2012-15, it builds on the Curriculum for Excellence senior phase process which ensures all young people are supported to plan for and take up an offer of further learning, training or employment before leaving school. 90.0% of school leavers were in a positive destination (that is were participating in learning, training or work 9 months after leaving school) in March 2014, up from 89.5 in 2013. Sustained positive destinations have continued to rise year on year from 84% in 2007/08.

3.104 The Scottish government's Modern Apprenticeship (MA) programme is designed to be responsive to employers' needs. There were 25,284 new Modern Apprenticeship starts in 2013-14, exceeding the Scottish government's target for the provision of 25,000 MAs per year. In total, the Scottish government has delivered over 150,000 new Modern Apprenticeship starts since 2007, and is now committed to delivering 30,000 MAs each year by 2020. Employers are highly satisfied, with 96% saying that MA participants are better able to do their jobs after completing the MA programme.

3.105 In partnership with Skills Development Scotland, the Scottish government funded 17,370 people through the Employability Fund over 2013-14, to help develop skills and support their pathway into work and further training. The fund is focussed on providing high quality work experience and is designed to be responsive to local employer demand.

3.106 Almost £90 million is being invested in helping Scotland's young people into work and supporting small business growth, as part of record funding bringing together the Scottish government, local authorities, the Convention of Scottish Local Authorities, the European Budget and employers. This funding package, launched in June 2013, consists of the £50 million Youth Employment Scotland Fund and the £37.85 million SME Growth Programme.

3.107 The Scottish government is marshalling a range of additional funding to support youth employment over 2012/13 – 2014/15. This includes £7.1 million for the third sector to create up to 1,400 jobs through Community Jobs Scotland; £5 million to support up to 2,500 young people into employment opportunities linked to major events; £1 million to offer loans to young entrepreneurs through the Princes Trust; and £4.6 million to support a variety of graduate support programmes, including Adopt and Intern and the Graduate Recruitment Incentive.

[16] http://www.gov.scot/Resource/0040/00408815.pdf

Box 3.C: Stakeholder focus: Developing the Young Workforce

In January 2013 Scottish ministers established the independent Commission for Developing Scotland's Young Workforce, chaired by Sir Ian Wood. The Commission, which was tasked with improving Scottish education and training, and encouraging employers to employ more young people directly from education, published its final report in June 2014.

The Commission produced 39 recommendations, which have been accepted by the Scottish government and are being implemented through a 7-year national programme. The Scottish government's full response was set out in Developing the Young Workforce, Scotland's Youth Employment Strategy, and is supported by £12 million of funding in 2014-15, and a further £16.6 million for 2015-16.

The strategy, jointly with local government, outlines activity to ensure young people have access to a broader range of learning options, improving and extending careers advice and work experience, and ensuring that skills and training provision is shaped and supported by employers.

A National Advisory Group, chaired jointly by the Cabinet Secretary for Fair Work and Skills, and the COSLA spokesperson for education, children and young people provides senior stakeholder and political support for the activity. Progress against the implementation plan is measured by the Programme Board, chaired from within the Scottish government and drawing its membership from local government, the college sector and industry. The establishment of regional groups to support stronger employer engagement in shaping skills and training for young people in Scotland is led by the National Invest in Young People Group, chaired by Rob Woodward (Chief Executive of STV).

Wales

3.108 The Welsh government's programme for government sets out some key measures to prevent young people from disengaging from learning and help support them with entry to the labour market.

3.109 Jobs Growth Wales launched in April 2012 and is a £87.5 million project which aims to create 16,000 job opportunities across Wales over 4 years. The programme is aimed at young people aged 16-24, giving them valuable work experience for a 6-month period, paid at or above the National Minimum Wages between 25 and 40 hours per week. The ambition for the programme is that the job opportunities will be sustained by the employer after the 6 months period. Employers are reimbursed the wages and the NI contributions at the National Minimum Wage for the contracted hours for the participant. As at January 10 2015, the latest figures show that:

- 5,159 job opportunities have been filled against a target of 4,000 for the year
- 14,340 job opportunities have been filled since the start of the Programme
- Since the start of the Programme, 17,139 job opportunities have been created against a target of 16,000

3.110 Jobs Growth Wales bridges the gap between Welsh government training programmes (Traineeship and the new Work Ready programme formally known as Steps) by offering direct progression onto a Jobs Growth Wales job opportunity. After the 6 months Jobs Growth Wales job opportunity a young person, if eligible, can then progress on to the Young Recruits programme (Apprenticeship).

3.111 The Traineeships Programme (for 16-18 year olds), which commenced in August 2011, supports young people to gain sustained employment by helping them with their confidence and motivation, and looks to address barriers to learning – all of which may prevent a young person moving into employment or learning at a higher level. The programme seeks to improve skills levels by the delivery of NVQs in their chosen occupational area and progress young people into employment, or learning at a higher level.

3.112 For year 2 (2012/13) progression statistics show that 67% of leavers from the Traineeship programme had a positive progression. This is a slight improvement over the first year which showed 63% of leavers had a positive progression.

3.113 The employability programme, Work Ready, aimed at adults aged 18 and above, is a newly established programme to replace the Steps-to-Employment adult programme and aims to support the development of adults, by building confidence, improving employment skills and offering valuable work experience with a view to the individual entering sustained employment. The latest data (2011-12) for the Work-Ready predecessor programme (Steps-to-Employment) showed that 50% of learners leaving the programme had a positive progression.

Box 3.D: Stakeholder focus: Jobs Growth Wales

Jobs Growth Wales is a Welsh government initiative designed to tackle youth unemployment in Wales. Part funded by the European Social Fund, it is addressing a key barrier that young people face in their search for work, namely, how they can secure the relevant work experience employers require when they are recruiting.

Jobs Growth Wales caters for young people that are ready to work but have had difficulty securing employment. The Programme provides unemployed young people aged 16-24, with a job opportunity for a 6 month period paid at national minimum wage or above for a minimum of 25 hours per week. The jobs created are additional and not replacements for positions that would have otherwise been filled. The aim is for all of the job opportunities to be sustained by the employer after the 6 month opportunity has been completed.

Since its launch in April 2012, Jobs Growth Wales has created 16,888 job opportunities with 14,094 young people filling these jobs. At the end of their 6 month job placement, 82% of young people in the private sector strand of the programme progressed into employment, an apprenticeship or further learning.

Jobs Growth Wales has several success stories, one of whom is Newport based Bisley UK; a supplier of office furniture. The company accessed Jobs Growth Wales to recruit 5 employees who, at the end of the 6 month period, were all retained on apprenticeships with the company. As a result, the recruits have been able to develop the essential knowledge, skills and experience for future employment whilst simultaneously helping Bisley UK to grow.

Low-income households, child poverty and childcare

Recommendation 4

Continue efforts to reduce child poverty in low-income households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare.

3.114 The government has continued to tackle the root causes of families or households being in poverty. As part of its long-term plan to build a stronger, more competitive economy and a fairer society, the government has maintained action to tackle these causes by:

- raising incomes by helping people get into work and making work pay
- supporting the living standards of low-income families
- raising the educational outcomes of poorer children

3.115 Some aspects of employment and labour market policy as they relate to the welfare and social security systems remain reserved responsibilities of the government. However, most policy relating to economic development, with its obvious link to employment and skills policies, is a devolved responsibility. Details of the policies being implemented by the Northern Ireland Executive, Scottish government and Welsh government are included in this section.

Jobless households

3.116 The Working and Workless Households 2014 Statistical Bulletin recorded that for the UK the percentage of households where no adult works was 15.9%, down 1.4% from a year earlier – the fourth consecutive fall and the largest fall since comparable records began. The percentage of households where all adults work was 55.3%, up 1.5% on year. Focusing on workless households, the majority were households where all members were inactive and these accounted for 12.4% of all households (12.0% if student households are excluded). A further 2.1% of households were where every person was unemployed and 1.4% of households had a mixture of unemployed and inactive people.

3.117 The number and percentage of children living in workless households continues to decline. Around 1.5 million children live in workless households, down 132,000 on year. Between 2013 and 2014, the percentage of workless lone parent households with dependent children fell by 3.7%, another record fall since comparable records began. Of all households with dependent children, 11.0% were workless, which is a fall of 1.2% on year, compared with 19% of households without dependent children.

3.118 Comparing lone parents and couple households with dependent children, the latter have a much lower chance of being a workless household. In 2014 around 4.3% of couple households with dependent children were workless, much lower than the 32.6% for lone parent households with dependent children.

3.119 More than 60% of lone parents with dependent children were in employment. For women in a couple, the employment rate for those with dependent children was higher than for those without: 71.9% compared with 67%. Similarly, a greater percentage of people with dependent children were employed than those without: 79.1% compared with 69.5%, in part reflecting age differences and retirement.

Universal Credit and reforms

3.120 The roll-out of Universal Credit has continued, as part of the government's strategy to help families and households increase their incomes through work. Universal Credit aims to make work pay and provide an effective route out of poverty, reducing the number of workless households by reducing the barriers to work that exist in the current system of benefits and tax credits. Universal Credit will bring improved financial incentives with increased simplicity and a smoother more transparent reduction of benefits as earnings start, or as they increase on progression in work.

3.121 Given the scale and importance of the Universal Credit reform, the government's priority continues to be safe and secure delivery of the programme. Following pathfinder implementation in areas of the country, the national roll-out of Universal Credit for single people began in February 2015, with Universal Credit available in 1 in 3 Jobcentres by the spring. Expansion to couples started in North West England on 30 June 2014, and to families from 24 November, providing parents with stronger incentives and support to get into work and earn more money. Overall, Universal Credit is now available to single claimants in over 100 jobcentre areas; to couples in 96 and to families in 32 jobcentre areas. In November 2014 a controlled test of the Universal Credit enhanced digital delivery service for all claimants went live in Sutton, London. This is significant because the main route to access Universal Credit will be through digital channels, which will put the claimant more in control of accessing and managing their benefit.

3.122 Throughout the national expansion of Universal Credit during 2015 and early 2016 the Department for Work and Pensions (DWP) will be working in partnership with every local authority in Great Britain to ensure that claimants get any additional help they might need, and that stakeholders are prepared for wider expansion. Claims to existing working age benefits will be converted to Universal Credit starting in 2016, and new claims to existing benefits, including Housing Benefit, will cease by the end of 2017.

3.123 Controlled delivery of Universal Credit makes it possible to monitor, test and learn from experience. This 'test and learn' approach is able to drive continuous improvement of the service, ensuring it is built on experience from early Universal Credit delivery and evidence from this and related testing. Further Universal Credit test and learn initiatives recently announced to support households include trialling aspects of multi-agency co-operation, Work Coaches, in-work progression pilots, early support for those who need extra help and testing of enhancements to the digital delivery service, all of which will support a safe landing of Universal Credit.

3.124 On 22 October 2014 DWP published 'Universal Credit at Work'[17] a comprehensive report which outlines progress to date and details some encouraging early results, not just for those claiming it but for the wider economy. The report confirmed evidence from a range of sources that Universal Credit is on track to deliver results.

3.125 The recent government progress report 'Universal Credit at Work Spring 2015'[18] published 18 February 2015 contains the latest evidence on the early employment impacts of Universal Credit. In summary, the findings demonstrate that Universal Credit claimants are more willing to take a job, do more to find work and are more likely to be in work. Taken together, the evidence and implementation reinforces confidence that at this early stage Universal Credit is beginning to deliver economic impact as the service expands nationally.

[17] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368805/uc-at-work.pdf

[18] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403875/uc-at-work-spring-2015.pdf

Child poverty

3.126 The government is committed to its goal of ending child poverty in the UK by 2020. The Child Poverty Strategy outlines its plans to tackle the root causes of poverty, including worklessness, low earnings and educational failure. This approach reflects the reality of child poverty in the UK today and is the only way to achieve lasting change to protect the poorest in society.

3.127 Alongside its strategy the government has published an in-depth evidence review which identifies what leads families to be stuck in poverty and what leads poor children to become poor adults. It believes that by identifying and understanding the root causes of child poverty, now and across generations, it can target action effectively. The government believes the evidence is clear that work remains the best route out of poverty; children are around 3 times as likely to be in poverty if they live in a workless family.

3.128 Progress has been made in tackling the root causes of child poverty. Employment continues to rise and the number of children under 16 in workless households has fallen by 387,000 in less than 5 years. The number and proportion of children under 16 in workless households is now at the lowest levels since records began.

3.129 Measures to help make work pay and tackling low pay include:

- reducing tax for millions of people with a series of 6 increases to the personal tax allowance, from £6,475 in 2010 to £10,600 from April 2015 onwards. By April 2015 the personal allowance increases since 2010 will have cut income tax for those working full time on the minimum wage by over 3 quarters. Budget 2015 announced that the personal allowance will be increased to £10,800 in 2016-17 and to £11,000 in 2017-18
- increasing the National Minimum Wage to £6.50 per hour from October 2014, an increase in the adult rate of 3%, and the biggest cash increase since 2008, has increased the pay of more than one million workers. Budget 2015 announced the National Minimum Wage rate will increase by 3.1% to £6.70 from October 2015, representing the largest real-terms increase since 2006

3.130 The government is supporting the living standards of poor families by:

- reducing costs of living, for example by reducing the typical energy bill this year by around £50 on average and extending the Warm Home Discount to 2015/16
- tackling rising housing costs by increasing the supply of new housing. Next Parliament we will build more new affordable homes than during any equivalent period in the last twenty years - 275,000 over the 5 years from 2015-2020
- increasing access to affordable credit through expanding credit unions and cracking down on pay day lending (including by imposing a cap on the cost of credit)

3.131 Measures to increasing children's educational attainment include:

- continued investment in the Pupil Premium, which is worth £2.5 billion in 2014-15, and reforming school accountability for this funding so that it is directed effectively, and introducing targeted support through summer schools
- introducing an Early Years Pupil Premium, worth £50 million in 2015-16 for nurseries, schools and other providers of government-funded early education to

help ensure 3 and 4 year olds from the most disadvantaged backgrounds get the best start in life

- providing free school meals for all infant school children from September 2014
- improving teacher quality by raising qualification requirements, introducing rigorous new Teacher's Standards, investing in Teach First and incentivising and rewarding high performing teachers by linking pay to performance
- funding 15 hours of free early education places a week for all 3 and 4 year olds and extending 15 hours of free education and care a week to 260,000 2 year olds from low income families. By November 2014 around 92,000 of the most disadvantaged 2-year-olds were receiving up to 15 hours a week of fully-funded childcare

Childcare services

3.132 Providing help with the costs of formal childcare, and improving access to childcare, continues to be at the forefront of government policies. The government is taking further action on childcare reforms in order to increase the supply of places, introduce a simpler inspection regime, and improve financial support to parents. This is in recognition that, for many parents, formal paid-for childcare is essential both to lift them out of worklessness and to allow them to progress once in work.

3.133 Women's participation in the labour market continues to increase. On the latest Eurostat figures the UK employment rate for women is 67.2%, significantly higher that the EU average of 60%. More recent national statistics (Oct-Dec 2014) show that 14.47 million women are now in work, an increase of 65,000 on quarter and 320,000 on the year. They also show falls in both unemployment and inactivity levels for women (unemployment level down 50,000 on quarter, 205,000 on year, inactivity down 25,000 on quarter, 74 000 on year).

3.134 In 2016 the government will further increase childcare support within Universal Credit by £200 million, which is equivalent to providing 85% of childcare costs for a lone parent or both parents in a couple working and paying income tax. This equates to a monthly cap of £646 for one child and £1,108 for 2 or more children. Around 500,000 lone parents in work will see a greater incentive to increase work by only a few hours a week. Universal Credit will help lone parents, who are mostly women, work a small number of hours, as for the first time support for childcare costs will be available for those working less than 16 hours per week.

3.135 From January 2015 the New Enterprise Allowance scheme, which offers money and support to help people benefits start businesses, will be extended to dependent partners, enabling those with childcare responsibilities to access the scheme.

3.136 The Childcare New Business Grants Scheme boosts the provision of childcare in England. It encourages and supports the start-up of new childcare businesses by providing a flat rate start-up grant of £500 for those planning to start a nursery or to look after disabled children, and £250 for prospective child-minders. Free mentoring and advice is also available under the scheme. So far 6,000 applications have been made to the scheme and 4,900 applicants have already received a grant. Feedback from applicants has been extremely positive, and in November 2014, it was announced that the scheme would be extended again with a further £2m investment for the year 2015-16 (April to March).

3.137 A survey of childcare places in 2013, shows there are an additional 230,000 places (in full day care, sessional, childminders, nursery schools and primary schools with places with and without nursery classes) compared with 2009.

Devolved administrations

Northern Ireland

3.138 The Child Poverty Act 2010 required the Northern Ireland Executive to publish and lay before the Assembly a Child Poverty Strategy. The Child Poverty Act also requires that we prepare and publish annual reports on the Strategy. A Child Poverty Strategy 'Improving Children's Life Chances' was published in March 2011, annual reports have been produced each year. Progress has been monitored against the targets within the Child Poverty Act 2010.

3.139 In 2012, the Office of the First and deputy First Minister (OFMDFM) commissioned the National Children's Bureau to assist in establishing an approach for bringing together government departments to help understand their role in terms of reducing child poverty. This resulted in significant research and consultation with stakeholders across government departments and statutory, community and voluntary sectors, an International Review was also undertaken. A Child Poverty Outcomes Framework was published in October 2013. This Framework set out a proposed outcomes-based approach and potential indicators. OFMDFM have adopted this approach as a key element of the new proposed Strategy 2014-17. This approach will allow us to better assess performance and focus on outcomes that we intend to achieve.

3.140 Child Poverty rates in Northern Ireland have been falling since 2009/10. The 2014-17 Child Poverty Strategy will be published early 2015. The Strategy has been informed by public consultation (including direct consultation with children and young people, parents and other stakeholders) in 2014 and seeks to reduce both the number of children in poverty and the impact of poverty on children.

3.141 The Strategy is fully integrated into the Delivering Social Change Framework. Children and Young People and their families are very much the focus of the Delivering Social Change Signature Programmes. The delivery of these Programmes has seen: (1) 20 Nurture Units become operational in 20 Primary Schools across Northern Ireland. These units are helping to support the social, emotional and behavioural development of young children and provide an opportunity to challenge some of the barriers which can contribute to low educational attainment; (2)The Literacy and Numeracy programmes deliver additional teaching support to pupils in Primary and Post Primary schools who are most at risk of underachieving in English and Maths at critical stages of their education; (3) A suite of Parenting Support Programmes which provide high quality intervention support to both new and existing parents living in areas of deprivation; (4) Family Support Hubs established to support families in overcoming challenges; (5) Community Family Support Programmes help families who are not in Education, Employment or Training to make life changing decisions to enhance their prospects.

3.142 A lot of work has been undertaken, across departments, since the publication of the Executive's 2011-14 Child Poverty Strategy. Much of this has been documented in Annual Reports. Tackling poverty and disadvantage continues to be a priority of the Northern Ireland Executive.

3.143 Learning to Learn[19] – A Framework for Early Years Education and Learning was published in October 2013. The overall policy aim was that all children have opportunities to achieve their potential through high quality early years education and learning experiences, the objectives and principles provided a framework for action to deliver improved outcomes.

3.144 The framework detailed 12 key actions aimed at raising standards, narrowing the gap in achievement, developing the education workforce, improving the child's learning environment

[19] http://www.deni.gov.uk/english_a_framework_for_ey_education_and_learning_oct_13_tagged.pdf

(including the home learning environment) and transforming the governance and management of education.

3.145 The framework provided a clear policy focus for the Department of Education and its delivery bodies, where investment in early years education and learning is directly linked to supporting high quality services across a range of providers to deliver better outcomes for children and families.

3.146 Sure Start[20] works with parents and children aged 0-4 offering family support and a range of learning and health focussed services within the most disadvantaged areas in the north of Ireland, as defined by ward boundary. 39 Sure Start projects provide services to over 34,000 children under 4 and their families within at least the top 20% most disadvantaged wards. A Sure Start project can cover several electoral ward areas. All children aged 0-4 and their families within the catchment area of each Sure Start can access services, as provision is universal within the targeted areas. The main objectives of Sure Start are to improve the ability to learn, improve health and improve social development.

Box 3.E: Stakeholder focus: Sure Start

Child poverty statistics show that the level of child poverty in Sure Start areas is significantly higher than the Northern Ireland average (at 33% in Sure Start areas compared to the Northern Ireland average of 22%). Early intervention support in these children's lives is beneficial in order to reduce the risk of social problems later in life.

The Sure Start Development programme for 2-3 year olds is operational in Sure Start projects and it aims to enhance the child's social and emotional development, build on their communication and language skills, and encourage their imagination through play. It is designed for young children in their penultimate pre-school year, focusing on age appropriate constructive play in group settings. Parental involvement is a key component of the programme.

Of the £25 million invested in Sure Start in 2014/15, approximately £4 million supports the Sure Start Developmental Programme for 2-3 Year Olds. There are currently 142 programmes in place, offering a service for 12 children per programme – approximately 1,700 children in total.

There is a high level of demand for the Sure Start Developmental Programme for 2-3 Year Olds in the Northern Ireland. Feedback gathered from pre-schools indicates that the programme has demonstrable impacts on the social and cognitive development of children who complete the programme.

3.147 Free school meal entitlement was extended from September 2014 so that the same eligibility criteria apply to primary and post-primary pupils. This means that from September 2014 post-primary pupils from lower income families have been supported with access to this benefit, and the associated school uniform grant, in the same way as primary pupils. Around 12,000 additional pupils have become eligible as a result.

3.148 The Youth Employment Scheme[21] (YES) introduced in July 2012, offered a new range of measures to address youth unemployment. The focus was on early intervention for young people aged 18 to 24. Measures include Work Experience placements, Skills Development

[20] http://www.nidirect.gov.uk/sure-start-services

[21] http://www.delni.gov.uk/index/finding-employment-finding-staff/fe-fs-help-to-find-employment/employment-service-support.htm

Programmes and an Enhanced Employer Subsidy. The scheme engages directly with employers who are interested in assisting and supporting young people. At 31 January 2015 a total of 15,476 placements were secured. This figure is 23% above the 3 year target value of 12,600. Entry to the scheme has now been paused. This is due to the success of the scheme and budgetary constraints. A refreshed YES will be available from April 2015.

3.149 First Start,[22] introduced in November 2012, provides supported employment for up to 26 weeks for young people aged 18-24 year old. Employers receive a weekly waged subsidy of £120 per week for 18-20 year olds or £155 per week for 21-24 year olds. Participants must be claiming Jobseeker's Allowance and have been unemployed for a minimum of 26 weeks. It offers waged opportunities within either the private, public or community/voluntary sector. Young people employed via First Start receive at least the National Minimum Wage and become an employee of the business for the period of employment. First Start aims to deliver 1,700 job opportunities by March 2015. While validated information is not yet available, management information collected on First Start show that at the end of September 2014, over 1,360 young people had availed of supported employment through First Start.

3.150 The Department for Employment and Learning and the Department of Enterprise Trade and Investment have been tasked by the 'Programme for government 2011-15' to develop and implement a new strategy to address economic inactivity in Northern Ireland through skills development and job creation. Measures taken forward under the strategy will focus on engaging those currently facing barriers to employment, and identifying preventative measures to help at risk individuals from disengaging from work. A draft Strategic Framework[23] was agreed by the Executive in December 2013 and an extensive public consultation exercise[24] was concluded in April 2014.

3.151 The consultation endorsed a number of strategic proposals including the target groups of the strategy, the strategic goal and objectives, the framework for action and the voluntary ethos of the strategy.

3.152 Following consideration by the Northern Ireland Executive, it is anticipated that the strategy's implementation will commence in early/mid 2015.

3.153 In Northern Ireland, measures will also be introduced to support those deemed to be impacted by the changes to the welfare system by supplementing their incomes as they adjust to the new arrangements. The scheme will operate over the transitional period and will assist those on low incomes as they adjust to changes to their benefits.

Scotland

3.154 The Scottish government is committed to ensuring that economic growth is sustainable and is shared across all parts of Scotland. To achieve this vision, a number of initiatives are in place to tackle inequalities and give everyone in Scotland support and opportunities to reach their full potential.

3.155 In March 2014 the Scottish government published a revision of the Child Poverty Strategy for Scotland.[25] It confirms ministers' approach to tackling child poverty with 3 key outcomes: maximising household resources; improving children's wellbeing and life chances; and developing well designed, sustainable places for children from low income households to live. The document

22 http://www.delni.gov.uk/index/finding-employment-finding-staff/fe-fs-help-to-find-employment/employment-service-support.htm

23 http://www.delni.gov.uk/economic-inactivity-strategic-framework.pdf

24 http://www.delni.gov.uk/ecomomic-inactivity-report-responses.pdf

25 http://www.gov.scot/Resource/0044/00445863.pdf

sets out an outcomes framework which links key activities, through intermediate outcomes, to the high-level outcomes. In the 2014 Annual Report on the strategy,[26] this has been developed further as a measurement framework that includes the publication of baseline data. The data presented provides an overview of the current position on key outcomes, against which progress in tackling child poverty across Scotland will be measured in future annual reports.

3.156 The Ministerial Advisory Group on Child Poverty is tasked with providing Scottish ministers with advice on priorities and actions relating to Child Poverty. The group act as the advisory body for the revised Child Poverty Strategy. It also provides a forum for the discussion of evidence, dissemination of good practice and the development of new thinking to support the delivery of the strategy.

3.157 Through the Children and Young People (Scotland) Act,[27] the Scottish government is investing £329 million over the next 2 years to expand early learning and childcare to 600 hours per annum for 3 and 4 year olds; and in August 2014, we expanded this to the most vulnerable 15% of 2 year olds (this includes those who are looked after; under a kinship care order; have a parent appointed guardian; or, are from workless or job seeking households). These measures will be expanded to 27% of 2 year olds based on free school meal eligibility from August 2015. As well as increasing the number of funded hours, the Act will also increase the level of flexibility of the entitlement, to better meet the needs of young children and parents seeking to balance their childcare responsibilities with work, study or training commitments.

3.158 To further support families with young children, £70.5 million revenue funding has been committed over 2 years to provide all Primary 1 to Primary 3 children in Scotland with free school meals. The measure was implemented in January 2015, and is expected to benefit around 135,000 children and will deliver a saving for families of at least £330 per year, helping to protect household incomes.

3.159 Getting it right for every child[28] (GIRFEC) is a national programme that aims to improve outcomes for all children and young people in Scotland. A key element of GIRFEC is allocating a named person for every child from birth until they are 18 or leave school, whichever is later. The named person is the first point of contact for families if they need advice and support, or for anyone with concerns about the child's wellbeing. The allocation of a named person for every child has been embedded in legislation through the Children and Young People (Scotland) Act.

3.160 The Early Years Collaborative[29] (EYC) was launched in October 2012 and supports the delivery of evidence based approaches which will make a real difference for all of Scotland's children and families. The objective of the EYC is to accelerate the conversion of the high level principles set out in the Getting It Right for Every Child programme and the Early Years Framework into practical action, with the aim of:

- delivering tangible improvement in outcomes and reduce inequalities for Scotland's vulnerable children
- putting Scotland squarely on course to shifting the balance of public services towards early intervention and prevention by 2016
- sustain this change to 2018 and beyond

3.161 All 32 Community Planning Partnerships from across Scotland are engaged in the Early Years Collaborative. There are 31 pioneer sites leading the improvement work around areas such

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26 http://www.gov.scot/Resource/0045/00457305.pdf
27 http://www.legislation.gov.uk/asp/2014/8/contents/enacted
28 http://www.gov.scot/Topics/People/Young-People/gettingitright
29 http://www.gov.scot/Topics/People/Young-People/early-years/early-years-collaborative

as early support for pregnancy and beyond, child poverty, 27-30 month child health reviews and developing parenting skills. If these themes, known as ‘key changes’, are implemented for every child, every time, this approach will bring about the biggest transformational change in the early years’ experience.

Wales

3.162 Affordable, accessible quality childcare is prioritised in Building a Brighter Future, the Welsh government’s Early Years and Childcare Plan published in July 2013.

3.163 The Welsh government is currently working with sector stakeholders to develop policies and activities to support the childcare sector. The Out of School Childcare Grant supports Local Authorities in providing childcare and play opportunities out of school hours and in school holidays.

3.164 In relation to the workforce, the Welsh government has recently consulted on its Draft 10 Year Plan for the Early Years, Childcare and Workforce in Wales. This has the 3 high level themes of: raising skills and standards across the existing workforce; attracting high quality new applicants; and further development of leadership within the sector. This will continue to raise the quality of the workforce to bring about better outcomes for children in Wales.

3.165 Free, high quality, part-time childcare for 2 to 3 year olds is also provided through Flying Start. The programme delivers support for families with children under 4 years of age, in some of the most disadvantaged areas of Wales. It also encompasses parenting support, an enhanced health visitor service and help for early language development. Flying Start has a key role to play in tackling poverty and is beginning to have a positive impact on families. The Welsh government aims to double the number of children, and their families, benefiting from Flying Start, from 18,000 to 36,000 by 2016.

3.166 It is a statutory duty that all Local Authorities make available a free part-time Foundation Phase place for all children from the term following their third birthday. Part-time is for a minimum of ten hours per week for around the same number of weeks as in the school year (normally 38 weeks). The place can be either in a maintained school, or a non-maintained setting that is approved by the local authority’s Early Years Development and Childcare Partnership. Both are inspected by Estyn. The free part-time place is non-statutory as the child is under compulsory school-age and some parents may decide not to take it up. In planning this provision, local authorities take into account the needs of the individual child and their parents as identified in their local sufficiency assessment, and of course, the level of provision they already have in place. However it is up to the parent/carers to decide if they access this provision although they are encouraged to take up the entitlement as it is beneficial to a child’s development.

3.167 The Children and Families (Wales) Measure 2010 placed a statutory duty on Welsh ministers to publish a Child Poverty Strategy for Wales and to set objectives for tackling child poverty and improving the outcomes of low income families. The Welsh government fulfilled this duty when they published the 2011 Child Poverty Strategy, which covered the period 2011 to 2014. As a result, a Revised Child Poverty Strategy was consulted on between 6 November 2014 and 29 January 2015.

3.168 The 2015 Strategy will be published on 29 March 2015. It reaffirms the Welsh government’s commitment to eradicate child poverty by 2020. It also restates the commitment to deliver the 3 strategic objectives of the 2011 Child Poverty Strategy – and also sets 2 new objectives. Underlying these objectives is a fundamental focus on children’s rights (as set out in the United Nations Convention on the Rights of the Child) and reducing inequalities.

3.169 The objectives of the Welsh government's 2015 Child Poverty Strategy are:

- to reduce the number of children living in workless households
- to increase the skills level of parents and young people in low income families so that they can secure well paid employment
- to reduce the inequalities which exist in health, education and economic outcomes for children and families living in poverty, by improving the outcomes of the poorest
- to use all available levers to create a strong economy and labour market which supports the tackling poverty agenda and reduces in-work poverty in Wales
- to support families living in poverty to increase household income through debt and financial advice, action to address the "poverty premium" (where households pay disproportionately more for goods and services) and action to mitigate the impacts of welfare reform

3.170 The revised Strategy also highlights and strengthens the links with the Welsh government's Tackling Poverty Action Plan. The Action Plan is the key mechanism for delivering the objectives set for tackling child poverty. The Action Plan includes a strong focus on children and young people, with specific targets for improving outcomes in the early years, educational attainment, reducing the number of young people who are NEET, tackling worklessness, and reducing health inequalities.

Access to finance

Recommendation 5

Continue efforts to improve the availability of bank and non-bank financing to SMEs. Ensure the effective functioning of the Business Bank and support an increased presence of challenger banks.

3.171 The government remains committed to making the UK one of the best places in Europe to start, finance and grow a business. Encouraging further private investment in business finance, particularly for SMEs and high growth businesses, is central to the delivery of a sustainable and balanced economic recovery. To support this commitment and build on previous achievements the government continues to take action on access to finance across a number of policy areas including to improve the availability of bank and non-bank financing to SME's and support an increased presence of challenger banks.

3.172 Access to finance is a reserved power to Parliament under the devolution settlements. However, the devolved administrations promote access to finance under the banner of economic development. Details of policies being implemented in Northern Ireland, Scotland and Wales are included in this section.

British Business Bank

3.173 The government established the British Business Bank, (an operationally independent government-owned financial institution as of 1 November 2014), as an economic development bank with the goal of making business finance markets for smaller businesses work effectively and dynamically, allowing them to prosper, grow and build UK economic activity. It aims to create a more diverse and vibrant finance market for smaller businesses, with a greater choice of options and providers, while increasing the total supply of finance available to smaller businesses where markets don't work well.

3.174 The British Business Bank manages all of government's business finance support for small businesses within a single commercially-minded institution, working through and with private sector partners to facilitate lending and investment. It does not finance businesses directly.

3.175 The British Business Bank aims also to ensure that businesses have access to better information about the finance options available to them, and alongside the ICAEW, the Bank recently published the 'Business Finance Guide'. The guide, available online, includes several tools and ideas to help businesses consider their options; make decisions and plan how they will finance expansion.

3.176 The British Business Bank has already delivered significant results – as of 31 December 2014 British Business Bank programmes have supported £1.8 billion of finance to over 48,000 smaller businesses, with a further £1.2 billion of finance to mid-cap businesses .

3.177 The British Business Bank's Wholesale Guarantees Programme was launched in March 2014 to encourage banks to lend to small and medium sized businesses. It is currently in its pilot stage. The programme involves the Business Bank guaranteeing a portion of the second-loss credit risk of a participating bank's small business lending portfolio in return for a fee, making lending more capital-efficient.

3.178 On 10 February 2015, the Prime Minister announced that the British Business Bank will pilot a new programme, under the banner 'Help to Grow', to support ambitious smaller businesses looking for Growth Finance. The Request for Proposal for lenders interested in participating in the pilot was released at Budget 2015.

Box 3.F: Stakeholder focus: The Start Up Loans Company

The Start Up Loans programme is a government funded initiative that forms part of the British Business Bank portfolio, providing start up support in the form of a repayable loan together with a business mentor for entrepreneurs across the UK.

The programme, founded by Lord Young and chaired by businessman James Caan, was designed to help solve the problem of supporting entrepreneurs who have a feasible business idea but no access to finance.

The Start Up Loans Company is a public company limited by guarantees, and operates through a network of Delivery Partners across the country (many of which are Community Development Financial Institutions), who support entrepreneurs in all industries and sectors. They also receive support from Corporate Partners, who offer business benefits to the entrepreneurs involved.

The Start-Up Loans Programme, funded by the British Business Bank, reached the milestone of 25,000 new businesses supported in January 2015.

Export finance

3.179 In response to the economic downturn, UK Export Finance (UKEF) launched new products in 2011 aimed at improving access to finance for exporting SMEs by supporting exports sold on short terms of credit, such as low value manufactured items or consumer goods. To December 2014, under these products UKEF has provided support for 225 companies, of which 190 were SMEs, in respect of export contracts worth over £2 billion. UKEF has provided over £13.7 billion in support overall since 2010/11. In addition, in 2014 UKEF launched its enhanced Direct Lending Facility, doubling the size of the facility to £3 billion and reducing interest rates. As a result of improvements to UKEF's product range, it was rated 9 out of 10 by the British Exporters Association in its annual export credit agency benchmarking exercise; up from 5 out of 10 in 2010 and higher than the average score for EU Export Credit Agencies.

3.180 To support small and medium sized businesses and help them obtain the right trade finance and risk protection solutions, UKEF has 24 specialist Export Finance Advisers across the UK. Additionally, as part of the Exporting is GREAT campaign, UKEF has undertaken targeted direct and digital marketing activities. This has included the launch of enhanced product guides and a bank toolkit that help to explain more simply UKEF's products and services. Through this and close working with UKTI, UKEF is raising awareness of its products and services in the business community.

3.181 Through the Small Business, Enterprise and Employment Bill, the government is seeking to further widen UKEF's powers to support UK companies involved in exporting with the intention of enabling UKEF to support a wider range of UK companies, including those engaged in, or who wish to become engaged in, exporting, and export supply chains.

Improving transparency

3.182 The UK's main banks have put in place an appeals process which allows any business with a turnover of up to £25 million, which is declined any form of lending, to appeal that decision to a separate pair of eyes within the same bank. The process is monitored and scrutinised by an independent external reviewer, supported by a team of independent auditors. This team conducts on-site and off-site monitoring of the banks throughout the year and publishes quarterly and annual reports on the overall effectiveness of the appeals process. The process has now been in place for nearly 4 years. During that time, 35% of appeals on average have resulted in the original decision being overturned. As part of a process of building confidence in the banks' willingness to lend, the banks have recently taken steps to publicise the process in the face of low awareness levels amongst the UK's small business population.

3.183 In the Autumn 2013 the Chancellor commissioned a major new independent survey from the Federation of Small Businesses (FSB) and the British Chambers of Commerce (BCC) to look at the performance of the United Kingdom's (UK) banking sector, as perceived by UK's Small and Medium sized Enterprises (SMEs). The survey, Business Banking Insight (BBI), was launched in May 2014. The BBI is designed to complement, rather than compete with other established surveys, notably SME Finance Monitor, which is commissioned by the Business Finance Taskforce and which focuses on SMEs past and future borrowing intentions.

3.184 The results of the BBI captures more than 50 banks and alternative finance providers, ranking them based on responses from more than 10,000 SMEs on various criteria including: how fair and clear the provider is; their ability to tailor services and products; the value they provide; and their availability of credit. This will enable SMEs to take informed decisions about where they bank and help banks to focus on where they can improve their services to SMEs. The BBI complements the free Business Finance Guide, which was launched in June 2014, and sets out the wide variety of sources of finance available to SMEs to help them consider their options, make decisions and plan how they will grow.

3.185 The government have also ensured that the UK Banking industry is the most transparent in the world by working with banks to release data on the outstanding stock of lending in each postcode. This data release covers lending to SMEs including: loans and overdrafts; mortgage lending; and unsecured personal lending excluding credit cards. This allows challenger banks, smaller building societies, credit unions and community development finance institutions (CDFIs) to find areas where there is a lack of lending so they can offer finance to those customers who are in need of support to help their business grow.

3.186 Budget 2015 announced the British Business Bank will invite expressions of interest from Credit Reference Agencies and finance platforms that wish to be designated by HM Treasury to receive data from banks under powers contained in the Small Business, Enterprise and Employment Bill currently before Parliament.

Funding for Lending Scheme

3.187 The Funding for Lending Scheme (FLS) was launched in July 2012 when bank funding costs were elevated amid financial market volatility in the euro area, and credit conditions were expected to deteriorate for households and businesses. Participants are offered funding for an extended period, with the quantity of funding linked to their net lending performance.

3.188 At Autumn Statement 2014, the government and the Bank of England announced that the second phase of the FLS would be extended by 1 year to 29 January 2016. This extension will maintain support for net lending where such support remains most warranted – for SMEs – and will serve as an insurance against negative shocks to bank funding conditions in 2015. As the European Commission acknowledged in its 2015 Country Report, FLS may have served to stop a further fall in credit supply.

3.189 The FLS has been successful in bringing down bank funding costs and improving credit conditions since its introduction: it has contributed to a substantial decline in bank funding costs, which have fallen by around 150 bps to historic lows; participants have £47.6 billion of drawdowns outstanding, as of end-Q3 2014; and net lending over the first phase of the scheme was £10.3 billion. (2012 Q3 – 2013 Q4).

Non-bank finance

3.190 The government remains committed to facilitate access to non-bank finance for SMEs. Two recent measures highlight the government's efforts to promote a UK Private Placement (PP) market and easier access to equity capital for SME growth companies.

3.191 PPs are unlisted debt instruments (bonds and loans) negotiated privately between borrower and investor. They provide a stable long-term source of non-bank finance for medium sized businesses and infrastructure projects. With the government and the industry working together, the barriers that seem to have held back the private placements market until now are rapidly being dismantled. In December 2014, the government announced a new exemption from withholding tax for private placements, a barrier that has been identified as preventing growth of the nascent UK PP market. The government has further supported 2 industry initiatives. In January 2015, the Loan Market Association published standardised documentation. In February 2015, the International Capital Markets Association's guide gave a further boost to this emerging market by setting out common market standards and practices.

3.192 With 6 major institutional investors now committed to invest around £9 billion in private placements and other direct lending to UK companies over the next 5 years, following the tax measure in December, we are starting to see the beginnings of a lasting private placements market.

3.193 The government is further committed to exploiting the full potential of equity capital for SME growth companies. For this reason in April 2014 the government abolished stamp duty on purchases of shares made on equity growth markets such as the London Stock Exchange's AIM market. The intention of this measure is to improve the financing conditions for smaller and growing UK companies by reducing firms' cost of capital, and to boost investor participation in equity growth markets.

Competition in the banking sector

3.194 The In June 2014, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) published a review of their work of regulatory barriers to entry and expansion in the banking sector. They have reported positive feedback from firms regarding changes to the authorisation process for new banks, and will continue to seek opportunities to make further improvements. The FCA has also established 'Project Innovate', which will explore ways to work with innovative financial firms to help them bring new products and services to the market.

3.195 The government is legislating through the Small Business, Enterprise and Employment Bill to require large banks to refer declined small business finance applications to alternative providers, via online platforms designated by the Treasury on the advice of the British Business Bank. This measure, combined with changes to make it easier for smaller lenders to access credit data held by the large banks, will help small businesses access finance and support competition in this sector of the market.

3.196 The government continues to support measures by the banking sector to make it easier for bank account customers to change providers. In the 2014 Autumn Statement, the government announced that the Current Account Switching Service (CASS) would be extended to cover more charitable organisations and small businesses, reaching 99% of the UK's SME market. The FCA is also conducting a review of CASS which may recommend further changes.

3.197 The Competition and Markets Authority announced in November 2014 that it would conduct a full market investigation of the personal current account (PCA) and small business banking markets, following the conclusion of a market study that found evidence of competition issues. The investigation is expected to report in April 2016.

3.198 Following legislation in the Financial Services (Banking Reform) Act 2013, the new independent Payment Systems Regulator (PSR) will become fully operational from April 2015. The PSR has recently concluded a consultation on its proposed approach to regulation and will publish its policy statement in March 2015, setting out how it will ensure the challenger banks can access these systems on fair terms.

3.199 The government is determined to drive increased competition in the banking market, so that banks, alternative providers and financial technology (FinTech) firms compete vigorously, on a level playing field, to win and retain customers. Budget 2015 announced a package of measures to further support competition in banking, details of which have been published separately in 'Banking for the 21st Century: driving competition and choice'.[30] The lead measures in this package set out the government's approach to establishing a supportive framework for legitimate digital currency businesses and helping FinTech firms gain access to banking data.

Challenger banks

3.200 There is progress in this area with the establishment of 2 new challenger banks in the UK. An initial public offering of TSB (which was created as a result of divestments from Lloyds Banking Group) was conducted in June 2014. The Royal Bank of Scotland Group is also continuing preparations for the divestment of Williams and Glyn, expected to create another standalone challenger bank by the end of 2016.

30 https://www.gov.uk/government/publications/banking-for-the-21st-century-driving-competition-and-choice

Devolved administrations

Northern Ireland

3.201 The Northern Ireland Executive is taking steps to ensure that local businesses have the access to finance they need to invest and grow. Northern Ireland ministers have been engaging with their counterparts in HM Treasury and the Department of Business, Innovation & Skills to progress a number of issues in this regard through the Joint Ministerial Taskforce on Access to Finance (JMT). In particular, work has been taken forward with the British Business Bank (BBB) to help increase Northern Ireland's uptake of national initiatives which has been improving across the board, driven by continued engagement with Northern Ireland lenders and further rollout of funding programmes such as the Start-up Loans programme.[31] These complement the support that is already offered locally in this regard by Invest NI. Overall good progress is being made, with the latest bank lending data for Northern Ireland revealing that new approved borrowing by SMEs, of £407 million in Quarter 3, was the highest quarterly amount seen since this series started in 2010 and some 15% higher than in the same period a year earlier.

3.202 Invest NI has created a suite of funds totalling more than £170 million to help SMEs with high growth potential to realise that potential. Through the suite of funds Invest NI is able to offer a continuum of funding for businesses seeking between £1,000 and £3 million over a series of funding rounds.

Box 3.G: Stakeholder focus: Quinn's Belfast

Quinn's Belfast is a full service trade lithographic printing company that operates 24 hours a day, 7 days a week, creating products including business stationary, promotional material, leaflets, booklets and brochures. The company received a £250,000 loan from the Growth Loan Fund that has enabled it to move into new premises and potentially create 50 jobs over the next 5 years.

Kieran McMurrough, Operations Director said: "We will be using the investment to help fund the acquisition of 2 new printing presses and we have opened a second factory on the Limestone Road. The new presses will improve both our efficiency and on-time shipment performance to assist in driving projected turnover growth."

3.203 The Access to Finance initiative[32] is part of Invest NI's overall suite of funds and has 6 separate funds incorporating 4 equity funds and 2 debt funds all managed on behalf of Invest NI by FSA-approved fund managers. This suite of support will ensure that SMEs and all spectrums of the development cycle have access to financial support through a range of equity investment and debt financed models. The funds are all active and £14.4 million, including private leverage, was offered to 85 SMEs in the first half of 2014/15. Activity levels have ramped up significantly in recent years as the suite of funds has been brought to the market.

3.204 Halo[33] is the Northern Ireland Business angel network, a joint initiative between Invest NI and InterTradeIreland, funded by Invest NI. It is delivered by Northern Ireland Science Park and provides a matching service between companies seeking investors and business angels.

[31] http://www.startuploans.co.uk/scheme-extended-to-northern-ireland/

[32] http://www.investni.com/support-for-business/funding-for-business/access-to-finance-strategy.html

[33] http://www.nisp.co.uk/halo

3.205 The Northern Ireland Executive's response[34] to the Agri-Food Strategy Board's report, Going for Growth,[35] was published in October 2014 and details a number of actions to be undertaken by departments. This includes activities targeting innovation, entrepreneurship and skills to assist those in the agri-food sector, and providing financial assistance to help the industry achieve its growth targets. Proposals to address a number of the recommendations are included in the draft 2014-2020 Rural Development Programme, including a Farm Business Improvement Scheme which proposes major investment in the agri-food sector.

Box 3.H: Stakeholder focus: Teamwear Ireland

Teamwear Ireland Ltd manages the design and running of online, bespoke school and club eShops – enabling clubs to sell branded sports clothing and equipment. The Belfast based organisation received £50,000 from the Northern Ireland Small Business Loan Fund which it will use to invest in new capital equipment and enhance its distribution network throughout Ireland and Europe.

John Anderson, one of the founders of Teamwear Ireland, said: "With the help of the Northern Ireland Small Business Loan Fund, supported by Invest NI and UCI, we're now able to take on distributors and negotiate with suppliers about breaking into new European markets. We have found the Northern Ireland Small Business Loan Fund to be responsive and flexible at an important time in the development of our business."

Scotland

3.206 The Scottish government remains committed to encouraging lenders to increase the supply of affordable finance to support the financing needs of viable Scottish businesses with growth and export potential, and welcomes any increase in lenders to provide diversity and competition, giving businesses greater choice.

3.207 The Scottish government and its agencies are continuing to work directly with existing banks to improve the supply of finance. Advisory support is being made available through Scotland's Enterprise Agencies (Scottish Enterprise and Highlands and Island Enterprise) and Business Gateway, to help companies improve their chances of securing funding. Within this, Scottish Enterprise plan to help between 400 and 500 companies secure growth finance by improving their financial readiness in 2014-15.

3.208 Another initiative has been the establishment of the Scottish Investment Bank (SIB)[36] which delivers risk capital and debt finance support to new innovative technology based companies and growth and exporting SMEs. It works with the wider investment community, in particular Business Angel syndicates. In 2013-14 the SIB invested £32.4 million in 111 companies, leveraging additional investment of £93.3 million from private sector partners. The Scottish Loan Fund, administered by the SIB, aims to provide loan finance to growth and export-oriented companies. To date, the £113 million fund has distributed over £37 million to 19 companies.

3.209 These successful interventions are being made by the Scottish government in a manner that complements and stimulates early stage private sector investor activity, including Angel Syndicates, Venture Capitalists and corporates. This has resulted in a marked increase in the

[34] http://www.dardni.gov.uk/ni_executive_response_to_going_for_growth.pdf
[35] http://www.dardni.gov.uk/going-for-growth.pdf
[36] http://www.scottish-enterprise.com/about-us/what-we-do/sib

supply of capital available to Scotland's young, innovative companies with support to Scottish-based investors enhanced by the introduction of international institutional investors.

3.210 In November 2014, the Scottish government announced a commitment to establish a Scottish Business Development Bank, which will work directly with SMEs and the financial markets to support high growth businesses, boosting innovation and international competitiveness. The bank will build on the success of the Scottish Investment Bank, working alongside our enterprise agencies to help address the needs of those 100,000 small and medium-sized enterprises in Scotland who employ staff, and to grow the number of high growth businesses that Scotland requires.

Wales

3.211 Finance Wales plc, a Welsh government subsidiary, provides debt and equity funding to Welsh businesses with robust business plans and often leverages additional money into those businesses by partnering in investments with the private sector. During 2014, Finance Wales increased its offer from 5 to 7 main programmes (the statistics quoted are from the funds' inception up to 31 December 2014):

- The £150 million Wales Joint European Resources for Micro to Medium Enterprises (JEREMIE) Fund, part funded by the EU. Finance Wales has invested £146 million in 574 businesses and it is proving to be the best performing fund of its type in the UK.
- The £40 million Wales SME Investment Fund, which caters for large and strategically important sections of the SME market that are not eligible for support under JEREMIE. This fund has invested £14.5 million in 57 businesses.
- The up to £100 million Life Sciences Fund specifically targets high growth potential businesses in the sector in Wales. The fund has invested £21.8 million in 6 businesses.
- The £6 million Micro Business Loan Fund supporting the growth of micro businesses, set up in direct response to the report of the Welsh government's Micro-Business Task and Finish Group. This fund has invested £2.54 million in 112 businesses.
- The £10 million Wales Property Development Fund supports small and medium-sized construction companies, which are unable to access finance from traditional sources. This fund has invested £7.29 million in 15 businesses.
- The 2 new funds launched in 2014 were:
    - The £20 million Wales Capital Growth Fund, which provides loans for short-term working capital. The fund has invested £1.8 million in 5 businesses; and
    - The £7.5 million Technology Seed Fund, which provides early stage risk equity capital for technology start-ups and university spinouts.

3.212 During 2014-15, alongside these Finance Wales Funds, the Welsh government offered up to 12 business funding programmes to Welsh businesses. This ranged from Business Finance (main programme to help fund projects delivering job creation) through support for Innovation, to specific sector funding programmes such as the Digital Development Fund, and phase 2 of the Wales Economic Growth Fund 2. This non-repayable grant fund invested £6.4 million in 95 businesses during 2014

National Infrastructure Plan

Recommendation 6

Follow up on the National Infrastructure Plan by increasing the predictability of the planning processes as well as providing clarity on funding commitments. Ensure transparency and accountability by providing consistent and timely information on the implementation of the Plan.

3.213 Since 2010, the government has successfully transformed its approach to planning, tracking and delivering its infrastructure programme in a transparent, accountable and timely manner. Publishing the first ever National Infrastructure Plan (NIP) brought together for the first time the government's vision and approach for the key economic infrastructure sectors.

3.214 The latest iteration of this plan – NIP 2014 – sets out a coherent vision for economic infrastructure in the UK, including delivery plans in key sectors to provide transparency and clarity to investors and the supply chain on the government's strategy to finance and deliver critical projects. It presents a credible overview of the government's infrastructure delivery record since 2010, and seeks to consolidate and build on the progress already made, by providing the clarity and visibility that industry and investors need.

3.215 This includes:

- clear sector delivery plans to 2020 in transport, energy, communications, water, flood defence, waste and science, as well as addressing the longer term challenges in each sector
- details of how infrastructure will be funded and financed, outlining investment opportunities and explaining how the government is delivering infrastructure faster, better and more cost effectively
- progress updates on the government's Top 40 priority infrastructure investments
- an updated infrastructure pipeline of planned investment to the end of the decade and beyond, with expanded scope on planned UK infrastructure investments

3.216 While the NIP consolidates the government's strategy and vision for infrastructure across the sectors and regions, the government has also encouraged the strategic planning of infrastructure at more detailed levels, such as the Infrastructure Capacity Plans that have been put in place to drive forward progress in key infrastructure departments, improving their commercial capability. Certain infrastructure investment powers are devolved to governments in Northern Ireland, Scotland and Wales, and each administration has also developed its own infrastructure plans, complementing the regional breakdown of the National Infrastructure Pipeline to be found in NIP 2014; 38% of the investment in the pipeline is presented on a regional basis.

3.217 The government has also introduced stronger governance, such as the creation of a dedicated Cabinet Committee for infrastructure, chaired by the Chief Secretary to the Treasury and attended by ministers from all the key infrastructure departments, to oversee progress on the infrastructure programme and agree early actions to address obstacles to delivery. These structural changes also embrace stakeholders outside government, such as National Infrastructure Plan Strategic Engagement Forum (NIPSEF). Convened and co-chaired by the Chief Secretary, this forum brings together all strands of infrastructure delivery including financial and advisory, the supply chain, the owners of infrastructure assets and representatives of infrastructure users to provide a medium by which government and industry can work together to push forward the National Infrastructure Plan.

Planning regulation and processes

3.218 The need for swifter, streamlined planning processes was acknowledged by Infrastructure UK's own Cost Review in 2010, whose findings identified the planning system as a major reason for excessive scheme costs compared to other European countries.[37] Improving the efficiency and speed of planning processes, particularly for infrastructure delivery, is a crucial part of creating the right conditions for sustainable growth.

3.219 The government has undertaken a number of steps to improve the planning system over this Parliament, focussing not just on individual measures, but also the institutional frameworks in which these processes are conducted.

3.220 The government established the Major Infrastructure Unit in the Planning Inspectorate to speed up the application process for major infrastructure projects, gathering expertise and devoting specialist resources to infrastructure planning. Similarly, a new Planning Court has been established to speed up the judicial review process. Early outcomes from the court show a significant reduction in the time taken to deal with Judicial Review cases. The important early stage of deciding whether a case has the merit to proceed to a hearing has fallen by around 40% from 15 weeks (in the 12 months to April 2013) to 9 weeks (in the 12 months to September 2014). Furthermore, the time taken from lodging a claim to reaching a decision at a final hearing has fallen by around 30% from 54 weeks (in the 12 months to April 2013) to 39 weeks (in the 12 months to September 2014).

3.221 The Nationally Significant Infrastructure Planning (NSIP) regime and planning processes in general are subject to ongoing streamlining and reform. There has been a radical reduction in planning policy and guidance, with the National Planning Policy Framework reduced from over a thousand pages to fewer than fifty under this government. Improved and updated guidance on Compulsory Purchase Orders was published in draft for comment at Budget 2015. The government has introduced a presumption in favour of sustainable development in the National Planning Policy Framework, and the National Networks National Policy Statement (2015) was recently published to give policy certainty to nationally significant transport projects.

3.222 Efforts have also been made to improve the expertise and familiarity of all those involved with planning processes, including both applicants and officials. On the one hand, the government has published a prospectus to help with the pre-application process, including arrangements for handling early advice provided to the Planning Inspectorate by developers. On the other hand, action has been taken to improve training and practice to ensure greater consistency of examination hearings.

3.223 The Infrastructure Act 2015 has also legislated major improvements to the planning regime. This includes:

- bringing more non-planning consents into a one stop shop process
- creating a more proportionate process for handling changes to Development Consent Orders, post consent
- allowing 2 inspectors for examinations instead of the current stipulation for 1 or 3, saving small schemes around £100,000 per application

[37] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192588/cost_review_main211210.pdf

- allowing for the appointment of the Examining Authority as soon as an application has been accepted, to make processes more efficient

3.224 These reforms are working. The Nationally Significant Infrastructure Planning (NSIP) regime has bedded in well and 97% of all NSIP applications have been approved, with all but one of the decisions reached within the prescribed deadlines. The latest figures show that Town and Country planning approvals are at a 10-year high, with authorities granting 350,000 permissions in the year to June 2014.

3.225 A predictable and streamlined planning regime is complemented by a strong and stable regulatory environment. Moody's Investors Service (a credit rating agency) regards the regulatory regime for electricity and gas networks and water companies in Great Britain as amongst the most stable and predictable in the world, while the OECD Economic Survey 2015 singles out the UK's "robust" regulatory framework for investors in the UK's regulated infrastructure sectors

Funding commitments

3.226 The UK has been at the forefront of developing a mixed model of infrastructure investment where responsibility for funding, financing and delivery is split between the public and private sectors. The national infrastructure pipeline provides clarity on infrastructure investment being undertaken across the UK, with planned investment of over £460 billion to the end of the decade and beyond.

3.227 Publicly financed elements of the pipeline were announced alongside the NIP in December 2014, detailing prioritised capital investment plans and strategic vision for Britain's key infrastructure and growth sectors, including £15 billion investment in the road network and a £2.3 billion programme of 1,400 flood defence schemes. By prioritising vital capital investment in infrastructure, the government has been able to provide long-term funding certainty for the key areas where infrastructure is publicly funded – roads, rail, science and flood defences.

3.228 The National Infrastructure Plan 2014 sets out how the infrastructure pipeline will be funded and financed, with further details on the mix of public and private investment in key sectors. Of the pipeline as a whole, 23% (£107.6 billion) of investment in infrastructure is entirely public investment; 12% (£55 billion) represents a mix of public and private sources; and 65% (£303.4 billion) will be purely private investment. NIP 2014 also provides a detailed breakdown of the £79 billion worth of investment opportunities for private investors for infrastructure projects in the UK to 2020-21, of which £45 billion is in the nuclear sector, and an assessment of current investment trends in UK infrastructure.

3.229 The government's efforts to create an investment-friendly environment to ensure the pipeline's infrastructure projects are funded, financed and delivered on time has been recognised by business and industry. Nabarro LLP's 2013 infrastructure index assessed the UK as number one for attracting investment.[38] In the last financial year (2013/14), the UK reached a total of $1,606 billion (£975 billion) in Foreign Direct Investment (FDI) stock, which is almost $500 billion more than any other European country; over half of this FDI was in infrastructure.

3.230 This investment-friendly environment has been fostered by pioneering a number of policy and finance interventions to facilitate greater private investment in infrastructure. This includes the operation of a strong and stable regulatory environment.

3.231 A particular focus has been on attracting institutional investors. The Pensions Infrastructure Platform was founded as a platform for investment in infrastructure by pension funds. In September the PIP appointed its first Chief Executive to accelerate the development of

[38] http://www.nabarro.com/downloads/Nabarro_Infrastructure_Index.PDF

the organisation and to promote it to all UK pension schemes. The first PIP fund invests in UK PPP/PFI project equity, with a hard cap of £600m. It already has £348 million of commitments, two thirds of which has already been invested in 41 projects. The government also set up the Insurers' Infrastructure Investment Forum to give members of the Association of British Insurers (ABI) a direct communication link to government, exploring ways to maximise opportunities for insurance fund managers to invest in UK infrastructure. In December 2013, 6 insurers – Aviva, Friends Life, Legal & General, Prudential, Scottish Widows and Standard Life – agreed to aim to invest £25 billion in UK infrastructure over 5 years and have already invested more than £5 billion, and are therefore on track to meet this goal.

3.232 The creation of the Green Investment Bank, the world's first investment bank dedicated to accelerating the transition to a green economy, has encouraged investment in innovative, environmentally-friendly areas for which there is currently a lack of sufficient support from private markets. With committed government funding of £3.8 billion by April 2015, the Green Investment Bank has made 22 transactions totalling £734 million, which has leveraged £2.1 billion total funding from private infrastructure investors.

3.233 At the European level, the European Investment Bank is another source of finance for infrastructure projects in the UK. Record lending last year provided nearly £5 billion for investment in water and energy infrastructure, support for improved rail and port facilities, loans to support new hospitals, housing and development of higher and further education across the country. The EIB recently concluded its largest ever single loan for any project in Europe, £1.5 billion for investment in energy infrastructure by National Grid, including the Western Link and London Power tunnels, as well as upgrading transmission infrastructure across the country. The infrastructure pipeline has enabled the UK to be on the front foot in proposing up to £60 billion of investment that could be eligible for support from a proposed €315 billion EU Investment Plan, and the UK's approach of producing a clear, rigorous pipeline across all infrastructure sectors in regarded as exemplary by other EU countries looking to identify planned investment and engage the private sector.

3.234 The UK Guarantees Scheme (UKGS) has also been introduced in a bid to eliminate project financing bottlenecks in the private sector, by sharing project risk through the use of sovereign-backed guarantees. Last year, UKGS underwrote £827 million of senior debt for Greenfield projects in the UK – more than any commercial lender – and over 50 institutional investors, including pension schemes and insurance companies funded infrastructure projects as a result of the UKGS. In its 2015 Country Report the European Commission noted this was a promising development.

Transparency and accountability

3.235 The government prioritises the transparency and accountability of infrastructure financing, and has a strong track-record of holding to account the funding, financing and delivery of infrastructure in the UK.

3.236 The government has committed to and implemented the publication of clear and consistent data on previous and projected expenditure on infrastructure, which has progressively increased over the course of this government, with more and more of this data publicly available. The NIP, published by the government and scrutinised by Parliament, publicly holds to account the country's infrastructure plans at a strategic level, updating and assessing their progress towards timely implementation. NIP13 was complemented last year by a Finance Update published in March 2014.

3.237 In 2013 the government established a Major Infrastructure Tracking (MIT) team within Infrastructure UK. This team allows the government to monitor progress on all significant infrastructure projects, both in the public and private sectors, and use the detailed information it collects to take early action to address any obstacles to delivery that arise. The data that the Major Infrastructure Tracking team collects is used to produce a range of performance metrics and benchmarking that helps identify future targets for investment. In particular, the MIT team monitors the Top 40 priority investments, and key projects and programmes within them, based on their potential contribution to economic growth, their delivery of substantial new or replacement infrastructure with enhanced quality, sustainability and capacity, and their capacity to attract or unlock significant private investment. The MIT team hold to account infrastructure delivery by assessing the progress of specific infrastructure projects towards timely delivery. Around 60% of projects in the Pipeline are in construction or part of an active programme.

Devolved administrations

Northern Ireland

3.238 The Northern Ireland Executive in its programme for government[39] and Economic Strategy[40] promotes further investment in economic infrastructure, including new energy networks. The Northern Ireland Executive is providing up to £32.5 million to support a major extension of the natural gas network to the West of Northern Ireland. The overall project is expected to cost around £200 million and will provide natural gas as an alternative fuel for up to 40,000 business and domestic customers. A licence competition was launched by the Utility Regulator in February 2014, with a licence awarded in February 2015, and work to provide the new gas pipelines is anticipated to commence during 2015.

3.239 Also, a new North-South high voltage electricity link, consisting of a new 275/400kV substation and 33.9km of 400kV overhead transmission line from the new substation to a crossing point on the Armagh / Monaghan border is going through the planning process. The interconnector project is a commercial investment, jointly promoted by Northern Ireland Electricity and EirGrid, the Transmission System Operators in Northern Ireland and the Republic of Ireland respectively. Delivery of the project is critical to management of long term security of supply in Northern Ireland and to achievement of the Executive's commitment to increasing the use of renewable generation for the delivery of electricity.

3.240 Since devolution, the Northern Ireland Executive has taken forward a significant programme of investment in our transport infrastructure. Addressing the infrastructure deficit remains critical to the economic and social prosperity of Northern Ireland and our ability to connect to the single market. While progress has been made, significant challenges remain and our strategic transport network, road, rail and public transport, remains underdeveloped in many parts of Northern Ireland, particularly in the West, when compared with other regions in the UK. This has acted as a significant constraint in realising the economic potential of the Region and our localities. To address this, an integrated programme of investment has been developed to upgrade key elements of the strategic network. Aligning with the TEN T North Sea Mediterranean Core Corridor Work Plan and the comprehensive and core network priorities this will provide a focus for enhancing key east-west corridors such as the A6, addressing strategic bottlenecks through key projects such as the York Street Interchange and enhancing the capacity of our rail network. In addition, key projects such as the Belfast Transport Hub and Belfast Rapid Transit will enhance the regional connectivity and capacity of Belfast to facilitate sustainable growth for the benefit of the wider region. Delivery of these projects will be dependent upon the ability of the Executive to secure the necessary levels of funding.

[39] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf

[40] http://www.northernireland.gov.uk/ni-economic-strategy-revised-130312.pdf

3.241 In building a competitive region, the Executive recognises that we operate in a global and increasingly connected economy. To compete for high value investment and secure competitive access to the single market, there is a need to develop our external connectivity. As a peripheral region with a limited internal market and no land links to other parts of the United Kingdom, we face particular challenges and constraints. The connections our airports provide both directly and via global hubs, such as Heathrow, are essential for future growth. However, our ports remain our key export gateways and it will be important to invest in their connectivity and capacity going forward. Work has therefore been initiated to develop a Strategic Framework for Northern Ireland Ports to review future capacity and investment requirements.

Scotland

3.242 The Scottish government's Infrastructure Investment Plan[41] (IIP) sets out the priorities for infrastructure investment in Scotland up to 2030. The Plan sets out 4 criteria for prioritising investment: delivering sustainable economic growth; managing the transition to a low carbon economy; supporting delivery of efficient and high quality public services; and supporting employment and opportunity across Scotland. A progress report,[42] published in March 2015, highlights that significant progress has been made since the publication of the Plan: over 2014, projects totalling almost £750 million completed construction and are now operational. In addition, projects totalling £75 million completed construction in 2014 which have or will become operational in early 2015.

3.243 As set out in the budget plans for 2015-16, the Scottish government will support almost £4.5 billion of infrastructure investment in 2015-16 through the capital budget, new borrowing powers, the Non Profit Distributing (NPD) pipeline[43], rail investment through Network Rail's Regulatory Asset Base (RAB), and allocating some resource funding to capital assets.

3.244 In order to continue to prioritise capital investment the Scottish government is pursuing a range of innovative financing approaches. In 2014, a further £1 billion of support for infrastructure investment was announced by extending the current NPD programme through to 2019-20. This additional investment will build on the success of the current programme, which is now valued at £3.5 billion.

3.245 The Scottish government's vision is for Scotland to have world class digital connectivity by 2020. The infrastructure investment in the Digital Scotland Superfast Broadband Programme[44] is an important step towards achieving this. This £410 million infrastructure involves 2 of the largest and most complex broadband infrastructure projects in Europe and will deliver next generation access to communities in those areas where the market will not go. That will allow households and businesses right across the country to enjoy the benefits of high quality digital connectivity. It also provides a platform for future economic development and regeneration right across Scotland, helping to address the digital divide.

3.246 Both of the Superfast Scotland projects are being delivered in partnership with British Telecom. The Highlands and Islands project will involve laying 800 km of new fibre on land and 400 km of sub-sea cables to provide 19 crossings to remote islands. The total project value is around £146 million, with the public sector investing around £120 million.

3.247 Around £157.6 million of public sector funding is being invested in the Rest of Scotland project to deliver fibre broadband to over 600,000 homes and businesses in 130,000 postcode

[41] http://www.gov.scot/Publications/2011/12/05141922/0
[42] http://www.gov.scot/Resource/0047/00473221.pdf
[43] http://www.scottishfuturestrust.org.uk/our-work/funding-and-finance/non-profit-distributing/
[44] http://www.digitalscotland.org/superfast-broadband/the-programme/

areas. Alongside public sector investment, BT is also investing £106.7 million investment in the project.

3.248 Alongside commercial coverage, the Superfast Scotland programme will extend access to superfast broadband infrastructure to 85% of premises across Scotland by 2015-16 and 95% by 2017-18. An Audit Scotland report[45] published in February 2015 calculates that the 2015-16 interim target is on track to be met, with access to the broadband network extended to a further 209,600 premises as part of the programme, up to December 2014.

3.249 Community Broadband Scotland (CBS) was established in 2012 and is a complementary initiative to the Superfast Broadband Programme. With an investment of £7.5 million, CBS is supporting community-led broadband projects in the "hardest to reach" rural communities. CBS is empowering and enabling communities to find innovative, sustainable solutions to access high speed and superfast broadband using a mix of technologies that would otherwise not be available to these areas. CBS funds up to 89% of capital costs for eligible communities to deploy local networks as well as providing support to communities in the design and delivery of these networks. CBS support has already helped deliver broadband to a number of communities, including Applecross, Achmore and Loch Eil.

Wales

3.250 The Wales Infrastructure Investment Plan (WIIP) for Growth and Jobs, published in 2012, forms the catalyst for delivering Wales' major infrastructure investments and has provided an important economic stimulus. Since its launch, the WIIP has had notable success, not only significantly boosting investment in economic and social infrastructure across Wales, but also in strengthening the way that the Welsh government prioritises and invests in infrastructure across all sectors. In addition, the development of the WIIP pipeline, which is updated periodically and reflects both Welsh government and local authority investments, has significantly improved visibility and collaboration across Wales. To date, some £1.2 billion of additional capital allocations have been made by the Welsh government to support infrastructure priorities identified in the WIIP; and a further £2.4 billion of innovative finance schemes have been announced.

[45] http://www.audit-scotland.gov.uk/docs/central/2015/nr_150226_broadband.pdf

4 Performance and transparency

Introduction

4.1 The government aims to be the most open and transparent government in the world. At the 2010 Spending Review, the government launched the Public Services Transparency Framework. This framework provides information on performance and spending to allow the public to form their own view of whether they are getting value for money.

4.2 The framework replaces traditional bureaucratic accountability with democratic accountability. It contains no new targets or top-down performance management systems and avoids intervention in frontline public service providers, focusing instead on the changes that are within departments' control.

4.3 In November 2010, the government, for the first time, published business plans for each of the main government departments. The business plans set out how each department aims to implement the reforms set out in the Programme for Government,[1] including specific actions and deadlines and the key indicators and other data they will publish to show the cost and impact of public services. The plans have been updated each year, and the latest version of the Business Plans, covering 2013-2015, was published on 26 June 2013. The public is able to track implementation progress online via the Prime Minister's website.[2] The Cabinet Office plan also includes actions, indicators and progress against the objective to increase transparency in the public sector.

4.4 A report on departmental progress against transparency commitments is published every quarter.[3]

4.5 There are other tools to help the public understand spend on public services, such as the government Information Spending Tool.[4] Detailed data on transactional spend is also made available through Spend Reports.[5]

4.6 The government has also created a National Information Infrastructure,[6] which identifies the data[7] held by government which is likely to have the broadest and most significant economic and social impact if made available and accessible outside of government. The first iteration was made available in October 2013.

4.7 The government supports the aims of the Europe 2020 Strategy, of encouraging a return to strong and sustainable economic and employment growth across the EU. However, in line with the Public Services Transparency Framework launched at the 2010 Spending Review, the government has moved away from setting top-down targets as a performance management tool. The government has therefore not set any new targets under the Europe 2020 Strategy.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

[2] http://transparency.number10.gov.uk/

[3] http://data.gov.uk/search/everything/per cent22WMSper cent20REPORTper cent22 per cent20QWMSper cent20 per cent22WMSper cent20Writtenper cent20Ministerialper cent20Statementper cent22?f[0]=bundleper cent3Aresource&solrsort=score

[4] http://www.gist.cabinetoffice.gov.uk/

[5] http://data.gov.uk/data/openspending-report/index

[6] https://www.gov.uk/government/publications/national-information-infrastructure

[7] http://data.gov.uk/data/search?core_dataset=true

4.8 The following section reports the UK's approach to the national monitoring and actions taken in support of the 5 headline targets, agreed by the Council of the European Union in June 2010. For each EU level target it sets out:

- the EU level target, the relationship to the Treaty, and the Integrated Guidelines
- the government's objective
- the actions the government and the devolved administration are taking towards meeting the objective

4.9 The levels of performance, against the objectives set by each target, are indicated in Annex A.

Devolved administrations

4.10 The devolved administrations have, in some instances, a different approach to performance management and transparency, and where it is the case, it has been detailed below.

Northern Ireland Executive

4.11 The Northern Ireland Executive's 2011 – 15 Programme for Government[8] is managed through a multi-layered delivery framework, which supports effective management of specific activities and projects contributing to the Programme, and also strategic management of the overall Programme.

4.12 The delivery framework makes provision for accountability for delivery to the Executive, to the Northern Ireland Assembly and to the public, and reports on progress against commitments in the Programme are made public on a regular basis.

4.13 The Programme for Government is constructed around 5 inter-related priorities and is underpinned by the principles of equality, sustainability and balanced sub-regional growth. It identifies the actions the Executive will take to deliver its number one priority – a vibrant economy which can transform our society while dealing with the deprivation and poverty which has affected some communities for generations

Scottish government

4.14 Scotland's National Performance Framework (NPF) incorporates a range of social, economic and environmental indicators and targets including issues such as mental wellbeing, income distribution and carbon emissions, as well as economic growth.

4.15 Progress against the priorities set out in Europe 2020 is captured through the NPF's 16 National Outcomes and 61 indicators, with performance monitored and reported through Scotland Performs[9] - the Scottish government's online reporting tool.

Welsh government

4.16 The Welsh government's Programme for government, is reviewed and updated on an annual basis, providing up-to-date information on outcomes at an all-Wales level, and a summary of progress on actions that the Welsh government are taking. This plan of action is designed to achieve and report progress against the government's priorities growth and jobs; educational attainment; supporting children, families and deprived communities; and improving health and well-being for all of our citizens which align to the goals of the Europe 2020

[8] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf

[9] http://www.gov.scot/About/Performance/scotPerforms

strategy. The latest annual report was published in June 2014 in which the First Minister of Wales reaffirmed the Welsh government's commitment to addressing these priorities and highlighted the important progress which has been made.

Employment

> **June 2010 Council conclusions:**
>
> Aiming to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants.

Relevant Treaty base: Article 148 of the Treaty on the Functioning of the EU, Integrated Guideline 7.

Government objective

4.17 The government continues to maintain the environment for enterprise and economic growth to help create sustained jobs and businesses. The overall aim in the labour market is to encourage flexibility, efficiency and fairness, with measures to help the unemployed quickly into work and to address longer-term detachment from the labour market, tackling barriers to getting, keeping and progressing in a job for all groups.

4.18 Employment is a reserved power to Parliament under the devolution settlements. However, some related policies, for example skills policies are a devolved matter. Details of the policies being implemented in Northern Ireland, Scotland and Wales are included in this section.

Policy context

4.19 The overall policy aim is to maintain a dynamic and resilient labour market. Low levels of taxation and a carefully balanced approach to labour market regulation mean that firms can adapt to change and have incentives to create new jobs alongside new business opportunities while protecting workers. In addition, employers can offer flexible working arrangements to workers, which helps with recruitment and retention, particularly for women and people with disabilities, as well as improving productivity for the company.

4.20 The government aims to improve overall employment rates, sustainability, retention and progression into more and better work. It facilitates the smooth and effective functioning of the labour market with a programme of measures speeding up job-matches and addressing mismatches in supply and demand. Policy focuses on:

- strengthening work incentives whilst maintaining appropriate levels of income protection by withdrawing benefit at a transparent, constant rate as earnings are increased, especially through the implementation of Universal Credit
- activation strategies, including conditionality of benefit payment on activity to maintain labour market attachment
- provision of free job broking support for employers and jobseekers, improving transparency and speeding up matches and increasing mobility and flexibility, including through the Universal Jobmatch online vacancies service
- implementing active labour market policies to improve the employability of disadvantaged groups by providing work focused skills provision and employability

support to equip individuals to compete and take up available opportunities, for example through the Work Programme

- encouraging job creation by supporting entrepreneurship, including through the New Enterprise Allowance – with 60,480 new businesses set up thanks to the scheme from April 2011 up to and including September 2014
- increasing labour market skills and improving the match with employer skills demands, including through Traineeships and Apprenticeships

4.21 According to the latest comparable Eurostat data (Q3 2014), the UK employment rate is 72.2%. This is 6.7 percentage points above the EU-28 average.

4.22 According to the latest comparable Eurostat data (Q3 2014), the UK has the 6th highest employment rate in the EU and is above the EU-28 average.

4.23 Employment (16-64 year olds) continues to increase, and stands at 73.3% for November to January 2015.

- employment is up 617,000 over the last 12 months
- the employment level for women has increased to 14.48 million, the level for all 50-64 year olds is 8.16 million and 6.13 million 16-24s (84% of the age group) are in full-time study or work

4.24 There was an increase in private sector jobs of 659,000 on the year and up 2.3 million since 2010 and a fall in the public sector of 42,000 on the year.

4.25 International Labour Organisation (ILO) unemployment fell to 1.86 million, down 102,000 this quarter. Inactivity has fell 0.1 percentage points on the quarter and remained flat on the year at 22.2%.

4.26 The number of young people who are not in work or in full time education fell 111,000 on year to 1.15 million, or 15.8% of 16-24 year olds.

4.27 As of Q3 2014, 84.2% of those aged 16-24 were in full-time education or employment. Of these, some 53% were in employment and 43% in full-time education, with 12% in both.

Actions to achieve objective

4.28 Measures are in place to increase participation and employability. These aim to facilitate the recruitment of unemployed people with services to employers to enhance and speed up their recruitment, and to improve individuals' readiness for work. There is also extra tailored support to individuals who are less able to help themselves.

Increasing participation and the jobseeking regime

4.29 Access to out-of-work benefits and labour market support is regulated by a series of contact points with Jobcentre Plus that seek to influence claimant behaviour in order to encourage the quickest possible return to work.

4.30 As part of the government's long term economic plan to get more people back into work, the Claimant Commitment is now available in all Jobcentres across Great Britain. Part contract, part personal work plan, the Claimant Commitment is designed to encourage personal responsibility and independence by setting out an agreement between the individual and the State about what claimants are required to do to find work, based on a claimant's personal circumstances. It was announced in January 2015 that over a million jobseekers had signed up to the commitment.

The Work Programme[10]

4.31 The Work Programme is designed to support the long term unemployed and those most at risk of becoming so, into sustained employment. It is a payment by results programme, where providers are free to design support based on individual and local needs. The government pays providers for supporting claimants into employment and helping them remain there, with higher payments for supporting the hardest to help.

4.32 The latest published figures from December 2014 show that the Work Programme has helped 368,000 long-term unemployed people into lasting work. The vast majority of those who find sustained employment are remaining in work beyond the 6 month point. More than 348,000 participants have gone on to work past this point, while 130,000 claimants have spent 18 months or longer in work.

Youth employment and unemployment

4.33 The government is successfully reducing unemployment among young people through a strategy for equipping them with education and skills relevant to the labour market, supporting them in taking up existing labour market opportunities and by creating new opportunities by supporting business. A comprehensive programme of short, medium and long term measures gives effect to this strategy. These include, work experience, the tailored support available under the mainstream activation schemes Jobcentre Plus and the Work Programme, special measures to engage young people who are NEET, and skills provision through apprenticeships and traineeships. The government will reduce the cost of employing young people by abolishing from April 2015 employer National Insurance contributions in respect of people aged less than 21 years and earning less than £813 per week.

Universal Credit[11]

4.34 Universal Credit is a new benefit that supports people who are on a low income or out of work, and helps ensure that they are better off in work than on benefits. Up to 300,000 more people are likely to be in work as a result of Universal Credit, through improved financial incentives, increased simplicity of the system and increased conditionality.

4.35 Universal Credit improves work incentives by allowing individuals to keep more of their income as they move into work, and by introducing a smoother and more transparent reduction of benefits when they increase their earnings. Universal Credit allows people who work to keep some of the money that they earn before it has any impact on the amount of Universal Credit they receive. This amount is called a work allowance. The work allowances are generally more generous than the amounts disregarded in the current system, in particular for families with children and disabled people.

4.36 Once a person is earning more than their work allowance, the amount of Universal Credit they receive is reduced. The taper is the rate at which benefit is reduced to take account of earnings. Universal Credit has a single taper rate of 65%. For people who are working, financial support is reduced at a consistent and predictable rate and they generally keep a higher proportion of their earnings. The intention is that work pays, including low-hours. It is much easier for people who are working or who are considering a job to see clearly how much financial support they will receive and to understand the advantages of work.

[10] This is also referred to under section CSR3 of this document

[11] More details are also available under the CSR4 and Target 3 sections of this document

Devolved administrations

Northern Ireland

4.37 For the period 1 April 2014 to 31 December2014, the Northern Ireland Employment Service had assisted 27,690 working age benefit clients into employment, against a target of 25,000 by March 2015.

4.38 Assured Skills[12] is a joint pilot project between the Department for Employment and Learning and Invest Northern Ireland. The project delivers a range of activities and interventions, so that Northern Ireland can satisfy the future training and skills needs of both potential inward investors and existing companies wishing to expand. Between April 2013 and January 2015, the programme contributed to the creation of 3,533 jobs with a financial commitment of just over £4.5 million from the Department for Employment and Learning.

4.39 Steps to Work (StW), a flexible approach to tackling individuals' barriers to employment, was the Northern Ireland Executive's main adult return to work programme. From September 2008 to March 2014, Steps to Work helped over 46,450 participants into unsubsidised employment; this represents 36% of participants who left the programme within that period. Of this total, over 37,900 sustained that employment for 13 weeks or more which represents 29% of all leavers. The target for Steps to Work is 25% of leavers to find employment (within 13 weeks of leaving the programme) and to sustain that employment for a full 13 weeks.

4.40 Referrals to StW finished in May 2014 with the last participants starting the programme by 26 August 2014. StW was replaced by a new adult return to work programme Steps 2 Success[13] (S2S) in October 2014. S2S has been developed to build on the success of the previous StW programme by increasing the number of clients who find and sustain employment. As part of the transitional arrangements put in place to facilitate the introduction of S2S and the continuity of delivery of Executive funded initiatives a short term measure, known as Employment Service Support[14] (ESS) was introduced in June 2014. ESS is scheduled to remain in place until March 2015.

Scotland

4.41 The Scottish government is committed to helping more unemployed individuals achieve their full potential in the labour market. Employment in Scotland is at record levels.

4.42 In September 2012, Scottish ministers launched Working for Growth – a refreshed employability strategy for Scotland[15] which builds on the principles of the previous framework published in 2006. Working for Growth emphasises that employability policy and investment across Scotland should have the twin purpose of supporting economic recovery and ensuring that those who struggle most in the labour market are not left behind in the competition for jobs. Work to implement the strategy is underway, with key priorities for this year considering how employability resources are allocated; improved performance measurement; and better alignment of economic development and employability activity at all levels. Action is being monitored by the Scottish Employability Forum, jointly chaired at a senior political level by Scottish, UK and local government.

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12 http://www.delni.gov.uk/es/index/successthroughskills/skills-and-training-programmes-2/assuredskills/assured-skills-info.htm

13 http://www.delni.gov.uk/index/finding-employment-finding-staff/fe-fs-help-to-find-employment/steps2success.htm

14 http://www.delni.gov.uk/index/finding-employment-finding-staff/fe-fs-help-to-find-employment/employment-service-support.htm

4.43 The Scottish government is taking direct action to tackle unemployment and ensure that people who are out of work or under-employed – particularly young people – have access to the right training, skills and education opportunities. The youth unemployment rate in Scotland fell by 3.7 percentage points over the year to Nov-Jan 2015 to 15.3%.

4.44 The Scottish government's approach to tackling youth unemployment, as set out in Chapter 3, includes: delivering 25,000 Modern Apprenticeship opportunities[16] in each year of the current parliament, and expanding this to 30,000 per year by 2020; providing places in learning or training through the Opportunities for All programme, which ensures an offer of a place in education or training for all 16-19 year olds who are not currently in education, employment or training; supporting Community Jobs Scotland, which is helping to create 1,400 third sector jobs for young people in Scotland; and implementing the recommendations of the Young Workforce Commission through our refreshed Youth Employment Strategy.

4.45 The Scottish government is continuing to deploy its initiative for responding to redundancy situations, Partnership Action for Continuing Employment (PACE). Initiated in March 2000, PACE is a national strategic framework that facilitates a consistent partnership approach which is subject to continuous improvement to enhance its operation for responding to redundancy situations. Over the period April 2014 until January 2015, PACE has provided support to 8,234 individuals and 193 employers.

[16] http://www.skillsdevelopmentscotland.co.uk/our-services/services-for-individuals/national-training-programmes/modern-apprenticeships.aspx

Box 4.A: Women in Enterprise Action Framework

Maximising economic opportunities for women to participate fully in the economy is key to improving economic performance and tackling inequality, as outlined in Scotland's Economic Strategy.

Launched in 2014 in partnership with Women's Enterprise Scotland, 'Women in Enterprise: A Framework & Action Plan'[17] sets out the Scottish government's support for the development of public, private and third sector partnerships across Scotland to strengthen entrepreneurial activity amongst women. This collaborative approach is also an underlying strength and key ethos of Scotland CAN DO – our national statement of intent towards becoming a world-leading entrepreneurial and innovative nation, of which women's enterprise is set out as a priority area of action. The Action Plan focuses on 4 themes: mentoring and networking; role-modelling; markets and finance; and gender specific support. Alongside the Scottish government and Women's Enterprise Scotland, the Framework is supported by Business Gateway, Scottish Enterprise, Highlands and Islands Enterprise and RBS.

Scottish government funding of the Framework's implementation has enabled the creation of the Women's Enterprise Ambassadors role-model project which is publicly profiling successful female entrepreneurs to inspire, motivate, connect and engage with women to raise their entrepreneurial aspirations. There are currently 10 Ambassadors bringing expertise from a range of sectors, locations, age and ethnicities, with a further 20 to be appointed.

In addition, the Scottish government is supporting Investing Women with £50,000 to roll-out their 'Catalyst Programme' across Scotland with the aim to help women-led businesses become investment ready and to increase the number of women angel investors. Since the roll-out in 2014, 5 "graduates" of the programme have gone on to seek and secure investment totalling £2.55 million and have increased the participation of women in the Scottish angel-investment community.

Wales

4.46 The Welsh government launched a Skills Implementation Plan on 15 July 2014 which set out the key policy actions and the timeline for delivery of the ambitious goals outlined in the Policy Statement on Skills, published in January 2014. The plan focuses on policy actions up until 2016 working with employers, unions and delivery partners. These actions are part of the longer-term reform required to secure a resilient and sustainable skills system for Wales. The statement and supporting plan focus exclusively on post-19 skills interventions and define those activities that provide the skills needed for employment as well as those skills that are needed to enhance someone's employment and support businesses.

4.47 This work is underpinned by the Skills Performance Measures, published in September 2014, which focuses on jobs and growth, financial sustainability, Equality and equity and International skills benchmarking.

4.48 In addition to the above, the Welsh government has specific measures designed to address the employability of young people, such as the Jobs Growth Wales Programme and the Pathways to Apprenticeships Programme. Details of these programmes and other measures are outlined in the section covering Country Specific Recommendation 3.

[17] http://strathprints.strath.ac.uk/47878/1/WES_Action_Framework.pdf

4.49 Skills for Employment Wales is being developed using evidence and research gathered as part of an evaluation of adult provision. Work Ready, the interim adult skills programme is operating via the Work Based Learning network of training providers until 31 August 2015. Skills for Employment Wales will be an all Wales, all age programme from September 2015.

4.50 The Welsh government is working with internal and external stakeholders including the National Training Federation Wales (NTFW), JCP and DWP to ensure that programme development is influenced and informed by coherent strategic agreement across DfES and its partners.

4.51 The Department for Education and Skills published its Footprint for **European Social Fund** (ESF) Delivery (2014-2020) in May 2014 and more recently a Footprint update report in December. The Footprint document outlines the department's approach to ESF and provides a map of youth and adult employment and skills provision across Wales, highlighting relevant links with the 2014-2020 ESF Programmes.

4.52 The Footprint document is a live document that will be updated on a quarterly basis to capture relevant national, regional and local projects. The next update will be published in March 2015.

4.53 The **GO Wales** project, with ESF support in the convergence area of Wales, supported the deployment, development and retention of graduates' high level skills, knowledge and innovative potential in businesses in Wales, particularly small and medium sized businesses. The project closed for delivery on 31 December 2014 following a successful 12 month period.

Education

June 2010 Council conclusions

Improving education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%.

Relevant Treaty base: Article 165 of the Treaty on the Functioning of the EU, Integrated Guideline 9.

Government objective

4.54 The government's vision is for a highly educated society with the key priorities of quality and choice as part of building a workforce with an internationally competitive skills base and a dynamic and efficient skills system that fulfils its potential and helps individuals achieve theirs. This will enable young people to gain the knowledge they need to prepare them for adult life and work and ensure that employers have the skilled workforce that they need.

4.55 Education and skills are a devolved competence, with each of the administrations making their own policy decisions. Information on the approach taken by Northern Ireland, Scotland and Wales is included in this chapter.

Policy context

4.56 The UK education system has important strengths but is being improved to make opportunity more equal and to contribute more to growth, including by making up ground lost in global comparisons of workforce skills. Developing human capital in the UK is integral to the performance of the UK labour market so as to increase and sustain employment opportunities and is central to creating a strong, sustainable and balanced economy.

4.57 The UK needs a workforce that is capable, agile, and able to respond to the challenges presented by globalisation and new technologies through an education system that delivers to the highest standards and a skills system that is responsive to employers' and local communities' needs, with employers more fully in the driving seat in its design and delivery.

Actions to achieve objective

Schools

4.58 Better schools are the single greatest step the government can take towards an economy which is more productive, creates more jobs, and equips young people with the knowledge they need to succeed. Since our last report our focus has been on the 5 areas below.

Moving to a school led system

4.59 The government continues to increase autonomy for schools; since 2010, over 4,000 schools have become academies and 255 free schools have opened, all benefiting from additional freedoms but also held to account through an improved framework.

Developing high quality teachers and school leaders

4.60 The government is continuing a range of initiatives to improve the way new teachers are trained, and to raise the status of the teaching profession to make it more attractive to top graduates including:

- expanding school-led initial teacher training (ITT) through School Direct[18]
- only allocating places to ITT providers that Ofsted, the schools inspectorate, has graded as 'good' or 'outstanding'
- increasing the number of high-achieving graduates teaching in disadvantaged schools by expanding Teach First[19], an employment-based teacher training programme for outstanding graduates

Raising standards

4.61 The government is raising standards by investing in the early years. Early years entitlement has been expanded to 15 hours per week for 3 to 5 year olds, and from September 2014 it has expanded to allow disadvantaged 2 year olds to have early years funded places

4.62 Our testing reforms have been designed to spot the signs of lagging behind early. We check that all children have mastered reading skills by the time they are 6. The government also believes making GCSEs and A levels more rigorous will prepare students properly for life after school. A comprehensive reform of GCSEs is taking place. New GCSEs in English language, English literature and mathematics will being taught in schools from September 2015. The number of pupils taking core academic subjects at GCSE has dramatically increased. Pupils achieve the English Baccalaureate (Ebacc) if they secure a grade C or better GCSE in English, maths, 2 sciences, history or geography, and a language – these are the subjects most valued by universities and employers.

4.63 The 2014 national curriculum for mathematics has been designed to raise standards in maths, with the aim that the large majority of pupils will achieve mastery of the subject: over

[18] https://www.gov.uk/government/policies/improving-the-quality-of-teaching-and-leadership/supporting-pages/school-direct

[19] http://www.teachfirst.org.uk/

£11 million over 2 years to fund 34 centres of excellence in maths education. Hubs will seek to match standards achieved in top-performing countries. This is also an excellent example of how we are learning from the best internationally through our Shanghai teacher exchange.

Improving opportunities for vulnerable children

4.64 We continue to invest in our pupil premium to raise the attainment of disadvantaged pupils. In March 2014 the government announced that, from April 2015, £50 million will be given to nurseries and schools in the form of an early-years pupil premium for disadvantaged 3- and 4-year-olds. This will be worth £300 per child.

Developing resilience

4.65 We are committed to helping schools ensure that more children develop a set of character traits, attributes and behaviours that underpin success in education and work. From January 2015, schools, colleges and organisations can apply to a £3.5 million character education grant fund[20] to support projects in character education.

Higher Education

4.66 The UK does not have a specific target for participation levels in education, but everyone with the ability and aptitude should be able to benefit. The government is enabling more students than ever before to be able to access higher education and 2015 has had record application rates for 18 year olds and people from disadvantaged backgrounds. The system ensures that eligible students can access student loans and grants which they do not need to repay until they are in well paid jobs.

4.67 Announced in the Autumn Statement 2014 were income contingent loans for postgraduate study. These loans are for those wanting to study a 1 year full-time or 2 year part-time Masters degree course and will ensure that all those who are eligible will be able to access financial support to help them do so. Graduates are crucial to the economy and to economic growth: as they go on to rewarding careers, they are more likely to earn more and less likely to be unemployed.

Devolved administrations

Northern Ireland

4.68 The Department of Education's key policy for raising standards is "Every School a Good School[21]" – a policy for school improvement which is focussed on ensuring that every young person fulfils his or her full potential at each stage of their development.

4.69 The policy has a particular focus on tackling the barriers to learning that many young people face. These barriers may be related to family circumstances, a lack of aspiration, issues faced by newcomer children, and social or emotional circumstances.

4.70 These barriers to learning are not divorced from the influence of parents and the wider community. Therefore other interventions are in place, aimed at encouraging and helping parents and local communities, particularly parents of socially disadvantaged pupils, to engage with and support their children's education. These include for example, the Education Works campaign[22] and the Community Education Initiatives Programme[23].

20 https://online.contractsfinder.businesslink.gov.uk/Common/View%20Notice.aspx?site=1000&lang=en&NoticeId=1725530
21 http://www.deni.gov.uk/esags_policy_for_school_improvement_-_final_version_05-05-2009.pdf
22 http://www.nidirect.gov.uk/education-works
23 http://www.niesis.org/resources/5891/5907_5891_89_Annex%20A%20CEIP%20Programme%20Specification.pdf

4.71 In order to meet the Skills Strategy[24] goal of increasing the proportion of those qualifying from Northern Ireland Higher Education Institutions with graduate and post graduate level courses in Science, Technology, Engineering & Mathematics (STEM) subjects by between 25-30% in 2020, and to meet the aims of the Executive's STEM Strategy[25], an additional 233 full-time undergraduate higher education places in STEM subject areas were funded in the 2012-13 academic year, an additional 637 in the 2013-14 academic year, and an additional 549 in the 2014–15 academic year, totalling 1,419 additional places over the last 3 years. At postgraduate level, an additional 90 Masters Scholarships in STEM areas have been funded in the 2014-15 academic year, as well as an additional 117 postgraduate awards in areas of economic relevance. The total number of funded postgraduate awards rose from 495 to 729 in the last 2 academic years.

Box 4.B: Stakeholder focus: Creative Learning Centres

Creative Learning Centres in Northern Ireland is an internationally renowned and innovative model supporting teachers and embedding digital technology skills in the classroom. They are funded by the Northern Ireland Executive through the lead agency for the film, television and digital content industry, Northern Ireland Screen. Established in 3 locations across the region, the initiative equips teachers with digital skills and resources to deliver inspirational learning experiences in the classroom and across the curriculum. This creativity helps to 'engage the disengaged' and enhances the school experience of young people and particularly those from disadvantaged backgrounds.

A survey, funded by the EU Commission's MEDIA Unit in 2012 and carried out by a consortium led by the British Film Institute (BFI), examined film education in 32 countries. It concluded that Northern Screen's film education strategy was "one of the most successful and long established strategies of its kind in Europe[26]". The work of Creative Learning Centres, and other Northern Ireland Screen supported activities such as After-School Film Clubs and flagship film festivals enable opportunities for career relevant engagement with the creative industries. This supports a creative industries pipeline inspiring future entrants to the sector and helping the emergence of creative people, creative ideas and creative jobs and businesses.

In September 2014 the Northern Ireland Executive published its Innovation Strategy[27] for 2014-2025. InnovateNI stated that "to promote creative thinking and the use of digital technologies by pupils, teachers and youth leaders, we will increase the capacity of the region's Creative Learning Centres and maximise the potential of our cultural base to provide inspirational learning experiences that support the curriculum and the eSTEAM* agenda, and which add value to teachers, students and lifelong learners".

*eSTEAM - enterprise, Science, Technology, Engineering, Arts, Maths

Scotland

4.72 The Scottish government recognises the importance of a skilled, educated and healthy workforce to build on Scotland's comparative advantages and to deliver sustainable economic growth.

4.73 The commencement of the Post-16 Education (Scotland) Act 2013 is now almost complete. The Act has strengthened college and university governance, increasing accountability

24 http://www.delni.gov.uk/success-through-skills-transforming-futures.pdf
25 http://www.delni.gov.uk/index/successthroughskills/stem.htm
26 http://www.northernirelandscreen.co.uk/news/3321/major-film-education-pan-european-survey-results-revealed.aspx
27 http://www.detini.gov.uk/innovationstrategyni

and effectiveness to improve outcomes for learners and businesses. It is supporting moves to widen access to higher education and helping to identify learners at risk of dropping out of education or training.

4.74 The Scottish government is committed to ensuring that access to higher education remains free for Scottish-domiciled students, and is investing over £1 billion in Scotland's higher education sector in 2015-16 to support this. In addition, The Scottish government set a college funding floor of £522 million in 2013-14, and has maintained it in 2014-15. The recent Scottish Budget confirms that college funding will rise to £526 million in 2015-16.

4.75 The Scottish government has retained the Education Maintenance Allowance (EMA) in Scotland to provide financial support to young people from the lowest income families to enable them to continue in education and learning beyond school leaving age. In academic year 2012-13, £27.8 million of funding was provided to support 35,515 young people. Over a third (34%) of all school pupils in Scotland received an EMA payment, with 25.6% of all EMA recipients living in Scotland's most deprived areas.

4.76 The Scottish government is committed to providing student support. A new funding package, which was introduced in 2013, includes: an annual minimum income of £7,500, through a combination of bursaries and loans, for students with a family income of less than £17,000, and a student loan of £4,750 a year which all students are eligible for. Part-time students with a personal income of less than £25,000 are eligible to receive tuition fees funding.

4.77 Over the academic year 2013-2014, over £730 million of student support, covering tuition fees, grants, bursaries and authorised loans, was allocated through the Student Awards Agency for Scotland (SAAS) to 137,295 Scottish-domiciled higher education students. In addition to an existing loan of up to £3,400 toward the cost of their tuition fees, from 2015-16 postgraduates on eligible courses will be able to apply for a loan of up to £4,500 a year to help with living costs.

4.78 The Scottish government is continuing to invest in the learning environment, ensuring that school buildings are modern learning facilities that meet the needs of education, benefiting pupils, teachers and the local economy. The current phase of the Scottish government's £1.8 billion Schools for the Future Programme[25] will see the construction or refurbishment of over 90 schools in Scotland. The next phase of the investment is expected to take this figure to 111 new or refurbished schools, for over 60,000 pupils, by March 2020. To date, 18 schools have completed construction and are now benefitting around 9,700 pupils, with a further 17 currently under construction.

Wales

4.79 The Welsh government's Youth Engagement and Progression Framework and Implementation Plan published in October 2013, seeks to bring together in one place all of the elements of effective practice which help to reduce the numbers of young people leaving school and not progressing into further education, training or employment (NEET). The purpose of the Framework is to provide a systematic mechanism for local authorities to identify those in need of support, to establish the support available, and to track the progress of young people as they make the transition from education into further education or employment. The Framework provides the structure to help local authorities to establish whether local and national provision is delivering effective outcomes and value for money through the measurement of reductions in numbers of young people NEET at a local level. The Statistical First Release (SFR) data published in July 2014, shows the proportion of 16-18 year olds not engaged in education or training nor in employment (NEET) decreased to 10% in 2013, from 11% in 2012.

[25] http://www.scottishfuturestrust.org.uk/our-work/sft-build/schools-for-the-future/

4.80 One of the new offers for young people within the Youth Engagement and Progression Framework is the Youth Guarantee. This is the offer of a place in education or training for all young people as they make the first time transition from statutory education. Pupils who may be at risk of not making a smooth transition are identified and are provided with relevant support to select and commence the right provision. Youth Guarantee Participation Data is monitored in October and April to track these young people who have left school. This data identifies local authority areas and particular post-16 providers where drop-out rates are high. Support is provided to stakeholders to increase numbers of young people in education, employment or training.

4.81 Provisional figures from the Welsh government reveal that 27,455 learning programmes were started by apprentices in Wales (at levels 2 to 4 plus) in 2013/14, compared with 28,030 in 2012/13 and 17,910 in 2011/12. In 2012/13, apprenticeship framework success rates were 87% and 85% for Apprenticeship and Foundation Apprenticeship programmes respectively.

Social exclusion and poverty reduction

June 2010 Council conclusions

Promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion.

The population is defined as the number of persons who are at risk-of-poverty and exclusion according to 3 indicators (at-risk-of poverty; material deprivation; jobless household), leaving member states free to set their national targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities.

Relevant Treaty base: Article 156 of the Treaty on the Functioning of the EU, Integrated Guideline 10.

Government Objective

4.82 The government remains committed to abolishing child poverty by 2020. As part of its long-term plan to build a stronger, more competitive economy and a fairer society, the government's approach is to tackle these causes by:

- raising incomes by helping people get into work and making work pay
- supporting the living standards of low-income families
- raising the educational outcomes of poorer children

4.83 The government's programme for welfare reform, in particular Universal Credit, promotes work as the best route out of poverty.

4.84 The UK government is responsible for policies in this area in England and when policy areas are reserved to Parliament in the devolution settlements, for example the welfare system which is only devolved in Northern Ireland. The devolved administrations are responsible for their own policy direction in all other areas, for example education.

Policy context

4.85 As employment levels continue to increase the government continues to tackle barriers to inclusive employment, with targeted measures for those who face particular difficulty in improving their situation through work. In response to recommendations and advice from the

Social Mobility and Child Poverty Commission the government set out and remains committed to a child poverty strategy for the years 2014-17.

Actions to achieve objective

4.86 Welfare reforms with the introduction of Universal Credit will make work pay; and improve the lives of some of the poorest families, making around 3 million households better off. It supports working-age people in and out of work and will improve work incentives, making it clearer to individuals how the move into work, and subsequent increased earning, will benefit them. Further information on the roll out of Universal Credit is available in the section on country-specific recommendation 4.

4.87 The government is also committed to supporting one-parent families to overcome particular barriers they may face in getting into work and out of poverty. A wide variety of special advice and support is available through employment services. Furthermore, Universal Credit will help lone parents, who are mostly women, work a small number of hours, as for the first time support for childcare costs will be available to those working less than 16 hours per week.

4.88 The government's Troubled Families Programme began in April 2012. It is a cross-departmental programme committed to turning around the lives of troubled families in England. This means significantly reducing crime and anti-social behaviour, getting adults on the path to work, and children back into school.

4.89 Interventions are delivered through local authorities on a payment by results basis. The latest figures show the programme is currently working with over 117,000 of the most troubled families in England. As of October 2014, over 85,000 families had turned their lives around thanks to the integrated, whole family approach, which works with all family members and all of their problems.

4.90 In June 2013, the government announced that it would be extending the programme to reach an additional 400,000 families over an intended 5 year period with £200 million committed for its first year of funding in 2015/16.

4.91 Further information on low income households and families with children can be found in the section on country recommendation 4.

Devolved administrations

Northern Ireland

4.92 Lifetime Opportunities', Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland was published in 2006. In line with its statutory obligation under Section 28E of the Northern Ireland Act 1998, the Executive agreed to formally adopt the broad 'architecture' and principles of 'Lifetime Opportunities' as the basis of its strategy to tackle poverty and social inclusion and deprivation. Lifetime Opportunities defines specific goals and targets for each stage of an individual's life cycle which are described in Lifetime Opportunities as: (1) Early Years (0-4 years); (2) Children and Young People (5-16 years); (3) working age adults; and (4) older citizens – beyond working age. Lifetime Opportunities recognised the need for a co-ordinated approach across government to ensure the delivery of commitments. In order to ensure implementation of this Strategy and other cross- cutting areas of social policy a new structure was developed known as 'Delivering Social Change Framework'. This framework is recognised in the programme for government as a delivery mechanism for its Priority 2 Commitments.

4.93 Creating opportunities, tackling disadvantage and improving health and well-being is referenced as Priority 2 in the Northern Ireland Executive's 'Programme for government 2011-

15'. This priority seeks to address the challenges of disadvantage and inequality that afflict society and to address the relatively poor health and long-term shorter life expectancy of our population; its purpose is to stimulate interventions that break the cycle of deprivation, educational under-achievement, and to address health inequalities and poor health and wellbeing as well as economic disengagement. A number of initiatives have been taken forward, examples of these are:

- The Delivering Social Change Signature Programmes have been implemented to improve literacy and numeracy levels, offer increased family support and to support job creation within local communities. In October 2013, a seventh Signature Programme to enhance play and leisure opportunities for children and young people was announced. In September 2014, 3 new Signature Programmes, focusing on dementia, early intervention services for young families and shared education were announced.
- The first phase of the Executive's Childcare Strategy[28] was launched in September 2013. This set out a direction of travel for childcare policy along with 15 key first actions intended to address childcare priorities identified during consultation and research. The Bright Start School Age Childcare Grant Scheme was launched in March 2014 to address the need for affordable and accessible childcare by creating and sustaining up to 7,000 school age childcare places over the next 3 years. To date, the scheme has allocated nearly £2 million to the 50 childcare settings that met the selection criteria. This support will create or sustain approximately 1,500 childcare places. Of the 50 settings supported, 48 are located in disadvantaged areas or will serve disadvantaged communities.
- The Social Investment Fund[29] will invest £40 million to improve pathways to employment, tackle systemic issues linked to deprivation and increase community services, while a further £40 million will be used to address dereliction and promote investment in physical regeneration. To date 33 projects worth £50 million have been approved for funding.

4.94 Since publication of the Executive's first Child Poverty Strategy 2011-14, Annual Reports have been published. These reports demonstrate the initiatives, and actions taken forward across departments to tackle child poverty and contribute towards meeting the targets in the Child Poverty Act. Child Poverty rates in Northern Ireland have been falling since 2009/10. A new Child Poverty Strategy will be published in early 2015. The Strategy has been informed by public consultation (including direct consultation with children and young people, parents and other stakeholders) and research commissioned from the National Children's Bureau which resulted in the publication of the Child Poverty Outcomes Framework in October 2013. OFMDFM has adopted the Outcomes Based Accountability approach as a key element of the 2014-17 proposed Child Poverty Strategy.

4.95 In line with commitments under the UN Convention on the Rights of the Child (UNCRC), Northern Ireland is seeking to embed engagement with children and young people as a critical part of policy development across the Executive. A project is being taken forward to support departments in building up the capacity of their staff to carry out face to face engagement with children and young people. Work is focusing on building up awareness of the UNCRC and on equipping staff with the techniques and skills they need to optimise engagement with children

[28] http://www.ofmdfmni.gov.uk/index/equality-and-strategy/equality-human-rights-social-change/childcare.htm

[29] http://www.ofmdfmni.gov.uk/bright-start-strategic-framework-key-actions.pdf

and young people. This approach will not only deliver on our international commitments to children's rights it will also result in more effective policy development.

4.96 The ‘Programme for government 2011-15’ also includes a commitment to help individuals and families who are facing hardship and includes a £13 million fund (2012/13 – 2014/15) to deliver the ‘Tackling Rural Poverty and Social Isolation Programme’[30] which will provide support to vulnerable people in rural communities and target the root causes of social isolation and is on course to achieve this spend target.

Scotland

4.97 The Scottish government believes that as well as being a desirable outcome and characteristic of growth, equity – social, regional, and inter-generational – is also a key driver of growth and jobs. At the heart of the Scottish government’s approach is ensuring that shared and sustainable growth provides the most disadvantaged areas and people in Scotland with the opportunity to prosper.

4.98 The Christie Commission on the Future Delivery of Public Services[31] identified a need to target the underlying causes of deprivation and low aspiration in Scotland. Making a decisive shift towards prevention continues to be the cornerstone of our comprehensive cross-sector programme of public service reform, which involves shifting the balance of public services away from short-term crisis interventions and towards early action.

4.99 The Scottish government has invested more than £500 million in 3 Change Funds between 2012-13 to 2014-15 to support a decisive shift towards prevention across mainstream service provision and strengthen our approach to addressing inequalities. The Scottish government has set out its plans to continue this focus on prevention over 2015-16, by making £100 million available to support the delivery of improved outcomes from health and social care integration; making over £70 million available through the central integration fund within NHS Scotland to drive progress; and investing £8.5 million of transitional funding to improve outcomes for Scotland’s most vulnerable children.

4.100 The £33 million Scottish Welfare Fund provides grants which can act as a safety net in an emergency when there is a threat to health and safety, or enable independent living, preventing the need for care. The fund, which was established in April 2013, has been developed by the Scottish government and COSLA, and is delivered by Local Authorities to allow for integration with other local public and third sector support services. Over 2013-14, grants amounting to £29 million were made through the fund to support over 80,000 households in Scotland. The funding is reaching those in the most deprived areas of Scotland; around 50% of funding to date community has been awarded to applicants living in the 20% most deprived areas in Scotland.

4.101 The Scottish government is taking action to protect the pay of the lowest earners it has direct responsibility for by committing to support the Scottish Living Wage in its public sector pay policy for the duration of this Parliament. The Living Wage rate is £7.85 per hour for pay settlements in 2015-16. The Scottish government has also provided additional funding to the Poverty Alliance to promote the take-up of the Living Wage Accreditation Scheme and increase the number of employers paying the living wage across all sectors in Scotland, to deliver our target of at least 150 accredited employers by the end of 2015. To date, over 140 Scottish-headquartered organisations are accredited Living Wage employers.

[30] http://www.dardni.gov.uk/index/rural-development/rural-poverty-and-social-isolation.htm

[31] http://www.gov.scot/Publications/2011/06/27154527/0

4.102 The Scottish government is taking action to meet the income based targets set out in the Child Poverty Act through the refreshed Child Poverty Strategy, and progress is reported annually through the Child Poverty Strategy Annual Report, as outlined in chapter 3.

4.103 In Scotland, from 31 December 2012 all unintentionally homeless households have been entitled to settled accommodation. Local authorities and their partners now focus on preventing homelessness happening wherever possible. This is being done through the adoption of a housing options approach which means that the local authority works with the household to prevent homelessness or achieve the most sustainable outcome for them. This approach to prevention has led to a 9% reduction in households being assessed as homeless between 2012-13 and 2013-14 and we are now monitoring the activity of local authorities on prevention.

Wales

4.104 The Welsh government remains committed to the overarching target of eradicating child poverty by 2020.

4.105 As highlighted on page 39, the Children and Families (Wales) Measure 2010 placed a duty on the Welsh government to publish a Child Poverty Strategy for Wales. The Welsh government fulfilled this duty in February 2011, when it published its Child Poverty Strategy for Wales. This set 3 new strategic objectives for tackling child poverty. These strategic objectives are: 1) to reduce the number of children living in workless households; 2) to improve the skills of parents and carers to enable them to secure well paid employment; and 3) to reduce the inequalities which exist in the health, education and economic outcomes of low income families, by improving the outcomes of the poorest. In 2012, the Welsh government published a tackling Poverty Action Plan for Wales which set out a range of different actions and commitments for tackling child poverty. This Action Plan was refreshed in 2013, to include specific milestones and targets – with a particular emphasis on tackling worklessness, preventing poverty in the longer term (for example by improving educational outcomes and increasing skills) and mitigating the impacts of poverty.

4.106 The Welsh government has recently consulted on a revised Child Poverty Strategy for Wales. This Revised Strategy reaffirms the Welsh government's ambition to eradicate child poverty by 2020. The revised Strategy also reaffirms our commitment to deliver 3 strategic objectives of the 2011 strategy, but also added 2 new objectives. The first focusses on using all available levers to create a strong economy to support the poverty agenda and address in-work poverty. The second aims to support families living in poverty to increase household income and address the poverty premium (see page 61-62). Recognising the changing characteristics of poverty in Wales – the revised Strategy also includes 5 new priorities, where further action will be taken forward. These 5 priorities include: reducing in-work poverty, tackling food poverty, housing and regeneration, mitigating the impacts of welfare reform and childcare.

4.107 Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan sets out how the Welsh government has aligned its strategies and plans to reduce child poverty. The Tackling Poverty Action Plan is an all age poverty plan – but includes a strong focus on improving the outcomes of children and young people. The Welsh government has committed to reporting on progress through an Annual Report. The Annual Report also provides Welsh government with the opportunities to refresh the agenda, and include new actions and commitments being taken forward to deliver the objectives of both the Child Poverty Strategy and the 2013 Action Plan. The next Annual Report on the Welsh government's Tackling Poverty Action Plan will be published in the summer of 2015.

4.108 The Welsh government published a progress report on its Child Poverty Strategy in 2013 and an evaluation of the Child Poverty Strategy in July 2014. Although child poverty in Wales remains stubbornly high, with 31% of children living in households below 60% of the median income for the period 2010/11 to 2012/13 (After Housing Costs), progress is being made in some areas. This is demonstrated through the following indicators:

- the percentage of children living in workless households has been decreasing since 2009 (from 20% in 2009 to 16.5% in 2013)
- the percentage of working age adults with no qualifications has reduced each year since 2006 (from 15.7% in 2006 to 9.7% in 2013)
- the percentage of pupils eligible for Free School Meals aged 15 (KS4) achieving Level 2 including English / Welsh and Mathematics in 2014 was 27.8%. This is an increase of 2 percentage points from 25.8% in 2013. However, pupils in Wales eligible for Free School Meals continue to perform less well than pupils not eligible for Free School Meals. In 2014, the percentage point difference between non-FSM and FSM pupils aged 15 (KS4) achieving Level 2 including English / Welsh and Mathematics was 33.8%

4.109 A range of different policies and programmes are being taken forward to support low income households in Wales, which includes 5 key tackling poverty programmes: Communities First, Families First, Flying Start, Supporting People and Vibrant and Viable Places. The 2015 Child Poverty Strategy uses a series of logic models to set out how different policies and programmes are contributing the 5 strategic objectives of the Child Poverty Strategy.

Research and development and innovation

June 2010 Council conclusions

Improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 3% of GDP; the Commission will elaborate an indicator reflecting R&D and innovation intensity.

Relevant Treaty base: Article 121 of the Treaty on the Functioning of the EU, Integrated Guideline 4; and Article 173 of the Treaty on the Functioning of the EU.

Government objective

4.110 In December 2014, the UK government published "Our Plan for Growth: science and innovation[32]". This set a clear vision of making the UK the best place for science and business, and a plan for delivering it through 6 elements:

- deciding priorities
- nurturing scientific talent
- investing in our scientific infrastructures
- supporting research
- catalysing innovation
- participating in global science and innovation

[32] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387780/PU1719_HMT_Science_.pdf

4.111 The UK is one of the most prolific nations for scientific discoveries, and regularly attains a high level of excellence. The UK has become one of the countries recognised as a particularly fruitful place in which to innovate and we obtain high returns for every pound invested. With 3% of global spending, 0.9% of global population and 4.1% of the world's researchers, the UK produces 9.5% of article downloads, 11.6% of citations and 15.9% of the world's most highly-cited articles.

4.112 The UK government is responsible for Research and Development policy, consulting devolved administrations as necessary.

Policy context

4.113 Science and innovation has been at the heart of the government's long term economic plan, initially set out in the Innovation and Research Strategy of 2011. The importance of science and innovation was, for example, reflected in the 2014 Autumn Statement: "This Autumn Statement focuses on key productivity drivers including infrastructure, higher-level skills and innovation". In this, UK policy is entirely consistent with the Europe 2020 aim of creating sustainable growth and jobs.

4.114 The success of government policies and strategies for science and innovation is reflected in:

- the UK's ranking of 9th in the Global Competitiveness Index in 2013-14,[33] up from 13th in 2009-10
- the rise of the UK to 2nd place in the WIPO / INSEAD Global Innovation Index for 2014[34], up from 14th in 2010[35]
- the UK's ranking of 2nd in the world on investment in knowledge-based capital

Actions to achieve objective

4.115 In delivering the government's vision and plan, our approach will be driven by 5 principles:

- the importance of achieving <u>excellence</u>
- the imperative to operate at a quickening pace and show <u>agility</u> to seize new opportunities
- the need to accommodate and foster higher levels of <u>collaboration</u> between disciplines, sectors, institutions, people and countries
- the need to recognise the importance of <u>place</u>, where people and organisations benefit from mutual proximity
- the modern demand for <u>openness</u> and engagement with the world

Deciding priorities

Industrial Strategy

4.116 The Industrial Strategy launched in September 2012[36] has 5 themes: technologies, access to finance, skills, procurement and sectors. All have a strong innovation element.

[33] http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf
[34] http://www.globalinnovationindex.org/userfiles/file/reportpdf/GII-2014-v5.pdf
[35] https://www.globalinnovationindex.org/userfiles/file/gii-2009-2010-report.pdf
[36] https://www.gov.uk/government/policies/using-industrial-strategy-to-help-the-uk-economy-and-business-compete-and-grow

4.117 The Industrial Strategy Progress Report of April 2014[37] reported that there has been strong progress in industrial strategy, which is enjoying growing stakeholder and political consensus. Recent successes so far include:

- Aerospace Technology Institute is operational with a £2 billion joint funding commitment by government and industry between 2013 and 2020
- Advanced Propulsion Centre established with a £1 billion joint investment by government and industry over 10 years for pilot projects to develop a new generation of low carbon powertrain technologies
- £70 million Agri-Tech Catalyst launched to support industry-led 'proof of concept' development of near-market agricultural innovations

Backing emerging technologies

4.118 Autumn Statement 2012 announced investment of £600 million to accelerate commercialisation and build capacity across the 8 Great Technologies[38] and government is continuing our commitment. In Autumn Statement 2013 the government invested £270 million in quantum technologies to develop a national network of research hubs that will provide postgraduate skills, research and infrastructure, including a £50 million innovation programme to support business-led feasibility and demonstrator projects. In Autumn Statement 2014 the government announced a £235 million investment in the new Sir Henry Royce Institute for Advanced Materials, which will be based at the University of Manchester, complemented by satellite centres at cities including Leeds, Liverpool and Sheffield.

Nurturing new scientific talent

4.119 The Strategy aims to strengthen the stock of STEM skills at all levels from primary to postgraduate, to meet the current and future needs of the UK economy. Aspects of policy and programme developments are covered in other parts of this document. Actions of particular relevance to science and innovation include the revised content for science at AS-level and A-level[39] published in 2014 Science and innovation spend

Investing in scientific infrastructure

4.120 In the Spending Round 2013[40] the government set a long-term capital budget for research in the next Parliament of £1.1 billion, growing in line with inflation to 2020-21. The capital roadmap, published on 17 December 2014[41] as part of the government response to the consultation on proposals for long-term capital investment in science & research,[42] outlined how this £5.9 billion will be invested:

- £3 billion to fund world class laboratories - maintaining small project and institutional capital at 2015/16 levels to support our world class labs in universities and our institutes

[37] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306854/bis-14-707-industrial-strategy-progress-report.pdf
[38] http://www.policyexchange.org.uk/images/publications/eight%20great%20technologies.pdf
[39] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303026/A_level_science_subject_content-.pdf
[40] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf
[41] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/383439/14-1248-science-capital-consultation-response.pdf
[42] https://www.gov.uk/government/consultations/science-and-research-proposals-for-long-term-capital-investment

- £2.9 billion of capital to support projects and create a significant 'capital agility fund' to support the greatest challenges of our time as they emerge, including investment in space

4.121 The roadmap was informed by the capital consultation, in addition to expert advice from the research community and development of the science and innovation strategy.

Supporting research

4.122 The UK continues to ring-fence its science resource budget, with the overall investment in science and research amounting to £5.8 billion in 2015/16[43] - an increase in overall spending compared to recent years. The government has asked Sir Paul Nurse to lead a review with the Research Councils to look at how they can evolve to support research in the most effective ways and keep pace with the changing environment within which they operate.

4.123 The UK Higher Education funding Councils undertake a major periodic assessment of research quality across UK universities and other higher education institutions (HEIs). The latest exercise, the Research Excellence Framework (REF) concluded successfully in December 2014. REF2014[44] assessed the quality of research outputs, the quality of the research environment and included, for the first time, an assessment of the impact arising from excellent research, based on expert-review of impact case studies.

4.124 REF2014 demonstrated that the quality of research from UK universities and HEIs has improved significantly since the last exercise in 2008, confirming other independent evidence of the UK's research performance. It demonstrated a broad range of impacts across all disciplines, and from many diverse UK universities with submissions of all sizes - impacts on the economy, society, culture, public policy and services, health, the environment and quality of life both within the UK and internationally.

4.125 The outcomes of REF2014 will inform the selective allocation of quality related research block grant funding to UK universities and other higher education institutions (HEIs) from 2015 onwards.

Catalysing innovation

Innovate UK

4.126 The government has continued to increase the budget of Innovate UK (formerly the Technology Strategy Board), which will be in excess of £500 million by 2015/16. Innovate UK has a range of programmes it uses to support innovation, in particular the network of Catapult Centres. A further £61 million is to be invested in the High Value Manufacturing Catapult (HVMC), as well as £28 million in the National Formulation Centre in Sedgefield, specialising in formulated products such as medicines. Two new Catapults for Energy Systems and Precision Medicine are due to open later this year.

R&D tax credits

4.127 R&D tax credits continue to be the largest single source of government support for business R&D. In the financial year ending March 2013 R&D tax credits provided almost £1.4 billion of relief to over 15,120 companies, supporting around £13.2 billion of expenditure. This supported an estimated two-thirds of all business R&D revenue expenditure, reducing the cost of the qualifying expenditure by around 45% for SMEs and around 28% for large companies.

[43] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/278326/bis-14-p200-science-and-research-budget-allocations-for-2015-to-2016.pdf

[44] http://www.ref.ac.uk/

4.128 At Autumn Statement 2014 the government announced that from April 2015 the rate of the above the line taxable credit (primarily directed at large companies) would increase from 10% to 11% and the rate of the SME super-deduction would increase from 125% to 130%. The Autumn Statement also announced a package of measures to ensure that the SME scheme remains effective and well-targeted in incentivising R&D investment.

4.129 A patent box[45] was introduced from 1 April 2013 so that companies could apply for a lower rate of Corporation Tax on profits earned on patented inventions and certain other innovations. The patent box is being introduced progressively over 5 years. From 2016 the patent box will change to ensure a closer linkage between UK R&D and patent box benefits. Existing users of the patent box will benefit from grandfathering provisions until 2021.

Participating in global science and innovation

European Research Area

4.130 The UK has made significant progress in the 5 priority areas (plus a cross- cutting priority on international co-operation) identified for implementing the European Research Area (ERA), as shown in the Commission's Second ERA Progress report, published in September 2014.

4.131 The UK is widely recognised as having an effective national research system focused on excellence and impact. It also sustains high levels of collaboration with researchers elsewhere in Europe and beyond. In addition the UK has benefitted from an open labour market for researchers from the EU and beyond (e.g. the UK has the highest percentage in the EU of university based researchers expressing satisfaction with the level of openness in advertising vacancies).

Horizon 2020

4.132 In order to derive greater UK business benefit from Horizon 2020, through accessing funding and building collaborations and partnerships, the UK's innovation agency, Innovate UK has been taking forward a number of actions, including:

- providing expert advice through a strengthened network of National Contact Points, a number of which are now directly employed by innovate UK in order to ensure greater alignment between national and European activities
- providing online information through the redeveloped Horizon 2020UK website, which is the central website for the UK
- establishing a permanent representation in Brussels to better support businesses seeking involvement in EU programmes and to strengthen contacts with the European Commission (EC) in order to achieve greater strategic alignment between its national programmes and those of Horizon 2020
- successfully winning a consortium bid to deliver the Enterprise Europe Network (EEN), which is a multi-country network part-funded by the EC that provides a potentially powerful resource for SMEs in building overseas collaborations to enable access to EU funding programmes, as well as supply chain partnerships and export opportunities
- delivering Horizon 2020 awareness raising events working with the Enterprise Europe Network and events related to specific thematic calls working with the Knowledge Transfer Network

45 https://www.gov.uk/corporation-tax-the-patent-box

4.133 In the medium-long term, Innovate UK expect a combination of greater awareness amongst business and the increased synergies with national programmes to enable industry and academic partners from the UK to better leverage the opportunities provided by EC programmes.

Smart specialisation strategy

4.134 England published its Smart Specialisation Strategy[46] in August 2014. The purpose of this Strategy for England is to:

- identify the policies and range of public support that is available at national and local levels to help businesses invest in innovation, and why and how specific priorities for investment have been made
- help Local Enterprise Partnerships (LEPs) and their partners to identify opportunities to benefit from, and to contribute to, national policies and funding programmes supporting innovation; and to help them identify opportunities to collaborate with other places across England and beyond with similar investment priorities for innovation
- inform businesses, universities and others involved in wider research and innovation programmes e.g. Horizon 2020 about the priorities identified by LEPs for the use of European Structural & Investment Funds (ESIF) for England for the period 2014-2020 so that potential opportunities to align activity can be identified
- support the work of the National Growth Programme Board to oversee the management of the ESIF
- fulfil the requirements of Annex X1 of Regulation (EU) 1303/2013

International engagement

4.135 Participating in global science and innovation was a key strand in the Science and Innovation Strategy given the UK's unique strengths through international engagement. Key recent actions in support of international engagement have been:

- Progress has been made in bilateral science collaborations with China and India. Since 2007, the value of UK-China Research Council programmes has risen to £130 million. In India this has risen from £1 million in 2008 to £150 million in 2013.
- The £375 million Newton Fund[47] was launched in 2014 as the first truly significant UK bilateral international science and innovation fund. Through this, the UK will use its strength in research and innovation to promote the economic development and social welfare in 15 partner countries. In its first year it has delivered a step change in UK-China relations, has rapidly positioned the UK as a partner of choice in South Africa and it is now Chile's most significant international science and innovation bilateral partnership. In the UK it has also leveraged wider funding from GlaxoSmithKline.
- In the last 2 years of the EU's FP7 Programme the UK moved from second to first position, receiving more money than any other European country in applying for this instrument. We are keen to do more and are focusing on encouraging UK

[46] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341695/bis_14_994_smart_specialisation_in_england_2.pdf

[47] https://www.gov.uk/government/publications/newton-fund-building-science-and-innovation-capacity-in-developing-countries/newton-fund-building-science-and-innovation-capacity-in-developing-countries

institutions and businesses to prioritise the importance of knowledge and networks in Europe.

- The UKTI Innovation Gateway has been established to provide an easy front door for international investors. Since its launch in March 2014, the UKTI Innovation Gateway has supported the landing of over £485 million in FDI and R&D investment, as well as supporting more than £160 million in business wins for UK high tech companies. UKTI's Venture Capital network, led from the Innovation Gateway, has supported more than £97 million in venture capital investment, driving the growth of early stage innovation-led businesses.
- The government is building a Space infrastructure for the future with an additional investment in the UK space sector, including £500 million of long-term capital commitment to the European Space Agency to 2021.

Devolved Administration

Northern Ireland

4.136 Northern Ireland investment in Research & Development (R&D) continues to rise. In 2013 total R&D expenditure was £645m which represented a 2% increase from 2012. As a proportion of Gross Value Added (GVA), total R&D expenditure, having for many years traditionally lagged behind the UK average, now exceeds the UK figure and stands at 1.3%. Encouragingly, the increase in R&D expenditure has been driven by business with Business Expenditure in Research & Development (BERD) increasing by 3% on 2012 figures. Total R&D has increased by 88% since 2008. However the percentage of companies engaging in innovation continues to lag below the rest of the UK – 40% for Northern Ireland compared to UK average of 45%.

4.137 Key strategic challenges moving forward include increasing the number of companies engaging in innovation and increasing the number of companies, particularly SMEs, engaging in R&D.

4.138 In September 2014 the Northern Ireland Executive produced a new Innovation Strategy.[48] This sets out key long term actions to transform the Northern Ireland economy into one which is truly knowledge based. Progress against the delivery of the Innovation Strategy will be published each year in an Annual Innovation Report.

[48] http://www.detini.gov.uk/innovation-strategy-2014-2025_2.pdf

Box 4.C: Stakeholder focus: ProAxsis

ProAxsis is the first company in Northern Ireland to win a SME Instrument award from Horizon 2020. ProAxsis, a recent spin-out of the School of Pharmacy, Queen's University Belfast and founded by Dr Lorraine Martin and Professor Brian Walker, is developing tests to assist the routine monitoring of patients with chronic diseases.

With a budget of €80 billion (£64 billion) over 7 years, Horizon 2020 is the biggest ever EU Research and Innovation programme and from this, £2.3 billion has been set aside over 7 years to support SMEs, offering grants for business innovation studies and demonstration projects. ProAxsis is one of 155 small and medium-sized enterprises over 21 countries to have competed successfully for €50,000 (£40,000) to finance feasibility studies for their projects and benefit from up to 3 days business coaching. With advice and guidance from Invest NI, ProAxsis successfully competed against 2662 proposals from across Europe. The success rate for the UK in the SME instrument first call was 11%.

4.139 Increased focus and new investment has been made on encouraging NI researchers to engage in International R&D and Innovation collaboration. A target of €145 million has been set for Horizon 2020 – this reflects a 65% increase in NI success in FP7. In particular, there is increased prioritisation in government funding for R&D and Innovation towards our key market areas where we have greatest opportunity for growth.

Box 4.D: Stakeholder focus: Seagate

Seagate is a world leader in hard disk drives and storage solutions. The Seagate Corporation established Seagate Technology (Ireland) in Northern Ireland in January 1994, and this company has now grown to be one of the largest private sector employers.

Seagate operates in a very competitive environment which requires the introduction of advanced technology to increase data storage at ever reducing cost. There is an increasing desire to store a broad range of data to meet the needs of industry, commerce and entertainment. An example of this is seen in the exponentially expanding data storage requirements of the internet, through sites such as Google, Facebook and Youtube etc.

A research project investment of £5.8 million, supported to the value of £1.8 million by Invest NI, was undertaken into magnetic recording head technology to increase the density of data storage on computer Hard Disc Drives. When the project commenced in 2005, some of Seagate's competitors were claiming that they had achieved data storage density of 230 Gb/square inch in tests. Seagate set a target to achieve a storage density of >300 GB/square inch by the end of the project: a 30% improvement over global state of the art.

As a result of the research project, Seagate made some very positive technology breakthroughs, which resulted in the research team being able to demonstrate storage density of 754 Gb/square inch by the end of the project: over twice the original project target. As the project progressed and new technology was proven, the research team was able to pass this technology on to the product development group within Seagate and subsequently to production teams for incorporation in the Company's products. Seagate Technology (Ireland) increased its R&D team by 17 people as a result of the project. By Quarter 2 in 2014, the company has generated $1.4 billion of sales on the basis of technology that was established during the project.

Scotland

4.140 Scotland's Economic Strategy identifies innovation as a key priority for delivering sustainable economic growth. Scotland has many strengths in this area, for example in 2012, Scotland's Higher Education R&D expenditure (HERD) as a percentage of GDP was the highest of all UK regions and countries, and the fourth highest in the OECD.

4.141 The Scottish government is fully committed to ensuring that Scotland becomes an innovation nation, and has a portfolio of supporting actions to achieve this.

4.142 Scotland CAN DO, Scotland's framework for entrepreneurship and innovation, was launched in November 2013. The document sets out Scotland's ambition to become a world-leading entrepreneurial and innovative nation. An Action Framework was published in April 2014, which sets out the key actions and priorities for achieving this vision. A Scotland CAN DO Innovation Forum, chaired by the Deputy First Minister, will focus on increasing the contribution that innovation can make to the economy through driving up levels of business innovation.

4.143 The Innovation Scotland Policy Forum (ISE) was established in 2013 to increase the efficiency, effectiveness, clarity, simplification and sustainability of the support for innovation, including entrepreneurship, provided at the interface between universities and business in Scotland. The ISE will work with the new Scotland CAN DO forum to drive forward progress in enhancing university-business engagement and greater collaboration between the sector and the enterprise agencies

4.144 A Single Knowledge Exchange Organisation (SKEO) launched under the banner 'Innovation Scotland' was established in October 2013. This is being led by the Scottish Funding Council (SFC) in collaboration with Scottish Enterprise and Highlands and Islands Enterprise. SFC have reallocated £4.15 million over 4 years (2013-14 to 2016-17), from existing budgets, to deliver Innovation Scotland.

4.145 The Scottish government is continuing to provide support for Interface[49], the free, national service which match-makes businesses with research resources in Scotland's universities and research centres. Now in its tenth year, Interface has introduced over 1,793 businesses to academic partners, resulting in 1,054 company and university collaborative projects initiated. From these services 79% of Interface clients, have or will, increase their turnover. Interface also administers the newly introduced Horizon 2020 SME Engagement Scheme.

4.146 The Scottish government is supporting ambitious collaborations between businesses, universities and others to capitalise on Scotland's world-class research through a network of Innovation Centres. The Centres are being supported by £124 million of funding from the Scottish government over 2013-2019, which is being administered by the Scottish Funding Council. The first Centre was launched in April 2013, and there are now 8 in Scotland, collectively spanning across Stratified Medicine, Sensors and Imaging Systems, Digital Health, Industrial Biotechnology, Oil and Gas, Big Data, Constructions and Aquaculture.

4.147 Building on the successful creation of Scotland's 8 Innovation Centres the Scottish government will support the Centres to work together on industrial and societal challenges through a £1 million Innovation Challenge Fund. This Challenge Fund will call for action across more than one industry sector stimulating multiple Innovation Centres to draw from our universities and other stakeholders to develop innovative, industry focused solutions to benefit the people and economy of Scotland.

4.148 In addition to supporting innovation activity in Scotland, the Scottish government is supporting international collaboration by piloting Innovation and Investment Hubs at key global locations. These Hubs will be tasked with securing research and innovation partners, investors in Scottish innovation, and building on established exporting and inward investment expertise. The Hubs will provide a focus for Scottish companies or universities needing presence in a country, capital or continent, including links to our network of Innovation Centres.

4.149 Actively encouraging a culture of creativity and entrepreneurship amongst the 18 – 24 year olds through the Young Innovators Challenge. This competition, which is supported by industry representatives across a number of key sectors, supports the competition winners to turn their business ideas into reality by providing cash prizes and 'in kind' business support.

[49] http://www.interface-online.org.uk/

Box 4.E: Stakeholder focus: Scotland CAN DO[50]

Scotland's Economic Strategy identifies innovative and entrepreneurial activity as a key driver of sustainable economic growth. Scotland CAN DO, which was published in November 2013, sets out a framework for achieving Scotland's ambition to become a world-leading entrepreneurial and innovative nation. Innovation and entrepreneurship actions being taken forward through Scotland CAN DO will be supported with a commitment of £3 million for 2015/16.

Scotland CAN DO emphasises that this vision can only be achieved through a shared and partnered approach between government, businesses, third sector partners and others. Actions being taken forward through Scotland CAN DO include:

- The Scottish Encouraging Dynamic Growth Entrepreneurs (EDGE) Fund, which is designed to provide support to early-stage entrepreneurs. The Fund is supported by the Scottish government in partnership with RBS and the Hunter Foundation. To date the fund has allocated around £3.4m to 85 businesses with growth potential, resulting in the creation of over 200 new jobs and securing £4.3 million of new investment.
- Encouraging a culture of entrepreneurship from an early age through the Enterprising Schools Project. Through this project, Young Enterprise Scotland will, in conjunction with Education Scotland, lead partner organisations involved in entrepreneurial education activities towards the development of a 'Charter mark' of enterprise activity.
- The Bright Idea Scotland service, which provides advice to help individuals and businesses commercialise innovative ideas for new products and services. Up to the end of 2014 the service delivered 77 workshops and surgery days across Scotland; over 360 people benefitted from individual surgery sessions allowing inventors to talk through their idea face to face with an adviser.

Wales

4.150 The Sêr Cymru programme is supported by the Welsh government and the Higher Education Funding Council for Wales (HEFCW) with the aim of attracting world class academic researchers to Wales. There is a total of £50 million being made available over 5 years. The first 3 Research Chairs have been appointed and funded by £13 million. In addition, 3 National Research Networks have been created, one in each of the Grand Challenge areas of Advanced Engineering and Materials, Low Carbon, Energy and Environment and Life Sciences and Health. These networks share funding of £21.3 million over 5 years. The Chairs and Networks were competitively awarded based on the scientific excellence with the aim of expanding the research capacity of the HEI sector in Wales and to encouraging more collaboration across the existing research base with the ultimate aim of increasing the level of competitive research income received by Wales.

4.151 Plans are in place to allocate the remaining funds to a 'rising stars' programme, i.e. researchers who will be the stars of tomorrow. Evidence from elsewhere (Scotland) suggests that recruiting the initial batch of excellent stars is essential to demonstrate government intent and this attracts the rising stars to Wales but that the best value for money comes from the rising stars. Both are necessary for the long term expansion of the excellent research base in Wales.

[50] http://www.gov.scot/Publications/2013/11/7675/0

The CSAW is seeking a large contribution from WEFO for the rising stars programme (to be known as Sêr Cymru 2) as well as a smaller contribution from the European Horizon 2020 fund.

4.152 The Sêr Cymru Research Chairs and Networks were set up in late 2013 and have been recruiting teams of Research Fellows and Ph.D. students over 2014. This recruitment will continue through 2015 so that the research teams are fully operational through to end of the 5-year funding period in early 2019. At that time, the teams will be expected to be largely self-supporting through access to Horizon 2020, UK Research Council and Innovate UK funding and through collaboration with industry.

4.153 Wales' R&D and innovation grant support scheme for business, SMARTCymru, complements the SMART scheme run by Innovate UK. SMARTCymru is primarily aimed at SMEs already operating in Wales. Business finance is offered to help businesses carry out research and development work that will lead to technologically innovative products or processes. To date 214 projects are currently either underway or completed, with more than 51 products, processes or services launched and a further 19 projects in the immediate pipeline.

4.154 The European Regional Development Fund (ERDF) funded Academia for Business (A4B) programme ended on 31 December 2014, but a new project being developed to replace A4B which is seeking funding from the new round of ERDF funding in Wales. A4B provided funding to academia to engage with industry in collaborative R&D and commercialise academic intellectual property. The programme provided support for 340 projects with a total value of £52 million, which have in turn delivered 980 Collaborative R&D Projects, 410 new or improved products, processes or services launched, £25 million of investment induced from the private sector and £82 million of competitively won funding.

4.155 In 2014 Wales put together the Innovation Advisory Council for Wales to assist the Welsh government with the delivery of Innovation Wales strategy. With a membership drawn from the 'Triple Helix' of Business, Academia and the Public Sector, IACW will advise on all issues of innovation and the principles of 'Smart Specialisation'.

4.156 The Small Business Research Initiative (SBRI) Catalyst Fund has been further supported in Wales, promoting and supporting the use of the SBRI mechanism by problem owners in the public sector. Working in partnership with Innovate UK, Wales initiated 6 SBRI competitions in 2014 with public sector bodies ranging from South Wales Police, University Health Boards, local government and Natural Resources Wales.

4.157 The Welsh government's Business Innovation Programme provides advice and specialist support for manufacturing, design and new product introduction. The programme is supported by a team of Innovation and Intellectual Property Specialists who facilitate and promote Innovation and R&D in business. The programme started in 2009 and ran until the end of 2014. Over its lifetime the programme has supported 1217 projects which have resulted in the launch of 730 products/processes or services, protected 564 Intellectual assets thorough IP support, and created 336 technical jobs. The programme has also supported 467 businesses with Innovation Voucher funding.

4.158 The Welsh government Open Innovation Pilot Project was introduced in 2014. Its aim was to identify effective ways in which the Welsh government can encourage and support companies to work collaboratively on the successful commercialisation of new ideas. This was achieved through a competitive Development Award for 8 Welsh 'Anchor' companies which encouraged a change of culture and helped them collaborate with others, particularly smaller companies in their supply chain. To date they've engaged with over 150 SMEs and 50 academic departments with a view to developing collaborative projects.

Climate change and energy

June 2010 Council conclusions

Reducing greenhouse gas emissions by 20% compared to 1990 levels; increasing the share of renewables in final energy consumption to 20%; and moving towards a 20% increase in energy efficiency.

Relevant Treaty base: Article 121 and 191 of the Treaty on the Functioning of the EU, Integrated Guideline 5.

Government objective

4.159 In line with the EU Climate and Energy Package adopted in June 2009, the UK will reduce greenhouse gas emissions by at least 34% compared with 1990 levels and, in line with the EU Renewables Directive, will increase the share of final energy consumption from renewable sources across heat, electricity and transport to 15% by 2020. Over the period the government will also act to enhance the energy efficiency of homes, business and transport.

4.160 Energy policy is generally a reserved matter in Great Britain and generally devolved to Northern Ireland; and various aspects of climate change policy are devolved in Scotland, Wales and Northern Ireland.

Policy context

4.161 The government aims to make significant progress towards decarbonising the UK economy, while maintaining energy security, maximising the opportunities for businesses to take advantage of the growing market for low carbon goods and services and ensuring energy bills remain affordable for households and businesses. The Annual Energy Statement 2014[51] summarises the government's achievements so far in achieving its energy-related objectives.

4.162 The Department of Energy and Climate Change has been working in partnership with the Department for Business, Innovation & Skills and UK industry to produce 3 outward-facing energy sector strategies as part of the government's industrial strategy. These strategies cover oil and gas, nuclear and offshore wind and are some of the first to be launched as part of the industrial strategy. The nuclear strategy[52] and the oil and gas strategy[53] were published in March 2013. The offshore wind sector strategy[54] was launched in August 2013.

Actions to achieve objective

Greenhouse Gas Emissions

4.163 The 2008 Climate Change Act (CCA)[55] established the world's first legally binding framework for reducing greenhouse gas emissions. It requires the UK to reduce greenhouse gas emissions by at least 80% (from the 1990 baseline) by 2050. The UK has also agreed to an EU-wide target to reduce greenhouse gas emissions by at least 40% by 2030, and is reaching an agreement on an international climate change agreement for the post 2020 period by 2015.

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[51] https://www.gov.uk/government/publications/annual-energy-statement-2014
[52] https://www.gov.uk/government/publications/nuclear-industrial-strategy-the-uks-nuclear-future
[53] https://www.gov.uk/government/publications/uk-oil-and-gas-industrial-strategy-business-and-government-action-plan
[54] https://www.gov.uk/government/publications/nuclear-industrial-strategy-the-uks-nuclear-future
[55] http://www.legislation.gov.uk/ukpga/2008/27/contents

4.164 The **Carbon Plan**[56] published in December 2011, sets out the UK's approach to achieving its first 4 carbon budgets. The document sets out sectoral plans and scenarios for reducing emissions from buildings, transport, industry, electricity, agriculture, land use, forestry and waste. It sets out how the UK intends to meet each 5 year carbon budget period and outlines the commitment to a 50% reduction in emissions by 2027. This was in line with the recommendations by the independent Committee on Climate Change (CCC). The CCC was set up under the CCA and is required to report to Parliament each year on the UK's progress in meeting its carbon budgets.

4.165 The EU Emissions Trading System (ETS) plays a key part in ensuring the UK complies with its legally binding carbon budgets and contributes to EU targets in 2020 and 2030. The legal framework for the EU ETS is set out in the EU ETS Directive and the UK Greenhouse Gas Emission Trading Scheme Regulations.[57] The UK has around 900 EU ETS participants. The 'traded sector', i.e. sectors covered by the EU ETS, will account for over 50% of the emissions reductions needed to meet UK targets. The government is pressing for reform of the EU ETS to ensure that it continues to enable participants to meet long-term climate targets most cost-effectively, through strengthening of the European Commission's proposal for a Market Stability Reserve and through reforms for Phase IV of the ETS[58] to ensure that sectors at highest risk from international competition are appropriately protected and that regulatory burdens are minimised as far as possible.

4.166 Electricity Market Reform, set out in the Energy Act 2013,[59] is designed to tackle the huge challenges facing the electricity sector ensuring security of supply and decarbonising our power sector at an affordable cost to consumers. The Act, which gained Royal Assent in December 2013, introduces policies to drive up to £100 billion of private sector investment in electricity infrastructure over the next decade.

4.167 The Act also includes provisions for an Emissions Performance Standard (EPS) to act as a regulatory backstop on the amount of carbon emissions new fossil fuel power stations can emit. This limit is set at 450g/kWh operating at baseload. The EPS will help deliver the government's commitment to ensuring that any new coal fired power station is constructed and operated in a way consistent with the UK's decarbonisation objectives.

4.168 In April 2013 the government established a Carbon Price Floor (CPF),[60] which sets a minimum price for carbon dioxide emitted from the burning of fossil fuels by UK electricity generators. It does this by 'topping-up' the EU Emissions Trading System (EU ETS) carbon price with a UK-only tax known as the Carbon Price Support (CPS). By setting out a trajectory for this minimum carbon price between 2013 and 2030 it aims to incentivise investment in low-carbon electricity generation. The 2014 Budget announced a cap on the CPS rate at £18 per tonne of carbon from 2016-17 until 2020. This was done to address concerns about the competitiveness of UK industry, due to a lower than expected EU ETS carbon price. This means that the price of carbon in the UK electricity generation sector will not be more than the EU ETS price plus £18 per tonne of carbon from 2016 to 2020. The government will review the CPF trajectory for the 2020s, once the direction of travel on EU ETS reform is better known.

56 https://www.gov.uk/government/publications/the-carbon-plan-reducing-greenhouse-gas-emissions--2

57 http://www.legislation.gov.uk/uksi/2012/3038/pdfs/uksi_20123038_en.pdf

58 https://www.gov.uk/government/publications/uk-vision-for-phase-iv-of-the-eu-ets

59 http://www.legislation.gov.uk/ukpga/2013/32/contents/enacted/data.htm

60 https://www.gov.uk/government/publications/carbon-price-floor-reform

Carbon Capture and Storage

4.169 The UK is also supporting the development of Carbon Capture and Storage (CCS), an essential technology to decarbonise fossil fuel power generation and industrial sources of CO_2. The CCS Roadmap,[61] published in April 2012, set out a comprehensive package of measures designed to take the UK to cost competitive CCS in the 2020s.

4.170 In October 2013 the government published a response to the CCS Cost Reduction Task Force[62] and an update on key policy developments since the 2012 CCS Roadmap. The report set out a vision of 3 possible phases of CCS development in the UK. The competition projects represent the first phase and a second phase of projects could come forward in parallel to these, with a third and final phase of projects (taking advantage of the advances from the previous phases) completing the transition to fully commercial cost-competitive CCS operating in the 2020s. In August 2014 the government published "Next Steps in CCS"[63] seeking views and evidence on a possible second phase of CCS deployment.

Nuclear Power

4.171 Nuclear represents a significant part of the £110 billion of investment in the electricity sector that is required over the next decade. There has been significant progress over the last year as 3 consortia move forward with plans to collectively develop up to 13 reactors on 5 different sites, with the potential to generate around 16GW of power.

4.172 In October 2013, the key terms of a contract were agreed for Hinkley Point C in Somerset; paving the way for construction of the first new UK nuclear power station in a generation. The European Commission approved the Hinkley Point C State aid case in October 2014 and the government continues to work together with EDF to finalise the Hinkley project, including the full terms of the Contract for Difference and the financing arrangements for the project, which includes support from the UK Guarantee.

4.173 Hinkley Point C will generate enough low carbon electricity to power the equivalent of nearly 6 million households, providing roughly 7% of the UK's electricity, making it one of the largest power stations in the UK. Once built, Hinkley Point C will provide a clean source of energy saving approximately 9 million tonnes of carbon dioxide a year. The plant will bring 900 permanent jobs to the area and create around 25,000 jobs during construction.

4.174 The UK's new nuclear programme is also advancing positively with 2 other projects being taken forward by NuGen and Horizon Nuclear Power at Wylfa and Oldbury. Along with the Hinkley Point C project, these 3 have the potential to develop around 16GW of new nuclear power in the UK.

Renewable energy

4.175 Increasing the amount of energy the UK gets from low-carbon technologies such as renewables will help the government to: insulate the UK from volatile fossil fuel prices; reduce UK greenhouse gas emissions; and stimulate investment to support jobs and businesses.

4.176 Electricity Market Reform (EMR) has set out a framework for encouraging investment in low carbon electricity generation (an estimated £100 billion of capital investment will be needed in the electricity sector over the next decade):

[61] https://www.gov.uk/government/publications/the-ccs-roadmap

[62] https://www.gov.uk/government/publications/ccs-in-the-uk-government-response-to-the-ccs-cost-reduction-task-force

[63] https://www.gov.uk/government/publications/ccs-policy-scoping-document

- Contracts for Difference (CFDs): to reduce risk barriers to investment in low carbon technologies. In October 2014, the government published the budgets for the first round of CFD auctions for renewable electricity projects. A budget of £325 million has been released under the Levy Control Framework for the first auction, which reflects the government's commitment to reforming the UK's electricity markets and tackling climate change. The first CFDs are expected to be signed in spring 2015.
- Investment contracts: to avoid an investment hiatus as the UK moves to EMR, the UK Department of Energy and Climate Change (DECC) issued Investment Contracts (an early form of CFD) to 8 major renewable electricity projects in advance of the EMR CFD enduring regime being established in April 2014. These included 5 offshore wind farms and 3 biomass stations – which will provide up to £12 billion of private sector investment, supporting 8,500 jobs, and could add a further 4.5GW of low carbon electricity to Britain's energy mix.

4.177 Existing support for renewable energy includes:

- Renewables Obligation (RO) – introduced in 2002, provides incentives for large-scale renewable electricity generation by making UK suppliers source a proportion of their electricity from eligible renewable sources. The Renewables Obligation Certificates (ROCS) will help deliver £20-25 billion of additional investment in renewable electricity between 2013 and 31 March 2017, when the scheme will close to new generators.
- Feed-in Tariffs (FITs) scheme – introduced in April 2010, this scheme pays energy users who invest in small-scale, low-carbon electricity generation systems for the electricity they generate and use, and for unused electricity they export back to the grid. By the end of December 2014, 646,281 installations (3.2 Giga Watt capacity) had been registered on either the Central Feed-in Tariff Register, the Microgeneration Certification Scheme or both[64].
- Non-domestic Renewable Heat Incentive – launched in November 2011, the RHI offers a financial incentive to commercial, industrial, public, not-for-profit and community generators of renewable heat for a 20-year period. As of end of December 2014, there have been 7258 accreditations to the scheme with 1,215 Mega Watt of installed capacity[65].
- Domestic Renewable Heat Incentive - launched in April 2014, the domestic scheme offers a financial incentive to homeowners, private and social landlords and people who build their own homes to install an eligible renewable heat RHT. As of the end of December there had been 19,309 accreditations to the scheme, of which 4,998 were from new installations (applicants who had systems installed on or after the domestic RHI scheme launch date)[66].
- Renewable Heat Premium Payment (RHPP) – this gave one-off payments to householders, communities and social housing landlords to help them buy renewable heating technologies like solar thermal panels, heat pumps and biomass boilers. The scheme supported over 17,000 renewable heat installations in private

64 https://www.gov.uk/government/statistics/monthly-small-scale-renewable-deployment.

65 https://www.gov.uk/government/statistics/rhi-and-rhpp-deployment-data-december-2014

66 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/397325/RHI_quarterly_release__December_2014_data_.pdf

and social housing since its launch in August 2011. It ran until March 2014 and was replaced by the Domestic RHI

- Renewable Energy Roadmap[67] – this sets out a plan for accelerating the use of onshore wind, offshore wind, marine energy, solar photovoltaics, biomass electricity and heat, ground source and air source heat pumps, and renewable transport.

- Renewable Transport Fuel Obligation – this came into effect in April 2008, with an obligation that 2.5% by volume of suppliers' fuel should be from biofuels. The obligation level increased each year to a maximum of 5% in 2013-14. Renewable transport is on track to meet the interim transport target, as defined by the Renewable Transport Fuel Obligation, of around 5% by 2013-14.

4.178 Further progress was made in the area of renewable energy deployment. During 2014, renewables generated 17.8% of electricity in the third quarter, down from the quarterly record 19.5% produced in the first quarter and 4.2% higher than the same period in 2013. For the whole of 2013, the share of electricity generation from renewable sources was an annual record of 14.9%. Total renewable electricity generation was 52.8 TWh in 2013, an increase of 28% from 2012. This generation increase coincided with a capacity increase of 25%, reaching 19.4 GW at the end of 2013. Since 2010, £34 billion worth of private sector investment in renewable electricity has been announced with the potential to support over 37,000 jobs across the UK. Total solar PV capacity grew by 1.0 GW between December 2012 and December 2013, representing a 58% increase and bringing total installed capacity to 2.7 GW.[68]

Energy efficiency

4.179 In all of the scenarios set out by the government in the 2011 Carbon Plan total energy consumption in 2050 must be no higher than it was in 2011 – meaning energy efficiency will have to increase across all sectors of the economy and further investment will be required.

4.180 The 2012 Energy Efficiency Directive introduced a requirement (Article 3) on member states to establish a non-binding national energy efficiency target by 30 April 2013. In April 2013, the UK notified the European Commission of its national energy saving target. The target was set at the level of 129.2 million tonnes of oil equivalent for final energy consumption, representing an 18% reduction relative to the 2007 business-as-usual projection (equivalent to a 20% reduction in primary energy consumption). The 2014 Energy and Emissions Projections[69] suggest the UK is on track to meet this target, with final energy consumption in the UK expected to be around 20% lower in 2020. This reflects the government's ambitious policy package.

4.181 The 2012 Energy Efficiency Strategy[70] set out our ambition for realising the energy efficiency opportunity in the UK, reducing consumers bills, enhancing business productivity and energy security, and cutting carbon emissions cost-effectively. The UK is a world leader on energy efficiency and the government's Energy Efficiency Strategy is delivering benefits across the economy:

- The UK energy efficiency sector supports growth in the economy; it employs more than 100,000 people and is a multibillion pound market.

- Energy consumption has fallen in 8 of the last 9 years and our energy efficiency policies have contributed to a 20% decline in household energy use since 2004 –

67 https://www.gov.uk/government/publications/uk-renewable-energy-roadmap-second-update

68 https://www.gov.uk/government/statistics/energy-trends-section-6-renewables

69 https://www.gov.uk/government/publications/updated-energy-and-emissions-projections-2014

70 https://www.gov.uk/government/publications/energy-efficiency-opportunities-in-the-uk

one of the biggest decreases in the EU. Over the same period, UK energy intensity has fallen by 22%.

- The government has put in place a range of schemes designed to boost energy efficiency in the home and stimulate private finance and market certainty. However there is no 'silver bullet' to achieve a reduction in carbon emissions in household energy, and it cannot be done overnight. Schemes include the Green Deal, an ambitious and long-term initiative designed to upgrade the energy efficiency of Britain's homes, the Green Deal Home Improvement Fund (GDHIF), using funding from the £540 million 'Autumn Statement 2013' package for energy efficiency, the Domestic Renewable Heat Incentive, Smart Meters and the Energy Company Obligation (ECO). By the end of November 2014, the ECO and Green Deal package had delivered new boilers, windows and insulation to more than one million homes – 4 months ahead of the government's target of March 2015.

- The government is taking action to remove the overlaps between business energy efficiency policies, such as the CRC Energy Efficiency Scheme and Climate Change Agreements. The savings to industry as a result of these changes are estimated to be around £2.4 million for CCAs and a 55% (£275 million) reduction in CRC administrative costs up to 2030. In 2014, the government introduced the Energy Savings Opportunity Scheme (ESOS) and launched the Electricity Demand Reduction pilot. ESOS will support around 10,000 large undertakings in the UK to make energy efficiency improvements to their operations, and it is estimated it will lead to energy bill savings of over £250m per year for participants and reduce energy consumption by around 3TWh annually.

4.182 Looking forward, it is projected energy efficiency policies will reduce final energy demand by 145TWh and net energy imports by around 20% in 2020.

Devolved administrations

Northern Ireland

4.183 In February 2011, the Northern Ireland Executive approved a Northern Ireland Greenhouse Gas Emissions Reduction Action Plan[71] which examined relevant policies and actions across the Northern Ireland government departments, identifying the projected impact on emissions and the economy and thereby providing an overall indication of how Northern Ireland emissions will look in 2025. One of the actions identified in the Action Plan was for a Cross Departmental Working Group on Climate Change to provide an annual report to the Executive to indicate that appropriate progress is being made in terms of greenhouse gas emission reductions. The third Annual Progress report[72] was presented to the Northern Ireland Executive in May 2014.

4.184 The latest Greenhouse Gas (GHG) inventories for England, Scotland, Wales and Northern Ireland published in June 2014, based on 2012 figures noted Northern Ireland emissions had reduced by 16% from 1990 to 2012. Using this data the latest GHG emissions reduction projection produced in December 2014 forecast a 33.3% reduction in emissions by 2025 against 1990 baselines.

4.185 The Northern Ireland Executive's Strategic Energy Framework 2010[73] aim is to achieve a competitive, sustainable future for energy in Northern Ireland and includes objectives for 40%

[71] http://www.doeni.gov.uk/northern_ireland_action_plan_on_greenhouse_gas_emissions_reductions.pdf

[72] http://www.doeni.gov.uk/ni_greenhouse_gases_action_plan_3rd_annual_progress_report.pdf

[73] http://www.detini.gov.uk/strategic_energy_framework__sef_2010_-3.pdf

renewable electricity consumption and 10 % renewable heat by 2020. It also provides for further development of the natural gas network. The Northern Ireland Department of Enterprise, Trade and Investment (DETI) continues to work with DECC on the implementation of the Electricity Market Reform in Northern Ireland and transition from the Renewables Obligation.

4.186 The Northern Renewable Heat Incentive[74] (RHI) was launched in November 2012 to the commercial sector with the objective to support the achievement of 10% renewable heat by 2020 from a baseline of 1.7% in 2010. The Northern Ireland RHI is similar in nature to the scheme in place in Great Britain. However, it has been specifically tailored to account for the differences between the Northern Ireland and Great Britain energy/heat markets. On 9 December 2014 the RHI was extended to the domestic sector. Domestic customers who availed of the interim Renewable Heat Premium Payment scheme, (RHPP), in place since May 2012 will transfer across to the RHI. A phase 2 review of the non-domestic RHI which will see the extension of support to new technologies and the introduction of new tariffs will be taken forward early in 2015.

Box 4.F: Stakeholder focus: Evermore Renewable Energy

Evermore Renewable Energy is constructing an £81 million biomass renewable power plant at Londonderry Port which will generate 15.8 MW of electricity, the equivalent of enough energy to power 25,000 homes and businesses in the area. Incentivised through the Northern Ireland Renewables Obligation, the power plant, which will create 18 permanent jobs once it is in operation by summer 2015, is the first of its kind on the island of Ireland and will be the largest non-wind renewable energy project in Northern Ireland.

Evermore secured the funding from, among others, the UK Green Investment Bank through Foresight Group's managed fund, UK Waste Resources and Energy Investments ("UKWREI"), in which GIB is a cornerstone investor. The plant's forecast operations life is 20 years during which time it is estimated that it will save over 2 million tonnes of wood from landfill and save around 3.7 million tonnes of CO2 emissions.

Scotland

4.187 The Transition to a Low Carbon Economy provides an opportunity to take advantage of Scotland's comparative natural advantages, as well as decoupling trends in emission levels from trends in economic growth. The Scottish government intends to do this through a shift towards renewable energy, a focus on energy and resource efficiency, and a commitment to the low carbon and environmental goods and services (LCEGS) sector.

4.188 Low Carbon Scotland, Meeting the Emissions Reduction Targets 2013-2027, the second Report on Proposals and Policies (RPP2), published in June 2013,[75] details a package of measures which can deliver Scotland's world leading and ambitious climate change targets up to 2027. By 2012, Scotland was more than halfway to meeting the 2020 target of cutting greenhouse gas emissions by 42%. Measures in RPP2 include expanding renewable energy production, improvements in energy and resource efficiency in households and industry, transition of transport to a lower carbon basis, expansion of renewable sources of heat, and sustainable land use.

4.189 The Scottish government's 2020 Routemap for Renewable Energy in Scotland[76] sets out the collective actions needed to achieve the target to meet the equivalent of 100% of Scotland's

[74] http://www.nidirect.gov.uk/rhi
[75] http://www.gov.scot/Topics/Environment/climatechange/scotlands-action/lowcarbon/meetingthetargets
[76] http://www.gov.scot/Resource/0044/00441628.pdf

electricity demand from renewable energy by 2020, together with equally important targets for renewable heat and an increase in the community and local ownership of renewable projects. The focus is on developing and deploying a wide range of renewable energy technologies to create job and investment opportunities, improve security of supply, help reduce emissions, and enable communities and individuals in urban, rural and remote areas to reduce their reliance on fossil fuels. The Routemap is updated annually to highlight progress and reflect current priorities and challenges, with the next update due in spring 2015.

4.190 Scottish government and its agencies, Skills Development Scotland (SDS) and the Scottish Funding Council, continue to work with industry to respond to the immediate and long term skills needs identified by the sector. Good progress has been made since we published the Energy Skills Investment Plan (SIP) in 2011 and we are currently refreshing the SIP to ensure that public sector investment in this area remains closely aligned with developing skills demand.

4.191 The Low Carbon Skills Fund, developed and managed by SDS, has enabled employers to up-skill and re-skill by supporting more than 3,000 training opportunities in low carbon technologies (including renewables) since 2010-11. SDS, working with partners, will continue to support skills uptake in low carbon technologies through a combination of targeted activity, such as the Low Carbon Skills Fund, and its core services for individuals and employers, including Modern Apprenticeships, Flexible Training Opportunities and Individual Learning Accounts.

4.192 The Resource Efficient Scotland[77] programme provides support to businesses, third sector and public sector organisations to reduce overheads through improved energy, material resource and water efficiency. It has simplified the energy and resource efficiency advice and support landscape and is helping organisations across Scotland to realise potential annual savings in the region of £25 million through the implementation of resource efficiency measures. It has been operational from April 2013. In 2013-14, over £2.2 million was paid out to 70 SMEs through the Resource Efficient Scotland SME loans scheme, to help businesses install measures that reduce energy, material resource and water consumption.

4.193 Scotland has some of the UK's most ambitious recycling targets, with a target to recycle 70% of Scotland's waste by 2025 and a target to cut all waste by 15% by 2025. The Waste (Scotland) Regulations 2012 have brought about a transformation in recycling services to households and businesses, requiring separate collection of key materials; and ministers have established a Scottish Materials Brokerage Service to nurture Scotland's reprocessing industry and get a better deal for Councils and public bodies from their waste and recyclate.

4.194 The Scottish government is undertaking a programme of work to explore and capture the potential opportunities from becoming a more circular economy. Scottish ministers have contributed £1.3 million to the establishment of a Scottish Institute of Remanufacture, based in Glasgow, to help capitalise on these opportunities, and the centre is the first of its kind in Europe and one of only 4 in the world alongside New York, Singapore and Beijing. The Scottish government also created Resource Efficient Scotland in 2013 to provide, practical, on-the-ground support to help businesses eliminate unnecessary waste (water, energy and materials), save money and retain a competitive edge. The Scottish government intends to publish a Circular Economic Roadmap in 2015 to set out the specific actions to help move Scotland towards a more circular economy.

4.195 The Scottish government is helping to cut the cost of offshore wind by at least 10% through £2.2 million of investment in the Carbon Trust's Offshore Wind Accelerator Programme over 2014/15 to 2015/16. The investment will be used to encourage international collaboration between the world's leading offshore wind developers; share knowledge on design and

[77] http://www.resourceefficientscotland.com/

operation of offshore wind technology; and support the commercialisation of floating offshore wind turbines for Scottish waters.

4.196 The Scottish government refocused its £18 million Marine Renewables Commercialisation Fund in 2013 in response to industry calls for more tailored support for the wave industry. While most of the fund was directed at the wave power sector, part of the fund has been used to help develop the enabling technologies needed alongside the first wave and tidal arrays. Five innovative projects were successful in securing awards and are already delivering excellent results. The developers of CableFish, a tool that helps with cable installation, recently completed a successful trial of the technology at the European Marine Energy Centre. These innovative technologies are helping reduce the costs and risks of the first arrays.

4.197 The consultation on the Scottish government's draft Heat Generation Policy Statement closed on 9 June 2014. The document sets out the Scottish government's holistic approach to largely decarbonising the heat system by 2050, diversifying heat generation and supply, reducing pressure on household energy bills and maximising the economic opportunities of the transition to a low carbon heat sector. A report detailing the consultation analysis was published in October 2014,[78] and the responses will help inform and finalise the Heat Policy Statement for publication in 2015.

4.198 Scotland's Sustainable Housing Strategy was published in June 2013, setting out the Scottish government's ambitions to deliver warm, high quality, affordable homes and a housing sector that helps to establish a low carbon economy across Scotland. The strategy includes the national retrofit programme, Home Energy Efficiency Programmes for Scotland (HEEPS), which will help meet our fuel poverty and climate change targets and enable Scottish households and businesses to get maximum benefit from energy company and other investment. The Scottish government has allocated over half a billion pounds since 2009 on a raft of Fuel Poverty and Energy Efficiency programmes. In 2014-15 £94 million was invested by Scottish government in domestic energy efficiency, including £79 million through HEEPS.

Wales

4.199 The Welsh government's Climate Change Strategy (2010) set the ambition of a 3% per annum reduction in greenhouse gas emissions in areas of devolved competency against a baseline of average emissions over the period 2006-10, leading to a reduction of 40% in greenhouse gas emissions by 2020 against a 1990 baseline.

4.200 In 2014 Wales' third annual report, which summarises the action taken, outlined the progress made against targets. For the 3% annual emissions target in devolved areas, Wales have exceeded the target with a reduction of 10.0% and for the wider target to reduce all emissions by 40% by 2020, the report shows a reduction in emissions by 17.9% against the 1990 baseline. The report breaks down emissions by sectors in contributing to the 3% emissions reduction target: Transport (8.2%), Resource Efficiency and Waste (20.4%), Business (16.7%), Public Sector (3.1%), Agriculture and Land Use (1.2%) and Residential (7.6%).

4.201 In terms of the progress within key devolved sectors, the progress in the Resource Efficiency and Waste sector in particular is a demonstration of strong leadership. The record in Wales on waste is now up with the best in Europe and in parallel we have reduced emissions by over 20%. Even more significantly, it is a demonstration of how delivering on this agenda can also support economic growth.

4.202 Current legislation aims to provide a framework for Wales to develop sustainably for current and future generations. Building on Wales' record as one of the first countries in the

[78] http://www.gov.scot/Publications/2014/10/9929

World to have a sustainable development duty, the first Fair Trade Nation in the World and one of the first nations to legislate for Active Travel, The Wellbeing of Future Generations Bill, the Environment Bill and the Planning Bill are all taking forward key elements that will enable this to happen.

4.203 In recognition that Wales must do more to tackle the causes of climate change, the future policy direction of the Climate Change Policy refresh will focus on key priority areas, which are summarised as; driving out climate risk, driving down emissions, driving up energy efficiency, and driving forward low-carbon energy.

4.204 Outside of direct government action, people, communities and all sectors are encouraged and helped to take action through the Green Growth Fund and our new Resource Efficient Wales service, with the overall aim to enable and empower people to act on climate change.

A Measuring progress against objectives: indicators

Employment

Indicator	Current level	Reference period
Employment rate UK	73.3%	Nov-Jan 2015
Employment rate England	73.6%	Nov-Jan 2015

Northern Ireland

Indicator	Current level	Reference period
Employment rate (population aged 16 – 64)	67.7%	Nov-Jan 2015

Scotland

Indicator	Current level	Reference period
Employment rate (population aged 16-64)	74%	Nov-Jan 2015

Wales

Indicator	Current level	Reference period
Employment rate (population aged 16-64)	69.7%	Nov-Jan 2015

Education

England

Indicator	Current level	Reference period
Outcome of Education.	88% of young people recorded as being in a sustained education destination in the year after Key Stage 4. 63% of young people recorded as being in a sustained education destination in the year after they took their A Level or equivalent (Key Stage 5)	2012/13. Source: SFR01/2015 Destinations of Key Stage 4 and Key Stage 5 pupils, 2012/13
Number of government-funded learners participating in Further Education (FE) International comparison of the qualification levels of the working age population in the UK.	81% achieving at least upper secondary (English Level 2) and 40% at least tertiary (English Level 4)	Quarter 4, 2013. Source: Education and Training Statistics for the UK, 2014, Table 3.4

Indicator	Current level	Reference period
Number of government-funded learners participating in Further Education (FE), academic age 19 years and over.	Full level 2 qualifications 494,100 Full level 3 qualifications 191,500	2013/14. Source: SFR: SFA/SFR26 Further Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held, Table 1.2

Northern Ireland

Indicator	Current level	Reference period
% of school leavers achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and Maths	62.2%	2012/13
% of school leavers entitled to Free School Meals achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and Maths	34.9%	2012/13

Scotland

Indicator	Current level	Reference period[1]
Number of government-funded learners participating in Further Education (FE)	83% achieving at least upper secondary (SCQF Level 5) and 43% at least tertiary (SCQF Level 7)	Quarter 4, 2013. Source: Education and Training Statistics for the UK, 2014, table 3.4
Proportion of 18 to 24 population who are early leavers from education and training	10.9%	2013
Percentage population aged 30-34 having completed tertiary education	52.8%	2013
Percentage youth aged 20-24 having attained at least upper secondary level education	82.5%	2013

Wales

Indicator	Current level	Reference period
The percentage of 15 year olds achieving the level 2 threshold (5 or more A*-C GCSEs or equivalent) including English and/or Welsh first language and mathematics	55.4%	2013-14
Attainment at age 19 – percentage having achieved: Level 1 Level 2 Level 3	 Level 1: 95% Level 2: 78% Level 3: 53%	2010-11

[1] Data for 18-24 and 30-34 indicators are from Eurostat - Labour Force Survey. Data for 20-24 indicator is from Annual Population Survey Jan-Dec 2013. UK result for Eurostat indicator was 82.9%, whereas corresponding APS result was 80.7%)

Indicator	Current level	Reference period
International comparison (within the OECD) of the qualification levels of the working age population	78% achieving at least upper secondary (UK level 2) and 36% at least tertiary (UK Level 4)	2013

Social exclusion and poverty reduction

England

Indicator	Current level	Reference period
Children in Workless Households (England)	12.7%	2014
Children in relative income poverty (HBAI)	17%	2012-13
Children in absolute income poverty (England)	19%	2012-13
Children in combined low income and material deprivation** (UK)	13%	2012-13
Children in persistent poverty (UK)	12%	2005/08

Northern Ireland

Indicator	Current level	Reference period
% of children in relative poverty	20% (89,000 children)	2012-13
% of children in absolute poverty	22% (96,000 children)	2012-13

Scotland

Indicator	Current level	Reference period
Solidarity target: 'To increase overall income and the proportion of income earned by the 3 lowest income deciles as a group by 2017'	14.1%	2012-13
National Indicator: 'Reduce the proportion of individuals living in poverty'. This is measured in terms of the percentage of people living in relative poverty (below 60% of median income before housing costs).	15.7%	2012-13

Wales

Indicator	Current level	Reference period
Improving the Skills of young People and Families: % of working age adults achieving NQF 2,3 and 4 +	NQF 2: 76% NQF 3: 56% NQF 4: 34%	2013
Improving the Skills of young People and Families: % of 16-18 year olds who are not in employment, education or training	10.5%.	2013

Research and development and innovation

England

England Indicator	Current level	Reference period
UK share of top 1% cited research-papers corrected by field.	15.9%[2]	2012
Expenditure on research and development at HEIs	£7.2B[3]	2012

Northern Ireland

Indicator	Current level	Reference period
Total R&D expenditure	£645 million	2013
% firms that are innovation active	40%	2012

Scotland

Indicator	Current level	Reference period
Gross Expenditure on Research and Development	1.58% of Scottish GDP (£1.92 billion) [4]	2012
Proportion of innovation active firms in Scotland	43.3%	2010-2012

Wales

Indicator	Current level	Reference period
Gross expenditure on R&D	£569 million	2012
Higher education bodies' expenditure on R&D	£264 million	2012

Climate change and energy

United Kingdom

Indicator	Targets	Current level	Reference period
Reduction in total emissions of greenhouse gases from the UK in comparison with 1990 levels. (No allowance for Emissions Trading)	34% reduction by 2020 on 1990 levels	-26.5%[5]	2012
Energy consumed in the UK that has been produced from renewable sources.	15% of energy to come from renewable sources by 2020	4.2%[6]	2012

[2] http://www.bis.gov.uk/ukresearchbase2011
[3] http://www.ons.gov.uk/ons/dcp171778_355583.pdf
[4] http://www.gov.scot/About/Performance/scotPerforms/indicator/research
[5] DECC final 2012 emissions release (February 2014)
[6] https://www.gov.uk/government/publications/renewable-sources-of-energy-chapter-6-digest-of-united-kingdom-energy-statistics-dukes

Indicator	Targets	Current level	Reference period
Energy Efficiency Directive National indicative 2020 energy efficiency target	UK to reduce final energy consumption by 18%[7]	-20%[8]	2007 baseline *projection* for 2020

Northern Ireland

Indicator	Current Level	Reference period
To continue to work to towards a reduction in greenhouse gas emissions of at least 35% by 2025 on 1990 levels.	-16%	2012
Indigenous renewable energy sources	19.5% (versus 20% target by 2015)	2014

Scotland

Indicator	Target	Current level	Reference period
Greenhouse Gas Emissions	Reduce emissions by at least 42% by 2020 and at least 80% by 2050, compared to a 1990 base year	26.4% reduction from 1990 to 2012, after taking account of trading in the EU Emissions Trading System (EU ETS)	2012
Indigenous Renewable Energy Sources	Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020	44.4%	2013
Heat Demand	11% of Scotland's heat demand from renewables by 2020	3.0%	2012
Energy Efficiency	Reduce final energy end-use consumption by 12% by 2020 (against a 2005-2007 baseline)	11.8% lower than baseline	2012

[7] The EU level target requires the EU as a whole to reduce primary energy consumption by 20% in 2020 relative to a 2007 baseline. The UK notified the European Commission of its indicative national target for 2020 in April 2013. The target set represents an 18% reduction in final energy consumption, equivalent to a 20% reduction in primary energy consumption.

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266187/2901415_EnergyEfficiencyStrategy_acc.pdf

Wales

Indicator	Target	Current level	Reference period
Greenhouse Gas Emissions.	Reduce all Welsh greenhouse gas emissions by 40% by 2020. The target is measured from a 1990 baseline when emissions when emissions levels were at 55.83 MtC02e.	Emissions in Wales have declined from the base year to 45.83 MtCO2e in 2012. The annual average decline in emissions is 0.81% per year since 1990 which represents a 17.9% reduction in total emissions.	2012
Greenhouse Gas Emissions	Reduce emissions within areas of devolved competence by 3% each year from 2011, against a baseline of average emissions over the period 2006-10.	Emissions were 30.16 MtCO2e in 2012, which equates to a decrease from the baseline of 10.0%	2012
Energy efficiency installations	The Welsh government's ongoing Arbed 2 ERDF project is targeted to make improvements to 4790 homes by March 2015.	In 2013-14, it is expected that approximately 3,000 properties will receive measures under this programme.	March 2010-March 2015 (Arbed)
	Over the next 3 years, Welsh government investment in its Nest scheme is expected to help around 15,000 households per annum, with around 4,000 households receiving a package of energy efficiency improvements.	In 2013-14, 4,977 properties received energy efficiency measures under the NEST scheme	April 2011-March 2016 (Nest)

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