



HM Treasury

Europe 2020: UK National Reform Programme 2018

April 2018



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Foreword

The UK economy has been growing for five consecutive years, with ongoing increases in the number of people with a job. The UK has made further progress in restoring the public finances to health. We are at a turning point, with debt projected to make its first sustained fall in 17 years.

Gross domestic product (GDP) grew by 1.8% in 2017, above the Office for Budget Responsibility's (OBR) forecast of 1.5% at Autumn Budget 2017. The OBR expects the UK economy to grow in each year of the forecast, with GDP growth in 2018 slightly higher than previously expected.

The employment rate is at a record high at 75.4% in the three months to February 2018, while the unemployment rate is at its lowest since 1975 at 4.2%. Total nominal pay rose by 2.8% in the three months to February 2018 compared with the same period a year earlier.

The National Reform Programme (NRP) forms part of the European Semester process. The European Semester coordinates individual member states' structural reform programmes with the intention of stimulating economic growth across the EU as a whole. Comprehensively addressing the EU's growth challenge, tackling overall low productivity and the lack of economic dynamism and flexibility is a challenge shared by all Member States, and one which requires decisive action at all levels.

The NRP is presented to the European Commission as part of the Europe 2020 Strategy for smart, sustainable and inclusive growth. It is presented in parallel with the UK's 2017-18 Convergence Programme (CP), as part of the process for aligning reporting and surveillance of national fiscal, economic and employment policies. The CP sets out the UK government's medium term fiscal policies as required under the Stability and Growth Pact.

The NRP reports in particular on the actions that the government is taking to address the country-specific recommendations (CSRs) addressed to the UK by the Council of the European Union in July 2017. The UK's current CSRs focus on: the need to pursue fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact; boost housing supply; and address skills mismatches and provide for skills progression. The NRP also reports against policies to support the Europe 2020 strategy priorities of employment, research and development, education, poverty and social exclusion and climate change and energy sustainability.

Under devolution settlements, policies can differ across England, Northern Ireland, Scotland and Wales. The Scottish Government, the Welsh Government, and officials from the Northern Ireland Executive have provided all of the information contained in this report relating to their respective devolved policy areas.

Chapter 1

Introduction

Context

- 1.1 The global economy is experiencing an upturn. The pick-up has been broad-based, as activity has strengthened in the euro area and Japan, and Brazil and Russia have emerged from recession. Growth has remained strong in China and firmed in the US. The UK is ranked as one of the best places to do business, demonstrating that a strong global economy is good for the UK economy.
- 1.2 Since 2010, the government's decision to live within its means while tackling structural challenges, has enhanced the UK's economic resilience. However, the UK's level of debt is the highest it has been in 50 years. This means it is important to continue with our balanced approach to fiscal policy, which is underpinned by our fiscal rules. This balanced approach will reduce debt, while providing flexibility to support households and public services, and invests to improve productivity.
- 1.3 The UK government will continue to take a balanced approach to building the economy. In particular, to bring down the deficit while investing when and where it is needed; to raise housing supply by the end of this Parliament to its highest level since 1970; to ensure that the labour force has the skills needed to thrive in the new economy; and to enable every part of our country to realise its full potential by way of an Industrial Strategy that supports the long-term success of crucial sectors across the economy. It also aims to help raise wages and living standards, ensuring that big decisions benefit the whole country, while promoting policies that support integration and social cohesion.
- 1.4 Improving productivity is the best way to raise living standards while delivering the high-skilled, high-wage jobs of the future. Since 2010, the government has put in place significant investment and reform programmes, all contributing towards building a modern and dynamic economy. These reforms include providing over half a trillion pounds in capital investment, reducing taxes to support business investment and improving skills through investment in apprenticeships. Productivity reforms take time but there are signs of improvement, the last two quarters showed the highest rate of productivity growth in a decade. The government continues to act in order to maintain this productivity growth. One example of this at Autumn Budget 2017 was the extension of the National Productivity Investment Fund until 2022 and to a total of £31 billion. This fund supports investment in areas

that are critical to boosting productivity such as transport, digital communication, Research & Development (R&D) and housing.

- 1.5 The government is committed to ensuring the UK has a modern and efficient network infrastructure. The National Infrastructure Commission was established to provide impartial, expert advice, and will make recommendations to the government on the UK's infrastructure needs over the next 30 years in the first-ever National Infrastructure Assessment in the summer. The government is already taking long-term decisions to make sure there is the infrastructure capacity to meet the needs of the future economy. It has given the green light to Hinkley Point, the first new nuclear power station in the UK for a generation, and construction is underway on HS2, the new backbone of the UK rail network. The government remains committed to the current system of stable, independent economic regulation of the privatised utilities, which facilitates investment in key infrastructure projects, whilst simultaneously ensuring that customer bills are affordable.
- 1.6 The government is also significantly increasing public investment in infrastructure to support growth and jobs. As part of this, the government created the £31 billion National Productivity Investment Fund (NPIF), targeted at high-value areas such as next-generation digital infrastructure and intra-city transport. The NPIF includes:
- £740 million for digital infrastructure, to mobilise the market to develop full-fibre broadband networks and 5G capacity
 - £4.9 billion for transport, including a £1.7 billion Transforming Cities Fund, designed to drive productivity by improving connectivity and reducing congestion
 - £5 billion for a Housing Infrastructure Fund which will provide funding for new infrastructure that will unlock new homes in the areas of greatest housing demand
- 1.7 Overall, the Infrastructure and Projects Authority estimate that there will be £600 billion of public and private investment in infrastructure in the next decade, and the IFS have said that the government's plans mean that overall public investment will reach levels not sustained in 40 years by the end of this Parliament.
- 1.8 The devolved administrations are also taking action to tackle structural challenges in areas of devolved competence:
- In Northern Ireland, an outcomes-based approach is being taken to the development of the Northern Ireland Programme for Government¹ in line with the first recommendation of a review of Public Governance completed by the Organisation for Economic Co-operation and Development in 2016. Once agreed by Ministers, the programme will provide the strategic context for other key strategy documents, including an Economic/Industrial Strategy, an Investment Strategy and a Social Strategy. Once agreed, the Investment Strategy will set out the

¹ <https://www.executiveoffice-ni.gov.uk/topics/making-government-work/programme-government-and-budget>

forward programme for investment in public infrastructure, identifying priority areas for investment to help government and the private sector partners plan ahead. Together: Building a United Community Strategy² and the Racial Equality Strategy³ outline the Northern Ireland Administration's commitment to good community and race relations and continuing the journey towards a more united, shared and intercultural society.

- Scotland's Economic Strategy was launched in March 2015. It set out an overarching framework of how the Scottish Government aims to achieve a more productive, cohesive and fairer Scotland. Throughout the Strategy, there is a clear focus on the mutually reinforcing objectives of increasing competitiveness and tackling inequality. The Scottish Government has adopted this approach, not just because it ensures better social outcomes, but because there is growing international evidence that countries with more equal societies typically enjoy stronger, more sustainable growth over the long run. The approach of Scotland's Economic Strategy is based on the two key inter-dependent pillars of increasing competitiveness and tackling inequality. There are four priority areas that the Scottish Government will focus on to deliver Scotland's Economic Strategy:
 - promoting inclusive growth and creating opportunity through a fair and inclusive jobs market and regional cohesion
 - investing in people and infrastructure in a sustainable way
 - promoting Scotland on the international stage to boost trade and investment, influence and networks
 - fostering a culture of innovation and research and development
- The Welsh Government's cross-cutting national strategy, 'Prosperity for All', sets out the priorities for this government's term, and lays the foundations for further action over the longer term. The strategy sets out the Welsh Government's objectives under four themes: prosperous and secure, healthy and active, ambitious and learning, and united and connected. The strategy also sets out five priority areas: early years, housing, mental health, skills and social care, as areas where a whole-government approach could deliver the greatest contribution to people's long term prosperity and well-being.

² <https://www.executiveoffice-ni.gov.uk/articles/together-building-united-community>

³ <https://www.executiveoffice-ni.gov.uk/publications/racial-equality-strategy-2015-2025>

UK 2018 National Reform Programme

- 1.9 National Reform Plans (NRPs) are submitted by member states to the Commission to outline their structural reform plans to promote growth and employment. This is part of the Europe 2020 strategy for smart, sustainable and inclusive growth. In parallel, under the Stability and Growth Pact, member states also submit Stability Programmes (euro area member states) or Convergence Programmes (CPs) (non-euro area member states) which report on their budgetary and fiscal policies. In this way, the European Semester aligns reporting cycles for Europe 2020 and the Stability and Growth Pact.
- 1.10 On 29 March 2017, the Prime Minister gave effect to the democratic decision of the people of the United Kingdom and notified the European Council of the UK's intention to leave the European Union. However, until exit negotiations are concluded it remains a full member where all the rights and obligations of EU membership remain in force. Therefore, during this period the government will continue to participate in the Europe 2020: National Reform Programme, and report on its achievements.
- 1.11 The NRP is presented in accordance with Council recommendation 2010/410 on broad guidelines for economic policy. Parts of the NRP relating to country specific recommendations (CSRs) on skills deliver the UK's report to the Council and Commission on employment policy measures, and complete multilateral surveillance in the EU Employment Committee (EMCO), 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.
- 1.12 This NRP sets out the UK's economic prospects and plans, including:
- the macroeconomic context in the UK, consistent with the UK's 2017-18 Convergence Programme
 - actions taken to address the three CSRs addressed to the UK by the European Council in July 2017
 - the UK's approach to national monitoring and actions taken in support of the five headline Europe 2020 targets agreed by the European Council in June 2010
- 1.13 The 2018 NRP draws on publicly available information, including the Autumn Budget 2017, the Spring Statement 2018 and other relevant documents and announcements. Further details are available in the original documents.
- 1.14 The 2018 NRP reports 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, where policies are devolved, by the devolved administrations of Scotland, Wales and Northern Ireland. 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 on the Functioning of

the European Union (TFEU). They also follow the broad orientations for structural reforms provided by the European Commission's 2017 Annual Growth Survey (AGS) and the March 2017 European Council conclusions.

The devolved administrations have contributed fully to the development of the 2018 UK NRP. This is in line with the devolved administrations' commitment to engage positively with the EU Institutions and represent regional interests.

Stakeholder engagement

- 1.15 Substantial engagement with national Parliaments and the wider public is critical to the success of Europe 2020. The UK 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 government engagement processes, and decisions on whether and how to consult will 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.
- 1.16 The government engages closely with Parliament on the European Semester more broadly. In particular, the House of Commons debated the UK's 2017-18 CP on 30 April, and the House of Lords debated the UK's 2017-18 CP on 16 April.
- 1.17 The focus of the 2018 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.

Chapter 2

Macroeconomic context

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) Spring Statement 2018 economic forecasts for 2017 to 2022. 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 forecast¹ (Percentage change on a year earlier, unless otherwise stated)

	Outturn		Forecast				
	2016	2017	2018	2019	2020	2021	2022
GDP growth	1.9	1.7	1.5	1.3	1.3	1.4	1.5
GDP per capita	1.1	1.1	0.9	0.7	0.7	0.8	0.9
Main components of GDP							
Household consumption ^a	2.9	1.7	0.9	0.9	1.1	1.4	1.5
General government consumption	0.8	0.3	1.1	0.9	0.6	0.9	1.1
Fixed investment	1.8	3.9	1.8	1.5	2.4	1.9	2.1
Business	-0.5	2.2	1.7	2.0	2.3	2.4	2.5
General government	1.3	3.5	2.1	2.1	6.1	1.0	1.2
Private dwellings ^b	7.6	7.8	2.3	0.3	0.5	1.3	1.8
Change in inventories ^c	-0.2	-0.4	0.0	0.0	0.0	0.0	0.0
Net trade ^c	-0.8	0.3	0.5	0.3	0.0	0.0	0.0
CPI inflation	0.7	2.7	2.4	1.8	1.9	2.0	2.0
Employment (millions)	31.7	32.1	32.2	32.4	32.5	32.6	32.7
LFS unemployment (% rate)^d	4.9	4.4	4.4	4.5	4.6	4.6	4.6
Productivity per hour	0.3	0.6	0.8	0.9	1.0	1.1	1.2

Source: Office for National Statistics and Office for Budget Responsibility

^a Includes households and non-profit institutions serving households

^b Includes transfer costs of non-produced assets

^c Contribution to GDP growth, percentage points

^d Labour Force Survey

¹ All figures in this table are rounded to the nearest decimal place. Components may not sum to total due to rounding and the statistical discrepancy.

Growth forecast

2.2 The Office for National Statistics (ONS) estimates that the economy grew 1.8% in real terms in 2017. The OBR has revised up the expected outlook for the UK economy this year with growth in 2018 forecast to be slightly higher at 1.5% than expected in November. The OBR forecasts GDP growth of 1.3% in 2019 and 2020 respectively and for GDP growth to increase slightly to 1.5% by 2022.

Employment and wages forecast

2.3 The employment level reached a new record high of over 32.2 million, and the unemployment rate is 4.2%. The unemployment rate is forecast to increase slightly over the forecast horizon as it returns to the OBR's estimate of its equilibrium rate, reaching 4.6% from 2020 onwards. The number of people in employment is forecast to increase to 32.7 million in 2022 – over 500,000 more people in work.

2.4 The OBR expects average nominal earnings growth of 2.7% in 2018 and 2.4% in 2019. It increases thereafter up to 3.0% in 2022.

2.5 The OBR forecasts productivity growth, as measured by output per hour, of 0.8% in 2018, 0.9% in 2019 and gradually rising to 1.2% in 2022.

Inflation forecast

2.6 Inflation was 2.7% in 2017 and the OBR forecasts CPI inflation to fall through 2018. CPI inflation is forecast to reach 2.1% in Q4 2018 and then remain around the 2.0% target until the end of the forecast.

Table 2.B: Detailed summary table of forecast

	Outturn		Forecast				
	2016	2017	2018	2019	2020	2021	2022
UK economy							
Gross domestic product (GDP)	1.9	1.7	1.5	1.3	1.3	1.4	1.5
GDP level (2016 = 100)	100.0	101.7	103.3	104.6	105.9	107.4	108.9
Nominal GDP	3.9	3.8	3.1	2.8	3.0	3.1	3.3
Output gap (% of potential output)	-0.1	0.1	0.3	0.1	0.0	0.0	0.0
Expenditure components of GDP							
Domestic demand	2.2	1.5	1.1	1.0	1.2	1.4	1.5
Household consumption ^a	2.9	1.7	0.9	0.9	1.1	1.4	1.5
General government consumption	0.8	0.3	1.1	0.9	0.6	0.9	1.1
Fixed investment	1.8	3.9	1.8	1.5	2.4	1.9	2.1
Business	-0.5	2.2	1.7	2.0	2.3	2.4	2.5
General government	1.3	3.5	2.1	2.1	6.1	1.0	1.2

Private dwellings ^b	7.6	7.8	2.3	0.3	0.5	1.3	1.8
Change in inventories ^c	-0.2	-0.4	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	2.3	5.0	3.3	2.0	0.3	-0.1	0.0
Imports of goods and services	4.8	3.5	1.5	1.0	0.2	0.0	0.1
Balance of payments current account							
% of GDP	-5.8	-4.7	-4.4	-4.0	-3.7	-3.6	-3.6
Inflation							
CPI	0.7	2.7	2.4	1.8	1.9	2.0	2.0
RPI	1.7	3.6	3.7	3.0	2.9	2.9	3.0
GDP deflator at market prices	2.0	2.1	1.5	1.6	1.6	1.7	1.8
Labour market							
Employment (millions)	31.7	32.1	32.2	32.4	32.5	32.6	32.7
Productivity per hour	0.3	0.6	0.8	0.9	1.0	1.1	1.2
Wages and salaries	3.7	3.8	3.4	2.7	2.7	2.9	3.1
Average earnings	2.7	2.6	2.7	2.4	2.5	2.8	3.0
LFS unemployment (% rate) ^d	4.9	4.4	4.4	4.5	4.6	4.6	4.6
Household sector							
Real household disposable income	0.2	0.2	1.2	0.5	0.5	1.3	1.4
Saving ratio (level, %)	7.1	5.2	5.8	5.8	5.5	5.4	5.3
House prices	7.0	4.8	3.7	2.7	2.2	2.4	2.9
World economy							
World GDP at purchasing power parity	3.2	3.7	3.9	3.9	3.7	3.7	3.7
Euro area GDP	1.8	2.5	2.2	2.0	1.6	1.4	1.4
World trade in goods and services	2.7	4.9	4.6	4.4	3.9	3.7	3.8
UK export markets ^e	2.5	4.2	4.6	4.6	4.0	3.7	3.8

Source: Office for National Statistics and Office for Budget Responsibility

^a Includes households and non-profit institutions serving households

^b Includes transfer costs of non-produced assets

^c Contribution to GDP growth, percentage points

^d Labour Force Survey

^e Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports

Outlook for the public finances

- 2.7 The government has made significant progress since 2010 in improving the health of the public finances. The deficit has been reduced by three quarters from its 2010 post-war high. Despite these improvements, borrowing and debt remain too high. The government's fiscal rules underpin a balanced approach to fiscal policy, by reducing government debt but also investing in the economy and key public services such as the the NHS, and keeping taxes low.

Chapter 3

UK country-specific recommendations

- 3.1 The country- specific recommendations (CSRs), addressed to the UK by the Council of the European Union in July 2017, are to:
- Pursue fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which translates into a substantial fiscal effort for 2018. When taking policy action, consideration should be given to achieving a fiscal stance that contributes to both strengthening the ongoing recovery and ensuring the sustainability of United Kingdom’s public finances.
 - Take further steps to boost housing supply, including through reforms to planning rules and their implementation.
 - Address skills mismatches and provide for skills progression, including by continuing to strengthen the quality of apprenticeships and providing for other funded “Further Education” progression routes.

Fiscal policy

Recommendation 1

Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which translates into a substantial fiscal effort for 2018. When taking policy action, consideration should be given to achieving a fiscal stance that contributes to both strengthening the ongoing recovery and ensuring the sustainability of United Kingdom’s public finances.

Fiscal responsibility

- 3.2 The government is committed to the 3.0% deficit target set out in the EU’s Stability and Growth Pact. The OBR’s latest forecast indicates that this target will be met in 2017-18, and in every forecast year thereafter.
- 3.3 The government has made significant progress since 2010 in improving the health of the public finances. The deficit has been reduced by three quarters from its 2010 post-war high. Despite these improvements, borrowing and debt remain too high.

- 3.4 The fiscal rules approved by Parliament in January 2017 commit the government to reducing the cyclically-adjusted deficit to below 2% of GDP by 2020-21 and having debt as a share of GDP falling in 2020-21. These rules will guide the UK towards a balanced budget by the middle of the next decade.
- 3.5 The government is forecast to meet its structural borrowing and debt falling targets two years early.

The fiscal outlook

- 3.6 Compared to the Autumn Budget 2017 forecast, borrowing is lower in every year of the forecast. Public sector net borrowing is forecast to fall from 2.2% of GDP (or £45.2 billion) in 2017-18 to 0.9% of GDP (or £21.4 billion) in 2022-23, the lowest level since 2001-02.
- 3.7 The OBR expects cyclically-adjusted public sector net borrowing to be 1.3% of GDP in 2020-21. As a result, the government therefore remains on track to meet its fiscal mandate, for cyclically-adjusted public sector net borrowing to be under 2.0% of GDP in 2020-21, with £15.4 billion headroom
- 3.8 The OBR forecast that public sector net debt will peak at 85.6% of GDP in 2017-18. It is then forecast to fall in every year thereafter, reaching 77.9% of GDP in 2022-23. Consequently, the OBR also judges that the government is expected to meet its supplementary debt target. Debt as a share of GDP is forecast to fall in 2020-21 with £67.1 billion of headroom and is due to begin falling two years earlier in 2018-19.

Housing

Recommendation 2

Take further steps to boost housing supply, including through reforms to planning rules and their implementation.

- 3.9 The Government recognises the challenges in the housing market and the importance of taking steps to increase the supply of new homes. To meet this challenge, in February 2017 it set out a broad range of new initiatives in a Housing White Paper¹ aiming to help reform the housing market through planning reforms; improved investment in, and coordination of, infrastructure; and measures to diversify the housing market.
- 3.10 Building on the strategy set out in the white paper, in the Autumn Budget 2017 the government announced:
- £15 billion of new financial support over the next five years, taking total financial support to at least £44 billion to 2022/2023. This will boost

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590463/Fixing_our_broken_housing_market_-_accessible_version.pdf

the delivery of housing and use funds flexibly to unblock the barriers to more housebuilding

- launched Homes England, bringing together money, expertise, planning and compulsory purchase powers
- raised the Housing Revenue Account borrowing cap by a total of £1 billion in areas of high affordability pressure for local authorities who were ready to start building new homes

3.11 The government also announced the following schemes to increase home ownership and housing supply:

- Help to Buy: Equity Loan - £10 billion of new funding was provided to help around 135,000 more people buy a new-build home by 2021. Together with funding already committed, and the 144,000 households helped by September 2017, this would bring the total number of supported households across England, since the scheme began in 2013, to around 360,000 by 2021.
- Affordable Homes - an extra £2 billion of funding for the Affordable Homes Programme including funding for social rent homes, and rent certainty until 2025. This increases the total budget under this scheme to £9 billion.

Planning reform

3.12 On 5th March 2018, the government launched the planning reform package, which includes the revised draft National Planning Policy Framework (NPPF) and the reforms to developer contributions which are fundamental to delivering the homes needed and set out a comprehensive approach to ensure the right homes are built in the right places of the right quality.

3.13 The NPPF was first published in 2012 and replaced over 1,000 pages of individual policy statements, with just over 50 pages contained in a single document. The government has implemented around 80 reforms from the Housing White Paper and the Budget, whilst making the framework shorter, streamlined and easy to use; tightening the wording of the framework to avoid lengthy legal challenges which hold up developments; placing greater emphasis on meeting all the housing needs of communities, and giving greater freedom and flexibility to do so.

3.14 The draft NPPF and consultation on reform of developer contributions predominantly includes reforms that have already been announced in the Housing White Paper or at the Budget which are:

- a standardised way of assessing local housing need, ending hours of debate and legal wrangling on the appropriate methodology
- a Housing Delivery Test to hold local planning authorities to account for their role
- reforming the plan-making system to ensure every part of the country produces, maintains and implements an up-to-date plan, and making

the planning system more flexible; removing unnecessary duplication and giving local authorities the choice of where to set out their strategic planning policies – whether they are in a single plan, joint plan, or spatial development strategy

- ensuring that key cross boundary matters are agreed up front by requiring all authorities to produce a Statement of Common Ground
- confirming the important protection for neighbourhood plans introduced in December 2016
- offering local planning authorities the opportunity to have their 5 year housing land supply agreed on an annual basis, reducing time spent on appeals based, saving both money and resources
- boosting the housing opportunities of young people and first time buyers through a new 'exceptions site' policy
- a new approach to testing viability and reforms to developer contributions so developers and local communities are clear about the contributions associated with development
- making it easier to convert underused retail and underemployed land or premises into housing
- higher densities and making it easier for communities to shape the development their area needs
- ensuring that communities can influence the design of what gets built in their area
- making clear that the Green Belt must be protected and that there are other areas that local authorities must pursue first, such as brownfield land and taking steps to increase density on urban sites, whilst making available brownfield land within the Green Belt for appropriate development

3.15 As well as the NPPF the government will also be looking at:

- What more can be done to support build out informed by Sir Oliver Letwin's independent review into the gap between planning permissions granted and homes built – which is due to report by this year's Autumn Budget. There is also the potential, over the long term, for more, significant reform of developer contributions.
- A new permitted development right for building upwards to provide new homes, finding more effective ways of bringing agricultural land forward for housing and ensuring that swift and fair decisions are made at appeal.
- An end-to-end review of the planning inquiries process to determine what it would take to halve the time for an inquiry on housing supply to be determined ensuring swift and fair decisions are made.

3.16 Taken together, the reforms in the Housing White Paper, the announcements made at the 2017 Autumn Budget and the publication of

the draft National Planning Policy framework places the government on track to raise housing supply to 300,000 a year on average by the mid-2020s. In September 2017, annual new build dwelling starts totalled 166,100, an increase of 10% from September 2016. During the same period, completions totalled 154,220, an increase of 9% in comparison to the previous year.

Devolved administrations

Northern Ireland

3.17 The Northern Ireland Administration is committed to delivering social and affordable housing and has set out a comprehensive package of measures aimed at creating the right conditions for a stable and sustainable housing market as well as increasing access to affordable housing for those seeking to enter home ownership. Further detail on those activities particularly pertinent to boosting housing supply is provided below:

- Land availability is frequently cited as a barrier to increasing the supply of housing. To help address this issue, surplus public land sites are being provided to housing associations for affordable housing. In addition, the Northern Ireland Administration is leading on a 'Public Land for Housing' (PLfH) project to produce a digital spatial catalogue of public sector land assets that have the potential to be suitable for re-use for housing. It is anticipated that this project will facilitate the release of 10 sites for housing by 2021.
- A Housing Market Symposium was established in early 2017 to take forward work to address the key data and evidence gaps in respect of housing supply and the housing market more generally in Northern Ireland. The final report on the Symposium's findings was presented to the Northern Ireland Administration in January 2018. The report details the Symposium's recommendations for seven research studies covering a range of issues including for example, establishing a comprehensive and consistent profile of Northern Ireland's housing stock and examining how the local housing market might respond to demographic changes such as the ageing population. It is intended that this work will in turn inform the future development of evidence-based policy interventions to stimulate housing supply within Northern Ireland.
- Over £100 million in Financial Transactions Capital (FTC) loan funding has been accessed to support the delivery of over 2,800 shared ownership homes across Northern Ireland over 4 financial years, starting from 2015-16, through the Northern Ireland Co-Ownership Housing Association.
- Approximately, £40 million in FTC/Get Britain Building monies has been secured to further widen access to homeownership and increase the volume of viable housing stock through three pilot initiatives (the Affordable Home Loans Fund, the Rent to Own scheme and the Empty Homes initiative). It is anticipated that collectively these schemes will deliver approximately 800 houses.

- Work is also ongoing to examine if and how mixed-tenure development might be mainstreamed, given its potential to increase the viability of sites and help subsidise the development of new social and affordable homes.
- In addition, the draft Programme for Government 2016 to 2021 commits the Northern Ireland Administration to deliver at least 7,600 new social homes across areas of high housing needs.

Scotland

- 3.18 The Scottish Government and its partners are taking a range of actions to ensure that all people in Scotland live in high-quality, sustainable homes that they can afford and that meet their needs.
- 3.19 The Planning (Scotland) Bill was introduced to Parliament on 4 December 2017. The Bill is central to the package of measures intended to strengthen the planning system's contribution to inclusive growth and empowering communities.
- 3.20 The Scottish Government's target over the current Parliamentary term is to deliver at least 50,000 affordable homes, including 35,000 homes for social rent – a 75% increase on the previous social rent target. This ambitious plan has been backed up with investment of at least £3 billion representing a 76% increase on the previous five-year investment.
- 3.21 All councils across Scotland have received long term resource planning assumptions totalling £1.754 billion to March 2021, providing the certainty needed to deliver this ambitious affordable homes target.
- 3.22 A range of schemes support private sector housing activity, including the £195 million Affordable New Build and Smaller Developers Help to Buy (Scotland) shared equity schemes, which have offered support to homebuyers from 1 April 2016. These schemes offer equity support of up to 15% on more affordable new build homes, and builds on the popularity of the previous Help to Buy (Scotland) scheme which assisted 8,000 homes to be purchased with funding of over £305 million and helped stimulate the home building industry with a total sales value of over £1.4 billion.
- 3.23 In addition, the Open Market Shared Equity Scheme (OMSE) continues to assist first time buyers on low to moderate incomes and priority access groups to purchase a property on the open market by offering equity support of between 10% - 40%. OMSE is part of the Scottish Government's commitment to deliver at least 50,000 affordable homes by end March 2021.
- 3.24 The Scottish Government continues to innovate and optimise public resources to harness increased investment in housing to deliver ambitious targets and boost the housing construction sector. The innovative use of government guarantees, loans, grant recycling and leveraging in new sources of private funding is generating over £750 million of housing investment in the delivery of around 6,000 affordable homes – the majority of which will contribute to the 50,000 affordable homes commitment.

- 3.25 The Local Affordable Rented Housing Trust (LAR) continues to deliver against its 1,000 mid-market rent (MMR) homes target and has a healthy pipeline of developments in place or under negotiation. LAR has over 200 homes tenanted and are operating across a range of locations in Scotland. LAR also signed a deal with HBOS/Scottish Widows in summer 2017 to secure £65 million of Institutional investment to match the Scottish Government loan of £55 million, creating a total investment package of £120 million into affordable housing.
- 3.26 Places for People MMR Invitation proposal to deliver just under 1,000 MMR homes was given in-principle support from the Scottish Government in August 2017 and is completing final due-diligence.
- 3.27 The Scottish Government continues to support Institutional investors, delivery partners and local authorities to work together to boost the supply of affordable housing.
- 3.28 The Scottish Government has invested a further £32 million in Charitable Bonds - an ethical investment instrument - in 2016-17 and the total investments of £70 million across twelve Bonds by April 2017 (supporting housing associations in providing 935 new affordable homes across Scotland) will have generated charitable donations - for the construction of new social housing - of over £17 million.
- 3.29 The Scottish Government has also recently implemented a unique Rental Income Guarantee Scheme which aims to help attract large-scale private investors to kick-start delivery of high-quality new-build private rented sector homes at scale, and could deliver up to 2,500 homes and leverage in £500 million investment.

Wales

- 3.30 The Welsh Government has set a target for the number of additional affordable homes in Wales of 20,000 including 6,000 through the Help to Buy – Wales scheme during the term of this government (2016-2021).
- 3.31 In the last 5-year administration (2011-2016), 11,508 additional affordable homes were delivered against a target of 10,000. The Welsh Government is allocating over £1.7 billion to support the achievement of the target and a substantial proportion of these homes will continue to be supported through the Social Housing Grant programme.
- 3.32 The Welsh Government is also providing a long-term revenue stream, the Housing Finance Grant (HFG) which is delivering 1,000 new affordable homes in its first phase.
- 3.33 Under the current administration, a second phase of HFG will deliver a further 1,500 affordable new homes. It is also anticipated that 1,000 of the 20,000 homes will be built utilising new innovative design models and a £20 million programme in the next two years has been established to support its delivery.
- 3.34 The Land for Housing Scheme, piloted in 2014-15 by the Welsh Government, provides loan funding to Registered Social Landlords to support housing delivery through securing land supply. The scheme helps to

tackle the problem of limited supply of housing by increasing the funding options available to RSLs in respect of land sites for affordable and/or market housing development. In addition to supporting the development of new homes, the investment also provides jobs and training opportunities, boosts the local economy, and regenerates brownfield sites and neglected land. A total of £32 million has been made to date with a further £10 million being invested in 2017/18.

- 3.35 As well as continuing to support those in greatest need of housing, the Welsh Government also operates the Help to Buy – Wales initiative. The first phase of the scheme supported the construction of over 4,600 new homes. To date, 75% of Help to Buy – Wales investment has supported first time buyers. A second phase of the Help to Buy – Wales scheme is underway; it will see an investment of £290 million until 2021, with the aim of supporting the construction of over 6,000 additional new homes.

Skills and Education

Recommendation 3

Address skills mismatches and provide for skills progression, including by continuing to strengthen the quality of apprenticeships and providing for other funded “Further Education” progression routes.

- 3.36 Apprenticeships are central to the government’s ambition to create an equally high-quality alternative for the more than half of young people who don’t choose to do A Levels or go to university.
- 3.37 The government is committed to reaching 3 million apprenticeship starts in England by 2020. It has also set an ambitious public target to increase the proportion of apprenticeships by 20% to people from Black, Asian, and Minority Ethnic (BAME) backgrounds by 2020. To date there have been 494,900 apprenticeship starts in the 2016/17 academic year.
- 3.38 The number of apprenticeship starts declined in the second half of 2017, coinciding with the introduction of the apprenticeship levy. The previous year has seen significant changes for employers and as a result, it will take them time to adjust and respond. It is encouraging that employers are taking their time to plan high quality, well thought through apprenticeship provision that meets their specific needs.
- 3.39 The “English Apprenticeships: Our 2020 Vision” document² outlines government plans to increase the quality and quantity of apprenticeships. Measures include ceasing apprenticeship that were either short in duration or of poor quality. Building on what already exists to establish professionalism and quality in training as the primary focus, employer-led

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf

innovators (known as “Trailblazers”) are designing new apprenticeship standards and assessment approaches as part of the Vision. The government believes that giving employers’ responsibility for developing the standards helps ensure that they have a vested interest in producing high quality standards that are robust and focus on the skills, knowledge and behaviours required of the future workforce.

- 3.40 Approximately 290 trailblazers have developed over 250 standards approved for delivery with over a further 270 in development. The new apprenticeships are in a broad range of sectors from nuclear to fashion, law, banking and defence and range from Butcher at Level 2 to Solicitor at Level.
- 3.41 Trailblazers also include Higher and Degree Apprenticeships, which combine a high-quality degree with an apprenticeship, co-designed by employers and universities. Higher and Degree Apprenticeships are widening access to the professions and are providing higher level technical skills employers need to improve productivity and provide young people an equally valid career route as going to university. The government is committed to rolling out many more Higher and Degree Apprenticeships, which are producing a strong demand for Science, Technology, Engineering, and Mathematics (STEM) apprenticeships. The government is also ensuring apprenticeships are as accessible as possible, by encouraging take up from under-represented groups so that more people can benefit from the increased wage and employment prospects that apprenticeships offer.

Reform of apprenticeship funding

- 3.42 The Apprenticeship Levy came into force on 6 April 2017. It requires all employers with an annual pay bill of £3 million or more to pay 0.5% of their paybill to invest in apprenticeship training. It provides a real opportunity to tackle the skills issue which the UK is currently facing and will fund a step change in apprenticeship numbers and quality.
- 3.43 Annual investment in apprenticeships in England will be £2.45 billion by 2019/20; double the amount spent in 2010-11. Scotland, Wales and Northern Ireland will receive their fair share of the levy in 2019/20 of £460 million. As skills policy is a devolved matter, devolved administrations can decide how funds raised from the levy should be used in their administrations.
- 3.44 The government is keen not only to increase the number of apprenticeships; but provide better apprenticeships in more sectors, covering more roles; and persuade more employers to offer apprenticeships. The funding reforms are likely to give employers a real interest in this.
- 3.45 The apprenticeship levy will also aim to reverse the trend in employers’ underinvestment in training by putting the funding for apprenticeships firmly in their hands, encouraging them to invest in quality training for their apprentices.
- 3.46 From May 2017, the way apprenticeships were funded was changed to simplify some of the complex arrangements that previously existed and to reflect the introduction of the levy.

- 3.47 For non-levy paying employers, the government will co-invest by paying 90% of the cost of training and assessment while the employer pays the remaining 10% of the balance.
- 3.48 The government's final funding policy³ for apprenticeship funding in England from May 2017 was published on 25 October 2016. Guidance⁴ for employers and providers was published in March 2017.

Technical education reforms

- 3.49 The Post 16 Skills Plan formed the government's response to the recommendations made by the Independent Panel on Technical Education, chaired by Lord Sainsbury, which advised Ministers on how to improve technical education in England. The Plan outlines the most radical reform of post-16 education since the introduction of A levels almost 70 years ago. The government's approach is consistent with best practice in countries such as Germany, Australia and Norway.
- 3.50 The aim is to streamline the current system by addressing the problem of the excessive choice of qualifications for young people and ensuring that there is a clear relationship between the qualification and their intended job role.
- 3.51 The government is now implementing the reforms to technical education. Central to these reforms is the development of new T level programmes for students seeking to gain the technical knowledge and skills required to enter skilled employment or higher level technical study.
- 3.52 The reforms to technical education will create 15 routes to skilled employment that encompass all employment-based and college-based training. The routes group together occupations where there are shared training requirements.
- 3.53 Four routes will comprise employment-based training (apprenticeships) and the remaining 11 will comprise new T level qualifications. Alongside apprenticeships, T levels will form the basis of the new technical education offer. There will be 26 T levels in total, in subjects ranging from engineering and digital to catering and creative and design. Each will include a three month work placement, with a relevant employer.
- 3.54 Unlike a work-based apprenticeship, T levels will be classroom based. A T level will give young people the knowledge, skills and behaviours they need to enter skilled employment in a particular occupational area. The aim is for T levels to become the technical equivalent of A levels and will be about the same size as 3 A levels – a full time, two-year course.
- 3.55 The first T levels will start in September 2020. The government is starting with a small roll out, with just three T levels (digital, construction, and education and childcare). In 2021, more T levels will be introduced, with the whole range being taught from 2022.

³ <https://www.gov.uk/government/publications/apprenticeship-funding-from-may-2017>

⁴ <https://www.gov.uk/government/publications/apprenticeship-funding-and-performance-management-rules-2017-to-2018>

Career learning

- 3.56 To respond to changes in the labour market, it is becoming increasingly important that people both up-skill and re-skill throughout their career. As a result, the government announced a National Retraining Scheme at the Autumn Budget - an ambitious, far-reaching programme to drive adult learning and retraining.
- 3.57 It will be driven by a key partnership between business, workers, and government which will set the strategic direction of the Scheme and oversee its implementation.
- 3.58 The Scheme will give individuals the skills they need to progress in work, redirect their careers and secure the high-paid, high-skilled jobs of the future, focusing on those individuals and places who need it most.
- 3.59 Future phases of the National Retraining Scheme will build on learning from the Career Learning pilots that were announced at Spring Budget 2017 to test new approaches to tackling the barriers to career learning over the next two years.
- 3.60 The first of these pilots – the Flexible Learning Fund – was launched on 31 October. Through this fund, the government is providing up to £10 million to support projects which design and test flexible and accessible ways of delivering learning to working adults with low or intermediate skills.
- 3.61 A second set of pilots was launched on the 30 November 2017. These pilots will be run in Leeds, Devon and Somerset, Lincolnshire, Stoke-on-Trent and the West Midlands and will test the best ways to reach working adults and incentivise them to train.
- 3.62 The knowledge gained from these pilots will help the development of the National Retraining Scheme as it rolls out. The pilots will provide crucial evidence on what works, and what does not, in helping engage adults about the opportunities and benefits of training.

Devolved administrations

Northern Ireland

- 3.63 The Northern Ireland Administration is currently implementing major reforms of Northern Ireland’s professional and technical education and training. The reformed system of Apprenticeships, from Level 3 through to Level 8, and youth training, in the form of Traineeships at Level 2, will encourage progression and build on the existing model of the Apprenticeships Northern Ireland Programme to that of a more employer-led system.
- 3.64 Details of the reforms are set out in *Securing our Success*⁵, the Northern Ireland Apprenticeship Strategy published in June 2014, and *Generating our*

⁵ <https://www.economy-ni.gov.uk/sites/default/files/publications/del/Securing%20our%20Success%20The%20NI%20Strategy%20on%20Apprenticeships.pdf>

*Success, Strategy*⁶ for Youth Training published in June 2015. Both strategies are strongly evidence based, informed by consultation and are widely endorsed.

- 3.65 The Northern Ireland Administration has introduced Higher Level Apprenticeships at Levels 4 and 5 from September 2017. Higher Level Apprenticeships at Level 6 will be introduced from September 2018. The phased implementation plan is on schedule to deliver the reformed vision for Apprenticeships and Youth Training by 2021.
- 3.66 The Work Experience Programme, introduced in August 2015 and planned to run until at least 2020, offers high quality work experience placement opportunities to job ready unemployed customers. From 1 April 2017 – 28 February 2018, 100 young people started a work experience placement, of these roughly a third found work within 13 weeks of completing their placement. The upper age restriction was removed from 22 January 2018.
- 3.67 The Northern Ireland Executive in partnership with the Irish Government has secured EU PEACE IV (2014-20) funding to deliver Peace4Youth - a programme that will closely align in Northern Ireland with the vision and objectives of “Together: Building a United Community” United Youth. The programme will target 7,400 14–24 olds (6,000 in Northern Ireland) who are disadvantaged, excluded or marginalised; have deep social and emotional needs; and are at risk of becoming involved in anti-social behaviour, violence or paramilitary activity. The objective is to enhance the capacity of children and young people to form positive and effective relationships with others of a different background and make a positive contribution to building a cohesive society. A total of 10 lead delivery organisations, along with a Quality & Impact Body to support the projects, have been appointed, and implementation commenced in late 2017. Phase 1 of the Programme is due to conclude by October 2018, and Phase 2 will run sequentially until December 2021 (subject to a positive evaluation of Phase 1).
- 3.68 A key priority for the Northern Ireland Administration is the implementation of the Count, Read: Succeed Strategy⁷ to ensure that children and young people in Northern Ireland have the knowledge, skills and attitudes to succeed and do well in work and in life. It has a specific focus on improving outcomes in the key skills of literacy and numeracy.
- 3.69 The implementation of the careers strategy Preparing for Success 2015-2020⁸ articulates the vision that all young people and adults are supported to develop the skills and knowledge needed to realise their potential, enabling them to contribute to their community and to support economic and social prosperity .

⁶ <https://www.economy-ni.gov.uk/sites/default/files/publications/del/youth-training-strategy.pdf>

⁷ <https://www.education-ni.gov.uk/publications/count-read-succeed-strategy-improve-outcomes-literacy-and-numeracy>

⁸ <https://www.education-ni.gov.uk/sites/default/files/publications/de/Careers-strategy.pdf>

- 3.70 Careers advisers provide impartial advice and guidance on progression routes and labour market information, particularly regarding growth employment sectors.
- 3.71 Launched in 2016, the *Connect To Success* online work experience portal enables school pupils in Northern Ireland to search from a range of work experience opportunities made available by local employers across different occupational areas. *Preparing for Success* recognises the role of meaningful work experience in enabling pupils to observe and learn about different occupational areas and their related daily tasks, while also developing enhanced employability skills. Apprenticeship opportunities are also advertised through the portal.

Scotland

Enterprise and Skills Strategic Board

- 3.72 The Strategic Board was created in November 2017 in response to the Enterprise and Skills Review. It's objective is to align and co-ordinate the activities of Scotland's enterprise and skills agencies: Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council.
- 3.73 The Strategic Board will seek to maximise the impact of the collective investment that Scotland makes in enterprise and skills development, and to create the conditions that are conducive to delivering inclusive and sustainable growth.

Developing the Young Workforce

- 3.74 Developing the Young Workforce (DYW) is Scotland's youth employment strategy and through DYW, the Scottish Government (SG) aims to reduce youth unemployment levels by 40% by 2021. The strategy aims to create an excellent, work relevant education offer to young people in Scotland. This includes: creating new vocational learning options; enabling young people to learn in a range of settings in their senior phase of school; embedding employer engagement in education; offering careers advice at an earlier point in school; and introducing new standards for careers guidance and work experience.
- 3.75 The third DYW annual report published in January 2018 set out progress over the first three years of the programme. The report showed positive progress with the introduction of new vocational learning options, embedding employer engagement in education and introducing new standards for careers guidance and work experience. The Scottish Government has improved the options for all young people as they progress through their education and has:
- Achieved the overarching target to reduce youth unemployment by 40% by 2021 (excluding those in full-time education). For this ambitious target to be met, the youth unemployment level for those not in full-time education should be 31,000 or below. The wider macro-economic and social factors can create flux in these figures. From official statistics calculated in April 2018, youth unemployment in Scotland, excluding

those in full-time education declined from 52,000 in 2014 to 18,000 in the year ending December 2017.

- Scotland's youth unemployment rate has fallen from 12.3% in (January-December) 2007 and now stands at 9.2%. In comparison with the UK, Scotland has a higher youth employment rate (59.4% vs 54.1%), a lower youth unemployment rate (9.2% vs 12.1%) and lower youth inactivity rate (34.5% vs 38.5%).⁹
- In achieving the target the Scottish Government is mindful of the significant role played by wider economic and social factors. It remains important that long term plans to strengthen education and skills partnerships are continued. This is to ensure that the Scottish Government can better guarantee the equality of experience across Scotland and minimise any downturn in youth employment should economic conditions become less favourable.
- The Scottish government has grown vocational provision for young people in the senior phase, including a significant expansion of Modern Apprenticeships (MA) with 26,262 MA starts in 2016-17 being provided. As of the academic year 2016/17, there has also been a significant expansion in Foundation Apprenticeships.
- The Scottish government have established 21 regional DYW employer groups across the country, whose focus is on school industry partnerships, work inspiration, work placement, recruitment and equalities.

Apprenticeships

- 3.76** The Scottish Government has substantially increased the number of new apprenticeships in Scotland from around 10,500 in 2008 to 28,000 in 2018-19 and remain on track to achieve 30,000 new apprenticeship starts by 2020.
- 3.77** As well as growing the Modern Apprenticeship programme, the Scottish Government is committed to enhancing and widening apprenticeship offerings, ensuring that more people than ever before can benefit from work-based learning. The expansion of Foundation and Graduate Apprenticeships is key to delivering this vision, as is the additional support offered to rural areas, and key sectors.
- 3.78** The Scottish Government's Apprenticeship programme is designed to be responsive to employer needs. On 11 January 2018, the Minister for Employability and Skills, Jamie Hepburn, announced the 2018-19 target for Modern Apprenticeships starts would be 28,000 (and for the first time will include Graduate Apprenticeships in this target):
- there were 26,262 Modern Apprenticeship starts in 2016/17 - exceeding the annual target of 26,000

⁹ Annual population survey October 2016- September 2017.

- the target for 2017-18 is 27,000 Modern Apprenticeships starts as the Scottish Government progresses towards its commitment to increase the number of starts to 30,000 by 2020
- the Flexible Workforce Development fund is a new £10 million skills fund, launched on 7 September 2017 in response to the introduction of the UK Government's Apprenticeship Levy and will be delivered through the college sector together with industry to better support in-work training through up-skilling or re-skilling of existing employees. The new fund has been developed with input from employers
- when surveyed, employers expressed satisfaction with the scheme. 88% of the employers said that Modern Apprentices are important to their business and workforce development, while 89% said that they would recommend Modern Apprenticeships to their industry

Wales

- 3.79 Taking Wales Forward, the Welsh Government's programme for Government, sets out key measures to prevent young people from disengaging from learning and helps support them with entry to the labour market.
- 3.80 Jobs Growth Wales II, launched in April 2015, is a project which aims to create 9,000 job opportunities across Wales over 3 years. The programme is aimed at job-ready, unemployed young people aged 16 to 24, giving them valuable work experience for a 6-month period, paid at or above the national minimum wage for between 25 and 40 hours per week. Employers are reimbursed 50% of the young person's wages. The ambition of the programme is that job opportunities are sustained by the employer after the 6-month period of support has ended. As of 16 February 2016, 2,366 job opportunities were filled.
- 3.81 Jobs Growth Wales forms part of a wider progression route within Welsh Government-funded employability support. Participants of the Traineeships programme can progress directly into a Jobs Growth Wales opportunity where appropriate. Additionally, after 6 months an eligible young person can progress to an Apprenticeship opportunity.
- 3.82 Welsh Government Skills Policy is aimed at aligning apprenticeships to the needs of the Welsh economy so that the skills system is responsive to industry changes that enable Wales to compete globally through having workers equipped with high level technical and professional skills. The Welsh Government's strategy is to invest in training which will provide economic and social returns; investing in growth sectors and occupations to address skill shortages and gaps that hold back productivity and growth. The Welsh Government is working with employers to expand and strengthen routes in STEM, the digital industries, information technology, construction and financial services.
- 3.83 In February 2017, the Welsh Government published its Apprenticeships Skills Policy, *Aligning the Apprenticeship model with the needs of the Welsh economy*, which responds to these challenges; not only is the Welsh Government committed to delivering a minimum of 100,000 quality all age

apprenticeships over the current Assembly term, it will prioritise investment in:

- addressing skill shortages through developing apprenticeships in growth sectors and emerging occupations in line with priorities determined by Regional Skills Partnerships (RSPs)
- developing higher level skills - focusing on apprenticeships at level 3 and above particularly in science, technology, engineering and professional routes, where returns tend to be higher
- increasing the take-up of apprenticeships amongst 16-19 year olds, reflecting Welsh Government commitment to supporting younger apprentices
- delivering a larger number of apprenticeships through the medium of Welsh and/or bilingually

3.84 RSPs are at the centre of the Welsh Government's Skills Policy. Over the next five years, the Welsh Government plans to deliver a post-16 learning environment which remains fit for purpose and sets Wales ahead of other nations of the UK and internationally. To achieve this they are taking a longer term view of the strategic changes needed as set out in the Policy Statement for Skills. RSPs have a key role in producing regional intelligence informed by employers. As a result, they have developed robust employer engagement strategies to capture the skills needs of the region and in particular needs associated with regional infrastructure projects and priority sectors. The care sector has been identified as a priority sector by RSPs and care related skills intelligence is being captured in annual regional employment and skills plans, which in turn will inform the prioritisation of funding.

3.85 Skills competitions play a vital role in raising standards, esteem and levels of expertise in further education and apprenticeships. Through skills competition activities, the Welsh Government will benchmark Wales against the best in the UK and, the rest of the world. Wales has been looking at skills excellence in other countries, and evidence suggests that the strongest vocational systems offer a wide range of opportunities to apprentices and young people leaving sixth form.

3.86 The Traineeships Programme (for 16 to 18 year olds), 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 through National Vocational Qualifications (NVQs) in chosen occupational areas, and progress young people into employment, or learning at a higher level.

3.87 The Welsh Government's Project Output Reports indicate that as at March 2018, 70% of leavers from the Traineeship Programme had a positive progression.

- 3.88 The Welsh Government's current adult employability programme, the Employability Skills Programme (ESP) provides access to employability skills training in conjunction with a work placement employer and provides essential skills training where required. The ESP will ensure that there is provision available for unemployed individuals aged 18 or over who have been unemployed for less than 12 months. Individuals who are 18 and over, and serving sentences in the community will be able to access this provision, even if they are on the Department for Work and Pensions (DWP) Work Programme due to a special dispensation arrangement to allow eligibility.
- 3.89 Taking Wales Forward sets out the Welsh Government's programme to drive improvement in the Welsh economy and public services, for the next five years. Part of this programme involves the development of an Employability Plan and an all age employability programme to reshape employability support for job-ready individuals, and those furthest from the labour market, to acquire the skills and experience to gain and maintain sustainable employment.
- 3.90 The cross-cutting national strategy, 'Prosperity for All', commits the Welsh Government to reconfigure its current offer into a new employability programme that is simpler and more responsive to the needs of individuals and employers.
- 3.91 From April 2019 the Welsh Government will replace its current suite of employability skills programmes (ReAct, Jobs Growth Wales, the Employability Skills Programme and Traineeships) with a new, single employability programme - Working Wales. This will consist of three strands:
- Adult Strand
 - Youth Engagement Strand - aimed at those furthest from the labour market
 - Youth Training Strand aimed at those closer to the labour market

Chapter 4

Performance and transparency

Introduction

Performance framework

- 4.1 The government aims to be a world leader in performance management, and the most open and transparent government in the world. In February 2016, the government launched a new performance framework, with each department producing a departmental plan. Summaries of the plans are published annually and performance data is updated as new information becomes available.
- 4.2 Each departmental plan is written with the support of HM Treasury, the Cabinet Office, and the Prime Minister's Office. They provide a comprehensive, forward-looking picture of each department's objectives, priorities and public commitments. Plans are aligned with the outcomes of the Spending Review 2015 and subsequent budget decisions.
- 4.3 Departmental plans are also supported by a clear set of output and outcome indicators that will be used by government and the public to track how the department is performing. Where targets already exist, they have been clearly described. However, no new targets have been designed as part of the planning process.
- 4.4 Accountability for delivering services and policies is clear and transparent. Within each published plan, every departmental objective has a stated minister and lead official, who are accountable for delivering that area of policy.
- 4.5 The government continues to develop tools to make data more transparent, such as the data.gov.uk portal. Detailed data on transactional spend is also made available through Spend Reports.

Europe 2020

- 4.6 Europe 2020 is the European Union's growth strategy for 2010 to 2020 for a smart, sustainable and inclusive economy. Objectives have been set in the 5 following areas: employment, education, social inclusion, innovation and climate/energy. The strategy is to be underpinned by concrete actions at EU and national levels. The government continues to support the aims of the Europe 2020 Strategy, of encouraging a return to strong and sustainable economic and employment growth across the EU. However, the

government's position remains to not set a significant number of top-down targets as a performance management tool.

4.7 The following section reports the UK's approach to the national monitoring and actions taken in support of the 5 headline targets of Europe 2020, agreed by the European Council in June 2010:

- aiming to raise to 75% the employment rate for women and men aged 20 to 64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants.
- 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%
- 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
- 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
- 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

4.8 For each EU level target, this section sets out:

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

4.9 Levels of performance, against the objectives for 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 this is the case, it has been detailed below.

Northern Ireland

- 4.11 The focus of the Northern Ireland Programme for Government¹ is on: “improving wellbeing for all - by tackling disadvantage and driving economic growth”. At the heart of the approach are stated outcomes of population wellbeing, with progress towards achieving the outcomes being measured primarily through a series of population level indicators.

Scotland

- 4.12 Scotland’s National Performance Framework (NPF) sets out a vision of national wellbeing for Scotland and charts progress towards this through a broad range of social, environmental and economic measures. The Framework shifted the prime focus of government to improving outcomes and how actions will improve the quality of life for the people of Scotland. This approach has been put in legislation in the Community Empowerment (Scotland) Act 2015 which requires Scottish Ministers to develop a set of outcomes, publicly report on progress towards them and review them every five years. When setting outcomes, Scottish Ministers need to have regard to the reduction of inequalities of outcomes which result from socio-economic disadvantage.
- 4.13 Building on the requirements of the Act, a wholesale review of the NPF is currently being undertaken and due to conclude over the summer. The review also provides an opportunity to align the Framework with the UN Sustainable Development Goals (SDGs) and Scotland’s National Action Plan for Human Rights (SNAP). As part of this review, Scotland Performs² – the Scottish Government’s online reporting tool - is also being redeveloped.
- 4.14 The Framework captures all of the targets set by Europe 2020 and is therefore a useful tool to track Scotland’s progress towards them.

Wales

- 4.15 The Welsh Government will publish an annual report of its progress towards meeting the Government’s well-being objectives at the heart of the strategy in accordance with requirements under the legislation. The Welsh Government is committed to communicating progress on a regular basis, providing evidence of the impact that it is making and will review the national strategy at mid-term as part of keeping the well-being objectives under review.

¹ <https://www.executiveoffice-ni.gov.uk/topics/making-government-work/programme-government-and-budget>

² <http://www.gov.scot/About/Performance/scotPerforms>

Employment

June 2010 European Council Conclusions:

Aiming to raise to 75% the employment rate for women and men aged 20 to 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

- 4.16 The overall role of the UK government in the labour market is to encourage flexibility, efficiency and fairness. In order to meet its objectives, the UK government has put active policies in place to improve the functioning of the labour market, reduce unemployment and in-work poverty, alongside action to create a competitive and stable business environment.
- 4.17 The latest national data shows that the UK government has now achieved its previous employment targets with an employment rate at a new record of 75.4% (for age group 16-64 for December-February 2018). However, the government is committed to not only helping people into work, but ensuring that there are opportunities for progression for those in low-wage jobs. Through the introduction of Universal Credit, the government intends that people will be further encouraged to remain in work and progress to higher paid positions.
- 4.18 Responsibilities in this area are shared across several departments. The Department for Business, Energy & Industrial Strategy works to promote growth and ensure the UK is a business-friendly and internationally competitive environment working with business and the devolved administrations to strengthen the skills base. Her Majesty's Treasury maintains control over public spending, sets the direction of the UK's economic policy and works to achieve strong and sustainable economic growth. The Department for Work and Pensions' role is to increase the number of people in employment and improve the functioning of the labour market, providing extra support to disadvantaged individuals who are less able to help themselves.
- 4.19 Under the devolution settlements, the National Minimum Wage and National Living Wage are reserved across the whole of the UK. Other employment legislation is reserved for Great Britain, but devolved for Northern Ireland. Some related policy areas, such as skills, are the responsibility of the devolved administrations.

Policy context

- 4.20 The UK labour market is flexible and dynamic, with over 13 million moves in and out of employment, unemployment and inactivity each year. There are currently around 6.9 million job starts each year, and over 3.4 million job exits. Even in recessions most of these movements into and out of work are for reasons other than redundancy.
- 4.21 The UK's labour market objectives are to:
- facilitate the smooth and effective functioning of the labour market, speeding up job matches, addressing mismatches in supply and demand
 - tackle worklessness and out-of-work poverty, reducing inactivity and promoting sustained employment
 - reduce in-work poverty, promote social mobility, and reduce individual dependence and state expenditure on benefits through more or better work
- 4.22 Labour market interventions to achieve these objectives include:
- activation strategies to maximise labour supply by drawing people closer to the labour market as a condition of benefit -this may involve work-availability and work-search requirements, backed up by sanctions for non-compliance
 - the Public Employment Service (Job Centre Plus) offer of job-matching with employers and a personally tailored regime for claimants
 - interventions to raise employment levels among specific groups, including from November 2017 a new Work and Health Programme offering support on a voluntary basis to groups facing barriers to work, and on a mandatory basis for people unemployed long term (over 2 years)
 - passive use of the design of working age benefits to avoid distorting the labour market
- 4.23 The UK economy has grown by 16.7% since Q1 2010 and is now 10.6% higher than its pre-crisis peak. For the period November-January 2018, unemployment was at 1.5 million, down 127,000 on the year. Inactivity fell 0.4 percentage points on the year to 21.2%.
- 4.24 The latest national data shows the UK is now above its pre-recession employment rate at a joint record of 75.3% (for age group 16-64 for Dec-Feb 2018), having increased employment by over 3.2 million since February-April 2010, to over 32.2 million – a new record, and by 427,000 between the 3 months to February 2017 and the 3 months to February 2018, alone.
- 4.25 The female employment rate (71.0% for age group 16-64) is at a new record high, while the female employment level is at a record high of 15.2 million – up 1.5 million since 2010.
- 4.26 Latest Eurostat data (as of March 2018) for the UK in Q3 2017 shows an employment rate of 78.5% for age group 20-64, above the EU-wide target

of 75%. This is 6.0 percentage points above the EU-28 average, and the 5th highest employment rate in the EU.

Actions to achieve objectives

Universal Credit and Progression

- 4.27 Universal Credit, the new benefit to support those who are on a low income or out of work, is being implemented as planned. National roll-out is expected to be achieved by September 2018. Universal Credit strengthens the effectiveness of the government's labour market policies. It removes the distinctions between benefit types, in and out of work benefits, and the worst dis-incentives to progression of the former system, so that work clearly pays.
- 4.28 To further incentivise work, the Universal Credit earnings taper was recently reduced from 65% to 63%, allowing families to keep more of what they earn as they move into work. In addition, working parents of pre-school children are incentivised by an increase in free childcare, and working families can take advantage of tax-free childcare.
- 4.29 All Universal Credit claimants must agree on a 'Claimant Commitment' as a condition of entitlement. This agreement clarifies and records what they are expected to do in return for benefits and support, and what will happen if they do not comply. For those with work-related requirements, the Claimant Commitment comprises of realistic and achievable work related objectives, tailored to individual needs, experience and circumstances.
- 4.30 The government intends that Universal Credit not only supports people into work, but helps them remain in work and earn more. To this end, it is developing an evidence base to establish how best to support claimants in low paid work to increase their earnings and progress in their careers. Research includes:
- a large scale randomised control trial (RCT) launched in 2015 running until 2018, with an interim update published in March 2017
 - a number of external trials looking at alternative approaches to progression, including a range of employer led projects, with some focusing on women's participation
- 4.31 Alongside initiatives to boost productivity, outlined in the Industrial Strategy, helping individuals to progress in work will not only help them, but their employers, and the economy.
- 4.32 Universal Credit supports people to progress in work. The government is developing its evidence base on successful initiatives, and investing £8 million in trialling new approaches over the next 4 years.

Tackling Youth Unemployment

- 4.33 The government is committed to providing targeted support for young people so that everyone, no matter what their start in life, are given the very best chance of getting into work. Youth unemployment is at a near record low - 5.0% of young people aged 16-24 are unemployed and not in full time education. This is down from a peak of 10% following the recession, and peaks of 12% in 1993 and 14% in 1984. The employment rate for those not in full time education is 74.7% - up by 7.4% percentage points since 2010.
- 4.34 In April 2017, the government introduced a new programme of intensive support for unemployed 18-21 year olds claiming Universal Credit and is undertaking major reform of the post-16 skills system in England, focusing particularly on technical education and lifelong learning.
- 4.35 The government is also committed to increasing the quality of apprenticeships and delivering 3 million new starts in England by 2020. This includes a public target to increase the proportion of apprenticeships for people from Black, Asian and Minority Ethnic (BAME) backgrounds by 20%; and has set a measure of success for a 20% increase in starts by people with a disability (including a learning disability) over the same timescale.
- 4.36 The UK's apprenticeship reforms have put control back into the hands of employers so they will gain the skilled workforce they need to compete globally. The content of apprenticeship training is set out in apprenticeship standards, which are designed by employers.

Work and Health Programme

- 4.37 The Work and Health Programme (WHP) is the new contracted employment support in England (and Wales), which replaces the former Work Programme. It is targeted towards individuals who are likely to obtain secure work with the additional support the programme offers. It brings together the expertise of private, public and voluntary sector organisations to provide targeted support for eligible people. This is distinct and additional to that available through existing "Jobcentre Plus" employment services.
- 4.38 Implementation of WHP commenced in November 2017 and was completed by March 2018. It is delivered through 5 year contracts with providers, and integration with local services is a fundamental feature. The current estimate is that WHP will support around 245,000 people over the 5 year period.
- 4.39 The main groups that WHP will provide targeted support for are:
- disabled people (as defined in the Equality Act 2010) who can join voluntarily at any time
 - people in other specific early access groups who need extra tailored support to find employment can also volunteer to join the programme
 - people unemployed long term (more than 2 years) who join on a mandatory basis
- 4.40 People with a disability or in an early access group are identified based on need and those most likely to benefit from the tailored WHP service are referred to the programme. Work Coaches consider such referrals with the

support of a selection tool. The decision on eligibility for WHP will be taken in the context of on-going dialogue regarding the individual's barriers to employment and how best these can be overcome.

- 4.41 The early access groups for the WHP include: ex-offenders, carers, homeless people, people for whom drug/alcohol dependency is a significant barrier to work, those leaving care, refugees, victims of domestic violence and young gang members.

Disability Employment Gap

- 4.42 On 30 November 2017, the UK Government published 'Improving Lives: the Future of Work, Health and Disability' command paper, which outlined the government's manifesto commitment to see one million more disabled people in work over the next 10 years and the strategy of joining up action across three key settings: welfare system, workplace and health sector.
- 4.43 Good progress has been made in recent years. Between Q2 2013 and Q2 2017, the number of working age disabled people in employment in the UK increased by almost 600,000 to nearly 3.5 million. Over the same time the disability employment rate increased by over 5.5 percentage points to 49.2%, while the disability employment gap was 31 percentage points.
- 4.44 The government is committed to ensuring that there is a welfare system that offers disabled people and people with health conditions personalised and tailored employment support adapted to their needs, and which links them to healthcare and other services for support. The command paper focuses on:
- continuing to build Jobcentre work coaches capability to deliver personalised and tailored support, including new mental health training for work coaches and have begun recruiting 200 new Community Partners
 - building on our offer of more personalised and tailored employment support
 - continuously improving the ESA and UC assessment process and paving the way for future reform
 - empowering those furthest away from the labour market (ESA Support Group and equivalent in Universal Credit) who wish to seek employment or develop skills to do so
- 4.45 The government aims to work in partnership with employers to help them draw fully on the talents of disabled people and the rich business opportunities of creating healthy and inclusive workplaces where all can thrive and progress. The command paper focuses on:
- improving advice and support for employers of all sizes
 - ensuring the Civil Service is a leading employer
 - increasing transparency through voluntary reporting by larger employers
 - reforming Statutory Sick Pay

- ensuring the right incentives and expectations are in place for employers
- responding to the findings from Thriving at Work: The Stevenson /Farmer review of mental health and employers

4.46 In the health setting, the government’s vision is for effective occupational health services, accessible to everyone in work; for health professionals empowered to talk about health barriers to work; and timely access to appropriate treatment. The paper includes activities relating to:

- the vital role of prevention
- supporting health professionals to talk about barriers to work as part of their core activity
- improving and testing new models for mental health and musculoskeletal services
- reforming the fit note
- developing the occupational health offer, with a focus on prevention and early intervention

Devolved administrations

Northern Ireland

4.47 The main return to work programme in Northern Ireland, ‘Steps 2 Success,’ introduced in October 2014, builds on the success of previous return to work programmes with an increased emphasis on sustaining employment. At the end of December 2017, a total of 47,940 people had started the programme. Of those participating in its first 27 months of operation (from October 2014 to December 2016), 29% (11,403) moved into employment.

4.48 In addition, the Social Investment Fund³ (SIF) is an Executive Fund which aims to make life better for people living in targeted areas by reducing poverty, unemployment and physical deterioration. Running until 2019-20, funding is being spent on community based initiatives designed to bring the maximum benefit to local people and their communities. A key objective of the fund is to increase employment opportunities by addressing educational underachievement, lack of skills, and access to jobs. All Social Investment funding has now been committed to projects across Northern Ireland, including £18 million to employment / training projects. Three of the employment projects have now completed with very positive employment outcomes for those engaged.

Scotland

4.49 Building on the Economic Strategy, the “Labour Market Strategy,” published in August 2016 demonstrated how a labour market that is fair and inclusive,

³ <https://www.executiveoffice-ni.gov.uk/articles/social-investment-fund>

and that provides sustainable and well-paid jobs, is key to tackling income inequality and addressing wider issues, including health, crime, deprivation and social mobility. The Strategy sets out steps the Scottish Government is taking to persuade businesses of the benefits of fair and inclusive work. It aims that every person, regardless of background, has the opportunity to participate successfully in the labour market and in turn, that Scotland's workforce has the right skills and attributes to meet the needs of the evolving labour market.

- 4.50 From April 2018, the Scottish Government will introduce a fully devolved, distinctly Scottish employability service, creating a strong platform for future services, focussing support on those furthest from the labour market for whom work is a realistic prospect. Its present focus is continuity support for those who are unemployed and facing significant barriers to work, while it builds a Scottish programme of support from April 2018.
- 4.51 Scotland's Economic Strategy sets out an overarching framework of how the Scottish Government aims to achieve a more productive, cohesive and fairer Scotland. It prioritises investment and innovation, supporting inclusive growth and maintains Scotland's focus on increasing internationalisation. Throughout the Strategy, there is a clear focus on the mutually reinforcing objectives of increasing competitiveness and tackling inequality. The Scottish Government has adopted this approach, not just because it ensures better social outcomes, but because there is growing international evidence that countries with more equal societies typically enjoy stronger, more sustainable growth in the long term.

The Scottish Business Pledge

- 4.52 The Scottish Business Pledge, launched in May 2015, is a shared undertaking between the Scottish Government and businesses, with the goal of boosting productivity, competitiveness, employment, fair work and workforce engagement and development.

The Pledge has nine components:

- 1 Paying the real living wage
- 2 Not using zero hours contracts
- 3 Supporting progressive workforce engagement
- 4 Investing in youth
- 5 Making progress on diversity and gender balance
- 6 Committing to an innovation programme
- 7 Pursuing international business opportunities
- 8 Playing an active role in the community
- 9 Committing to prompt payment

- 4.53 The real Living Wage Rate of £8.75 per hour applies to newly accredited employers and all current Accredited Employers from 30 April 2018. By making the Scottish Business Pledge, businesses demonstrate their

commitment to Fair Work, employee engagement and boosting productivity. 433 employers have become Pledge signatories from a range of sectors, including Coca Cola, Microsoft, Virgin Money, Rabbin's and Ferguson Marine Engineering. There are now 1086 living wage accredited employers in Scotland.

Wales

- 4.54 In 2014, the Welsh Government published its Policy Statement on Skills which identified the key challenges for Wales in delivering a highly skilled and productive workforce for the future. The challenges identified in that statement remain the driving force behind Welsh Government employment and skills policy. The commitments made as part of Taking Wales Forward – the Welsh Government's Programme for Government (2016 – 2021) were expanded upon in the Government's national strategy 'Prosperity for All' and have placed the emphasis on a series of overarching aims to deliver more and better jobs, through a stronger, fairer economy, improve and reform public services, and build a united, connected and sustainable Wales.
- 4.55 Underpinning the national strategy is the Economic Action Plan, published in December 2017, which contains actions that will work to grow the economy and reduce inequality. This is supplemented by the Employability Plan published in March 2018. This Plan sets ten year targets in relation to economic inactivity and unemployment rates, and skills levels. It outlines an inclusive and individualised approach to supporting people into employment, particularly those further from the labour market and facing multiple barriers to accessing work. The Plan also calls on employers to do more to upskill and develop their workforce, in recognition that the aging population and radically changing world of work will require a culture of life long learning and adaptability to new roles.
- 4.56 The Welsh Government is also developing employability programmes which are accessible to all and will undertake an equalities review of its core provision to ensure that their operations are inclusive and sensitive to the needs of people with protected characteristics. The Welsh Government will closely examine the impact of its actions on women, disabled people and Black, Asian and Minority Ethnic (BAME) people.
- 4.57 The Welsh Government operates a regionally based demand led system to inform Skills delivery and are working with internal and external stakeholders to ensure better alignment of policies and activities. This is overlaid with intelligence from three Regional Skills Partnerships who provide a 3-year Employment and Skills Plan for the region, updated on an annual basis with new LMI and specific recommendations for delivery. The Regional Skills Partnerships engage with local employers, training providers (schools, further education, higher education and work based learning) and other regional stakeholders, to articulate the specific skills needs of the region based on company activities and strategic projects including large infrastructure projects. This intelligence is used to influence change in commissioning of training and skills development so that the people of the region are better equipped to meet the local job opportunities.

- 4.58 Prosperity for All, the national strategy for Wales, identifies employability and skills as one of its five priority areas; this is reflected in the Employability Plan which will be published on 20 March. To drive forward these commitments, the Welsh Government is developing a new Employment Advice Gateway. This Gateway will provide impartial and cohesive employability advice to people aged 16 and older. Based on a detailed assessment of the customer's needs and circumstances, the Gateway will refer people to the most suitable support; this could be Working Wales, Communities for Work, or other support.

Education

June 2010 European 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 to 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 Objectives

- 4.59 The government is committed to providing a world-class education for all young people, raising attainment and narrowing the gap between disadvantaged pupils and their more affluent peers. Working with dedicated teachers and professionals throughout education and beyond, the government is continuing to raise standards, from early years through to further and higher education, and ensuring the right care and support is provided for society's vulnerable children. The government will work to make sure that the education system offers opportunity to everyone, in every phase and in every place.
- 4.60 The government has two key areas of focus:
- a high-quality school place for every child with a focus on making teaching an attractive profession
 - high quality post-16 education choices for all young people
- 4.61 Education and skills are a devolved competence, with each of the administrations making their own policy decisions. The following sections focus on the government's policies in England. Information on the approach taken by Northern Ireland, Scotland and Wales is included later in this chapter.

Policy Context

- 4.62 The education system has undergone reform including finding the right balance between autonomy and effective governance – and to make sure all schools have the resources they need to succeed. The government is focused on raising standards across the board – by reforming curriculum and

qualifications; a fair funding system for schools; and the given freedoms through academies and free schools programmes. The government wants to make sure that every child and community benefits from these strong foundations.

- 4.63 The government is working to close a productivity gap between the UK and other advanced economies, in part caused by skills shortages, particularly in science, technology, engineering and mathematics.

Actions to achieve objectives

A high quality school place for every child with a focus on making teaching an attractive profession

- 4.64 Supporting teachers and delivering a high quality school place for every child has been the government's approach since 2010 – and the government has already built strong national foundations with a focus on standards.
- 4.65 The government has continued to reform the wider curriculum – working with experts to create a national curriculum comparable with the best performing education systems, alongside rigorous new GCSEs and A Levels. These reforms have been slow to implement – but they are essential to give young people a strong foundation of knowledge.
- 4.66 The government has established a suite of new performance measures, such as Progress 8⁴, to make accountability fair - and reward the progress of every pupil. To ensure the right incentives are provided the government has also introduced the EBacc⁵, a measure to encourage more GCSE students to study those core academic subjects that pave the way to the broadest range of options. Since this measure was first introduced in 2011, the proportion of pupils entering the EBacc subjects has increased, and the government has set a target of 90% of pupils to take up study of this combination of subjects by 2025. Since 2010, the proportion of pupils studying the science component of the EBacc has risen from 63% to 91%, and the proportion studying History or Geography has risen from 48% to 77%, demonstrating the scale of change that these reforms have achieved.
- 4.67 At A level, the proportion of students taking STEM subjects is rising, with nearly 4,000 more students entering computer science than in 2010. The number of mathematicians will be further boosted by the new maths schools and maths premium that the Chancellor announced in the 2017 Autumn Budget.
- 4.68 The government is also reforming primary education - investing in phonics teaching and world-renowned teaching for mastery techniques in mathematics, so that every child is taught the fundamentals of literacy and numeracy, the bedrock of further educational achievement. This year there

⁴ <https://www.gov.uk/government/publications/progress-8-school-performance-measure>

⁵ <https://www.gov.uk/government/publications/english-baccalaureate-eligible-qualifications>

has been 154,000 more 6 year olds on track to be fluent readers than in 2012.

- 4.69 This year the government introduced historic reforms – a National Funding Formula. For the first time school funding will be distributed according to a formula based on the individual needs and characteristics of every school in the country, providing transparency and predictability for schools. In a challenging period for the public finances, measures were taken to protect schools’ budgets in real terms – and an extra investment of £1.3 billion across 2018-19 and 2019-20 to support the introduction of the new formulae was announced.

Strengthening and supporting the teaching profession

- 4.70 The single biggest factor in improving outcomes at school is the quality of teaching – and this matters most for children from more disadvantaged backgrounds. The government has introduced new teacher training routes – such as Schools Direct – to provide excellent schools more freedom to prepare the next generation of teachers. The government has also committed to raising the status of the teaching profession - to take its rightful place alongside other learned professions such as law and medicine.
- 4.71 The government is also taking measures to strengthen Qualified Teacher Status – supporting teachers in the crucial early years of their career, giving new recruits two years of high quality training as opposed to one. Furthermore, the government is investing in enhanced Continuous Professional Development in the places and schools that need it the most – with the Teaching and Leadership Innovation Fund⁶ including a pilot. The new Chartered College of Teaching will work in partnership with associations, unions and learned societies to build on the best of teaching and emerging research evidence and to provide a pathway of professional development to support teachers at every stage of their career.

Building a world-class skills system

Creating high quality technical education options to improve the choice for young people at age 16

- 4.72 From an economic perspective, investing in skills and ensuring the increasing demand for advanced skills are met has become particularly important for the UK. The UK has a strong academic route in the form of A-levels and University. But there is a need to ensure a high quality alternative for all those young people who don’t choose to go down this route – so that they are prepared for future success.
- 4.73 The government has set a commitment for 3 million apprenticeships by 2020, and has introduced comprehensive reforms to create employer-designed standards that ensure apprentices have the skills, knowledge and the behaviours that British business need. The Apprenticeships Levy is designed to encourage large employers to provide apprenticeships, and

⁶ <https://www.gov.uk/guidance/teaching-and-leadership-innovation-fund-programmes-for-teachers-and-school-leaders>

degree apprenticeships allow apprentices to earn while studying for a full degree.

- 4.74 Employer-designed and high quality 'T-Levels' will be introduced from 2020. These are - two-year, full-time level 3 study programmes, designed primarily to support entry to skilled employment. This will be bolstered by a transition year for students not immediately ready to progress.

Investing in the further education sector

- 4.75 The government is supporting the further education sector to improve quality of provision and ensure ongoing financial security. A Further Education Commissioner has been established to support the sector and help it develop and has conducted Area Reviews to consolidate the sustainability and quality of the sector. The government is also supporting the sector with a Strategic College Improvement Fund⁷, worth £15 million over the next two years, to provide support for weaker colleges, as well as National Leaders of Further Education and a £40 million Centres of Excellence programme to spread best practice around the system.

Widening young people's choices to study at world-beating, well-resourced universities

- 4.76 The government is establishing the Office for Students to ensure universities offer good value for money for students, through the use of Longitudinal Educational Outcomes (LEO) data. The repayment threshold on student loans is increasing to £25,000 for students starting their courses from 2012 – cutting costs of student finance by up to £360 a year. Maintenance loans for part-time undergraduate are being introduced to help with the cost of postgraduate doctoral study, from 2018/19.

- 4.77 Key statistics:

- In 2015/16, 94% of pupils in England were in sustained education, employment or training in the year after key stage 4 (age 16), and 90% of pupils were in sustained education, up by 4 percentage points since 2010/11.⁸
- The UK tertiary education attainment rate (the proportion of the population aged 30 to 34 having completed tertiary or equivalent education) has been increasing continually since 2000, reaching 48.2% in 2016, which is one of the highest rates in Europe and well above the EU average (39.1% in 2016).⁹

⁷ <https://www.gov.uk/guidance/guidance-for-applicants-to-the-pilot-of-the-strategic-college-improvement-fund--3>

⁸ <https://www.gov.uk/government/statistics/destinations-of-ks4-and-ks5-pupils-2016>

⁹ <http://ec.europa.eu/eurostat/web/education-and-training/data/database>

Devolved Administrations

Northern Ireland

- 4.78 The Northern Ireland Administration's key policy for raising standards is "Every School a Good School,"¹⁰ a policy for school improvement which aims to ensure that every young person fulfils his or her full potential at each stage of their development. The policy aims to ensure that every school through self-evaluation and targeted support, encompasses the characteristics of a successful school, namely one that is effectively led and child-centred, provides high quality teaching and learning and is connected to its local community.
- 4.79 In recognition of the vital importance that the early years can have on a child's later educational achievements and outcomes, the Northern Ireland Administration invests in a range of universal and targeted early intervention programmes including the universal Pre-school Education Programme and the Early Intervention Transformation Programme¹¹ - Getting Ready to Learn¹², and the targeted Sure Start Programme¹³, Pathway Fund¹⁴ and Toybox¹⁵ project. Core and capital funding is also provided to support the early years sector.

Childcare

- 4.80 The first phase of the Northern Ireland Executive's Childcare Strategy¹⁶ was launched in September 2013 and comprised 15 Key First Actions to address the main childcare priorities that had been identified through an initial phase of consultation and research. The full Northern Ireland Executive Ten-Year Childcare Strategy is subject to Executive approval.

Scotland

- 4.81 The Scottish Government recognises the importance of a skilled, educated and healthy workforce, and believes that investing in education and skills is key to driving long-term improvements in competitiveness and in creating opportunities for everyone in society to benefit from these improvements. In May 2016, the First Minister announced a review of enterprise and skills support in Scotland to help make further progress on productivity, equality, sustainability and wellbeing. A programme of work commenced in June 2017 in response to recommendations of the review, including the setting up of an Enterprise and Skills Strategic Board to drive alignment behind a strategic approach and maximise the impact of the investment in enterprise and skills in Scotland.
- 4.82 The Scottish Government works with local authorities, schools, pupils and parents to highlight the potential risks of disrupting learning by absence from school. Its 2007 publication 'Included, Engaged and Involved Part 1:

¹⁰ <https://www.education-ni.gov.uk/publications/every-school-good-school-policy-school-improvement>

¹¹ <https://www.health-ni.gov.uk/articles/early-intervention-transformation-programme>

¹² <https://www.education-ni.gov.uk/articles/getting-ready-learn-early-intervention-transformation-programme>

¹³ <http://www.nidirect.gov.uk/sure-start-services>

¹⁴ <http://www.early-years.org/pathway-fund/>

¹⁵ <http://www.early-years.org/toybox/>

¹⁶ <https://www.education-ni.gov.uk/articles/childcare-strategy>

attendance in Scottish schools' in 2007 provides guidance on how to promote engagement and motivation, including among those who may be at risk of poor attendance. It has also produced guidance for parents which reinforces the message that they should do all they can to support children to attend schools. The vast majority of parents are aware of these risks. The attendance rate has remained steady at just over 93% in recent years.

Scottish Attainment Challenge

- 4.83 The Scottish Government has extended the scope and reach of the Scottish Attainment Challenge which aims to achieve equity in educational outcomes with focus on closing the poverty-related attainment gap. It is backed by the £750 million Attainment Scotland Fund over the course of the current parliament, prioritising improvements in literacy, numeracy and health and well-being for disadvantaged pupils. In 2017-18 this will include £120 million of Pupil Equity funding allocated directly to around 95% of schools (based on free school meal registration estimates) benefiting every local authority area in Scotland. In addition, £50 million a year continues to provide targeted support to specific Scottish Attainment Challenge authorities, and schools in areas with high levels of deprivation, and to a number of national programmes that include support for staffing supply and capacity, professional learning, and school leadership.

Education Maintenance Allowance

- 4.84 The Scottish Government has retained the Education Maintenance Allowance (EMA) in Scotland to provide financial support to eligible 16 to 19 year olds from the lowest income families, enabling them to stay in education and learning beyond the school leaving age. In January 2016, the programme was expanded to include part-time non-advanced college courses and the income thresholds were increased. 31,735 school pupils and college students received EMA payments in Scotland in the academic year 2015-16. The total amount spent on EMA payments in 2015-16 was £24.8 million. Of this, £17.4 million (70%) was paid out to school pupils, and the remaining £7.4 million (30%) paid out to young people attending college.

Tertiary Education

- 4.85 Scottish Ministers conducted an independent review of the higher and further education student support systems in Scotland, which reported in autumn 2017. The report sets out a number of recommendations that would fundamentally change the way students in Scotland are supported financially.
- 4.86 The Scottish Government is committed to keeping access to higher education free for Scottish-domiciled students, and is investing over £1 billion in Scotland's higher education sector in 2017-18 to support this. The Scottish Government's Budget for 2017-18 confirmed that college and universities will receive cash terms increases in funding on the previous year.
- 4.87 The Scottish Government is committed to providing student support. The current higher education funding package, introduced in 2013, includes annual minimum income of £7,625, through a combination of bursaries and loans, for students with a family income of less than £19,000, and a student

loan of £4,750 a year for all students. Part-time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition fee costs. In the academic year 2016-17, the Student Awards Agency for Scotland (SAAS) awarded £834.8 million of student support as tuition fees, grants, bursaries or authorised loans, to 143,110 full-time higher education students.

- 4.88 In further education, full-time students are currently able to receive a non-repayable bursary of up to £97.33 per week. The 2017-18 student support budget is at a record high of over £107 million in college bursaries, childcare and discretionary funds.
- 4.89 The Scottish Funding Council's Outcome Agreements ask Scottish colleges to remove barriers and support full participation and successful outcomes for all groups of local learners. Older learners in Further Education are well represented amongst all college students. Full-time students aged 25 and over have increased by over 33% since 2006/07, and in 2015/16, 28.7% of all learning hours were delivered to students aged 25 and over. They are also benefitting from record levels of support. The 2017/18 budget of over £107 million in college bursaries, childcare and discretionary funds is a real-terms increase of 32% since 2006/07.

Wales

- 4.90 The Welsh Government's Youth Engagement and Progression Framework, which was published in October 2013, requires an integrated approach from all organisations involved in delivering activity for young people, focussing on the needs of the individual. Local authorities are charged with providing the support young people need to aid their progression through education and training into employment. This is being delivered through a systems based approach to early identification of need, co-ordinated brokerage of support and tracking of the young person's progress.
- 4.91 As part of the Framework, the Common Area Prospectus was introduced across all schools in Wales from November 2015 and gives young people access to an online search facility for all post-16 provision provided locally. Availability of vocational courses and work based provision is available alongside other general education curriculum at schools and colleges.
- 4.92 Provisional figures from the Welsh Government revealed that 23,225 learning programmes were started by apprentices in Wales (at levels 2 to 4 and above) in 2015/16, compared with 19,505 in 2014/15, 27,485 in 2013/14, 28,030 in 2012/13 and 17,910 in 2011/12.

Social exclusion and poverty reduction

June 2020 European 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 three 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

- 4.93 The Prime Minister has set out clearly that she is committed to building a country that works for everyone, not just the privileged few. The government is committed to actions that will make a meaningful difference to the lives of disadvantaged children and families. This requires an approach that goes beyond a focus on the safety net of the welfare system to tackle the root causes of poverty and disadvantage.
- 4.94 Through measures in the Welfare Reform and Work Act 2016, the government introduced two statutory measures of parental worklessness and children's educational attainment, to drive action on the two areas that can make the biggest difference to children's outcomes.
- 4.95 The government is also committed to ensuring that parents are incentivised to work, and has taken steps to increase in free childcare and allow working families to take advantage of tax-free childcare.
- 4.96 As part of the government's ambition to tackle child poverty and disadvantage it published 'Improving Lives: Helping Workless Families,' which sets out four new policies that will work to tackle drug and alcohol dependency, reduce parental conflict and transform local services so that they can better support workless families.
- 4.97 The UK government is responsible for policies in this area in England as well as in cases when policy areas are the responsibility of the UK Parliament in the devolution settlements; for instance, the welfare system is not devolved, except in Northern Ireland, although there is a commitment in the legislation to maintain parity in the systems as far as possible.

Policy context

- 4.98 With improvements in the economy, there are now record numbers of people in work and the number of workless households is at the lowest level since comparable records began in 1996, as is the number of children living in workless households. The proportion of children living in absolute poverty

is at a record low. Against this background, the thrust of policy is to pursue further improvement through better opportunities throughout people's lives. Policy responses include free childcare for disadvantaged families, support for pupils via the Pupil Premium and a new National Living Wage.

- 4.99 The latest Eurostat figures for the UK show that between 2014 and 2015 there was a fall of around 200,000 in the number of people at risk of poverty or social exclusion. Over the same period the percentage of the population at risk of poverty or social exclusion fell from 24.1% to 23.5%. Provisional Eurostat estimates suggest that this reduction is statistically significant. Eurostat figures also show that 19.8% of children were in households at risk of poverty, an increase of 0.1 percentage points since 2014. These figures are used to track progress against the EU 2020 target of reducing the number of people at risk of poverty or social exclusion by at least 20 million.

Actions to achieve objective

Welfare Reform

- 4.100 Against a background of increasing employment levels, the government continues to tackle barriers to inclusive employment, with targeted measures for those who face particular difficulty in improving their situation through work. The government's programme for welfare reform, in particular Universal Credit, will help families improve their situation. Support for childcare in Universal Credit aligns with the government's wider childcare offer and means that more families will find that it pays to be in employment all the way up to working full-time. Parents are also given tailored support from a dedicated work coach, are required to agree a Claimant Commitment setting out the steps they will take towards finding work, and will continue to get support to increase their earnings whether they are in work or out of work.
- 4.101 The government also supports one-parent families in getting out of poverty through work. Among the range of measures available, lone parents and responsible carers are required to prepare for work when their youngest child is age 3 or 4, but they are not required to apply for or take up a job at this stage. The employment rate for lone parents in 2017 has increased from 56.1% in Q4 2010 to 67.4% in Q4 2017.

Troubled Families

- 4.102 The Troubled Families Programme (2015-2020) aims to achieve significant and sustained improvement for up to 400,000 complex families with multiple high-cost problems. As well as providing better support for families, the programme is designed to be a catalyst for local services to transform and work together in a more cost efficient way, and also reduce demand for high cost services such as children's social care. As of December 2017, nearly 290,000 of the families who most need help were being worked with as part of the programme. As of March 2018 more than 92,000 families had achieved significant and sustained progress on all of the problems identified,

and in almost 14,000 of these families, one or more adults had succeeded in moving into continuous employment.

4.103 The first Troubled Families Programme (2012-2015) also focused on families with multiple high-cost problems. By May 2015, over 116,000 families in the programme had seen significant improvements, with children back into school, reduced youth crime and anti-social behaviour, and for over 18,000 of those families, adults into work. Evaluation of the first programme found that it played a key role in boosting local capacity for family intervention; encouraged local partnerships; broke down 'silo working'; and helped identify families who would have otherwise 'slipped through the net'.

Youth Engagement Fund

4.104 Four Youth Engagement Fund (YEF) Social Impact Bond contracts went live in April 2015 and will deliver outcomes to 8,000 young people in London, Sheffield, Greater Manchester and Greater Merseyside. The YEF focuses on disadvantaged young people who are aged 14 to 17 years and seeks to test a range of delivery and social investment models. The 4 main objectives of the YEF are:

- to deliver support to help young people aged 14-17 who are disadvantaged, or at risk of disadvantage, to enable them to participate and succeed in education or training, improving their employability, thereby reducing their long-term dependency on benefits and reducing their likelihood of offending.
- to enable schools, academies, local authorities, colleges and others to use their resources more effectively to support disadvantaged young people and reduce the number of young people who are 'Not in Education, Employment or Training' (NEET).
- to test the extent to which a payment by results approach involving social investors can drive improved outcomes for young people and generate benefit savings, as well as other wider fiscal and social benefits.
- to support the development of the social investment market, build the capacity of social sector organisations and contribute to the evidence base for social impact bonds.

Devolved administrations

Northern Ireland

4.105 The Northern Ireland Administration's Child Poverty Strategy¹⁷ was published on 25 March 2016. The Strategy aims to reduce the number of children in poverty and to reduce the impact of poverty on children. Annual Reports¹⁸

¹⁷ <https://www.communities-ni.gov.uk/publications/child-poverty-strategy>

¹⁸ <https://www.communities-ni.gov.uk/publications/child-poverty-annual-report-201516>

<https://www.communities-ni.gov.uk/publications/child-poverty-annual-report-201617>

on the Child Poverty Strategy setting out the measures taken across departments have been published.

- 4.106 An Independent Working Group was commissioned to make recommendations on the Welfare Reform Mitigations. As recommended by the Group the Northern Ireland Administration provides mitigation payments to families with children who are affected by the Benefit Cap (introduced in Northern Ireland on 31 May 2016). These payments are generally equivalent to the initial capped amount and will be payable until March 2020 provided the household continues to be affected by the Benefit Cap (the amount of the payments can change if there is a relevant change of circumstances.)
- 4.107 As part of the Stormont Agreement and Implementation Plan titled “Fresh Start”, additional Executive funds were agreed to help mitigate the impact of Welfare Reform. The subsequent Welfare Reform Mitigations Report¹⁹ recommended a total of £501 million for mitigation measures, with £1.65 million of this allocated to measures which includes the requirement to tackle food poverty in Northern Ireland by “improving access to affordable food through a network of community shops and social stores/supermarkets”.
- 4.108 A Social Supermarket provides clients with access to food whilst requiring them to take up a wraparound of services. Rather than an emergency short term response, a Social Supermarket model can provide people with a pathway out of poverty by recognising that food is only one factor and access to and uptake of a wraparound service to address advice needs, training and skills may provide a holistic approach to a transition out of poverty. Five pilot projects commenced on October 1st 2017 and will run for 12 months. The pilots’ core characteristic are:
- there must be access criteria to identify those most in need of the support and prevent abuse
 - there must be a financial transaction to access the support
 - in order to access the food clients must avail of the wraparound services to address the root causes of poverty
 - access must be for a time limited period to prevent creating a dependency
- 4.109 The Northern Ireland Administration is constantly developing and evolving the service provided to customers. That means providing a person-centred approach to place the needs of the customer at the centre of interventions, and taking a whole Government approach. The ‘Make the Call’ Wraparound Service provides free and confidential benefit entitlement checks as well as advice on other government supports and services. Community Outreach officers also conduct home visits for vulnerable people providing face to face assistance and support. As a result of this work, in 2016/17 4,810 people

¹⁹ <https://www.executiveoffice-ni.gov.uk/sites/default/files/publications/ofmdfm/welfare-reform-mitigations-working-group-report.pdf>

benefited from additional benefits of £21.3 million. The Make the Call Wraparound Service is working towards a 'once and done' approach with customers, and includes, where appropriate, the online application completion by 'Make the Call' Advisors of claims to benefits such as Personal Independence Payment (Part 1) and Carers Allowance, negating the need for further referral. In addition, the 'Make the Call' Wraparound Service is developing strategic partnership arrangements across government, and with Statutory Agencies and the Advice and Community Sectors.

- 4.110 The Social Investment Fund²⁰ (SIF) is an £80 million Executive Fund which aims to make life better for people living in targeted areas by reducing poverty, unemployment and physical deterioration. Running until 2019-20, funding is being spent on community based initiatives designed to bring the maximum benefit to local people in deprived communities. All Social Investment funding has now been committed to 68 projects across Northern Ireland with many now operational and the first tranche beginning to complete delivery.

Scotland

- 4.111 The Scottish Government is committed to ensuring that economic growth is inclusive and is shared across all of the people and parts of Scotland. This approach – which includes investing in the early years, promoting fair work and protecting households from current economic pressures – is embedded in the foundations of Scotland's Economic Strategy.
- 4.112 Tackling poverty and inequality is central to the Scottish Government's ambition. In October 2016, it published the Fairer Scotland Action Plan, setting out 50 selected actions over this Parliamentary term under five themes of: A Fairer Scotland for All, An End to Child Poverty, A Strong Start for All Young People, Fairer Working Lives and a Thriving Third Age. Key commitments within the Fairer Scotland Action Plan include:
- a significant increase in the level of funded early learning and childcare provision by 2020 introduction of a new Best Start Grant for low income families in the early years a new socio-economic duty on public authorities. This will ensure that public bodies are all working consistently towards the same anti-poverty goals commitments to promote good flexible working to help families maximise their incomes and achieve a better work-life balance.
 - the Fairer Scotland Action Plan is underpinned by a new £29 million programme, including £12.5 million from the European Social Fund, to tackle poverty across Scotland.
- 4.113 The Child Poverty (Scotland) Act 2017 was passed unanimously by the Scottish Parliament on 8 November 2017. This sets ambitious statutory income-based targets for 2030, underpinned by a robust framework for measuring and reporting on child poverty at a national and local level. It also establishes a national Poverty and Inequality Commission. The first Child

²⁰ <https://www.executiveoffice-ni.gov.uk/articles/social-investment-fund>

Poverty Delivery Plan required by the legislation will be published by 1 April 2018.

- 4.114 A number of social security powers are being devolved through the Scotland Act 2016 that will allow the Scottish Government to help people on low incomes, in particular the ability to change payment arrangements for Universal Credit in relation to whom, and the time when, Universal Credit is paid. Making Universal Credit payments more flexible will give people on a low income in Scotland more choice in how they manage their household budget, for example by offering choice on the frequency of payments and on the ability to pay the housing element of Universal Credit direct to landlords.
- 4.115 The Scottish Government is also committed to introducing a Job Grant to help 16-24 year olds who are returning to work after a period of 6 months unemployment. Young parents will receive £250 and those without children will receive £100, as well as free bus travel for 3 months to help them take up offers of work. The Job Grant aims to help meet the costs of getting into or back to work and analysts estimate that this could help around 6,500-8,500 young people per annum.

Wales

- 4.116 The National Strategy, Prosperity for All, sets out the Welsh Government's programme to drive improvement in the Welsh economy and public services, delivering a Wales which is prosperous and secure, healthy and active, ambitious and learning, united and connected. The First Minister has made it clear that addressing poverty and inequality and creating an economy which delivers for families and children continues to be a priority. Tackling poverty is the shared responsibility of every Cabinet Secretary and every Minister.
- 4.117 The statutory framework for tackling child poverty in Wales is provided by the Children and Families (Wales) Measure 2010. The objectives of the Welsh Government's Child Poverty Strategy focus on reducing the number of children living in workless households, increasing the skills of parents and young people, reducing inequalities in education and health, reducing in-work poverty and action to increase household income.
- 4.118 The Strategy also identifies five priority areas where Welsh Government can do more to help improve the circumstances and outcomes of low income families in the "here and now". These priorities focus on addressing food poverty, improving access to affordable childcare, housing and regeneration, reducing in-work poverty and mitigating the impacts of welfare reform.
- 4.119 The Welsh Government has developed a range of different policies and programmes to improve outcomes for low income households. These include Flying Start, Families First, Supporting People and the Targeted Regeneration Investment programme. They are also taking action to mitigate the impact of poverty. Since April 2013, their Discretionary Assistance Fund (DAF) has supported more than 140,000 awards to the most vulnerable people in Wales, with almost £31 million in grants. They have supported over 300,000 households through maintaining full entitlements to council tax reduction which is supported with £244 million of Welsh Government

funding. In addition, in 2018-2019, Welsh Government will maintain the £5.97 million currently provided to advice agencies to provide free and independent generalist and specialist advice to people on their financial entitlements, debt, housing-related issues and discrimination.

- 4.120 The Welsh Government is also developing an area based approach to tackling poverty in the South Wales Valleys. The Ministerial Taskforce for the Valleys is overseeing a new approach to investing in the future of the valleys. The taskforce is working with people living in the valleys, businesses, local government, the third sector and civic organisations to maximise opportunities for inward investment and economic growth. A key role of the taskforce is to improve mainstream services, in particular health, education and housing and provide a focus for community engagement to promote the valleys as a good place to live, work and invest.
- 4.121 The Welsh Government also has the opportunity to use the Well-being of Future Generations Act to support a national, all Wales approach to tackling poverty and reducing inequalities. Under the Act, a set of 46 National Indicators for Wales will measure national progress towards achieving the seven well-being goals.

Research and development (R&D) and innovation

June 2010 European 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.

UK Government Objectives

- 4.122 The Industrial Strategy White Paper “Building a Britain fit for the future”, published on 27 November 2017, sets out the UK government’s approach to developing a modern industrial strategy with science, research and innovation at its core. The aim of the Industrial Strategy is to create an economy that boosts productivity and earning power throughout the UK, and it has five key foundations: ideas, people, infrastructure, business environment and places.
- 4.123 The ideas foundation sets out the government’s overarching objective of making the UK the world’s most innovative economy. Central to this is the commitment to raise total R&D investment to 2.4% of GDP by 2027 and to reach 3% of GDP in the longer term, placing us in the top quartile of OECD countries.

Policy context

4.124 The Industrial Strategy White Paper set out a number of challenges that the government will seek to tackle and a series of policies to address them. The key challenges highlighted are:

- neither government nor the private sector is investing enough in research and development (R&D).
- the UK could do more to turn our fresh ideas into commercial products and services and capture the maximum value from them.
- the need to build research and innovation excellence across the UK to enable places to capitalise on local strengths and foster local innovation ecosystems that can support sustained growth.
- the need to ensure the UK remains a world-leader in science and innovation and global collaborations as we leave the European Union and look ahead to the future.

4.125 Through UK Research and Innovation, the government is implementing the recommendations of the Nurse Review, led by Nobel Prize-winning scientist Sir Paul Nurse. The review called on government to "support the Research Councils to collectively make up more than the sum of their parts", and develop a "smoother pathway to more applied research".

4.126 The continued success of government policies in terms of R&D and innovation is reflected in rankings that show that the UK is one of the most innovative countries in the world and has a disproportionate influence on global research. For example:

- the UK is rated as one of the most innovative countries in the world – an 'innovation leader' in the 2017 European Innovation Scoreboard and 23% above the EU average performance.²¹
- while the UK represented just 0.9% of global population, 2.7% of R&D spending and 4.1% of researchers, in 2014 it accounted for 9.9% of downloads, 10.7% of citations, and 15.2% of the world's most highly-cited articles.²²

4.127 The UK Parliament and government have devolved certain powers and responsibilities to the Scottish Parliament and the Assemblies in Wales and Northern Ireland; and to their governments and executives. Whilst responsibility for the Research Councils and Innovate UK rests with the UK government, the Devolved Administrations also have important responsibilities for the funding of research, particularly in universities.

²¹ European Commission (2017), 'European Innovation Scoreboard'

²² Elsevier (2016) International Comparative Performance of the UK Research Base 2016

Actions to achieve objectives

Initial steps to meet 2.4% R&D target

4.128 As a first step towards the goal of raising total R&D investment to 2.4% of GDP by 2027, the government will invest an additional £2.3 billion over what was previously planned in 2021/22, raising total public investment in R&D to approximately £12.5 billion in that year alone. The Government will work with industry over the coming months to develop a roadmap to meet this target.

Establishing UK Research and Innovation

4.129 In December 2015, Sir Paul Nurse published his review of the UK Research Councils, considering how they could evolve to support research more effectively. His recommendations are being taken forward by the government, and primary legislation has been passed to create a new integrated body, UK Research and Innovation, which formally came into effect on 1 April 2018.

4.130 UK Research and Innovation integrates the seven Research Councils, Innovate UK, and a new organisation, Research England, which continues the England-only responsibilities of the Higher Education Funding Council for England (HEFCE) in relation to research and knowledge exchange. UK Research and Innovation will have a strategic vision for research and innovation the UK and better enable multi-and interdisciplinary research. It will maximise the impact of over £6 billion annual investment in research and innovation, while building on and protecting the strengths of the current system.

4.131 In response to the Nurse review, the government is also providing legal protections for a dual support system in England for the first time (balancing competitively allocated project funding, with institution-focused block funding to support research and knowledge exchange activity). The government has also incorporated the Haldane Principle into the legislation, which states that decisions on individual research proposals are best taken following an evaluation of the quality and likely impact of the proposals (such as a peer review process).

Industrial Strategy Challenge Fund

4.132 The government is investing in strategic innovation challenges through the ambitious new Industrial Strategy Challenge Fund (ISCF), which brings together world class UK research with business investment to develop the technologies and industries of the future.

4.133 The government announced £1 billion in the first wave of challenges in areas of strategic importance to the UK. This includes the Faraday battery challenge to design, develop and manufacture batteries for the electrification of vehicles and efficient use of renewable energy; AI and robotic systems for extreme environments like nuclear and space; future satellites; and technologies for medicines manufacturing.

4.134 To further support UK priorities in key areas of innovation, an additional £725 million for the Industrial Strategy Challenge Fund over the next four

years was announced in the Industrial Strategy White Paper in November 2017.²³The second wave of challenges, aligned to the Industrial Strategy's Grand Challenges, are outlined below.

Clean Growth

4.135 The government will maximise the advantages for UK industry from the global shift to clean growth through leading the world in the development, manufacture and use of low-carbon technologies, systems and services that cost less than high carbon alternatives.

- *Transforming construction* - to eliminate the productivity gap in construction and provide safer and more affordable places to live and learn that use less energy.
- *Prospering from the energy revolution* –to develop smart energy systems that can improve efficiency by linking energy supply, storage and use.
- *Transforming food production* –to increase agricultural productivity and meet the needs of a growing population by producing food in a more efficient and sustainable way.

Healthy Ageing

4.136 The government will harness the power of innovation to help meet the needs of an ageing society, developing new products and services, leveraging health data to improve health outcomes and build leadership in the life sciences, and supporting care providers to adapt their business models.

- *Data to early diagnosis and precision medicine* –to turn health data into early diagnostics and precision treatments to deliver the earliest possible diagnosis coupled with development of new treatments.
- *Healthy Ageing* –to deliver new products and services which support older people in the UK to remain active, productive and independent.

AI and data driven growth

4.137 The government will put the UK at the forefront of the AI and data revolution, becoming a world-leader in innovation in these areas, supporting sectors to boost their productivity through adopting these technologies, and helping people develop the skills needed for the jobs of the future.

- *Audience of the future* –to capture global markets by supporting our creative industries sector to use immersive technologies to create compelling new products, services and experiences.
- *Next Generation Services* –to develop the next generation of services, built on a combination of people and data, delivering scalability in a responsible manner.

²³ All wave 2 programmes are subject to final business case when further details on funding will be made available.

- *Quantum technologies* –to bring new businesses together to understand how this emerging technology can be turned into products that will underpin industry in the future.

Wave 3 of the ISCF

- 4.138 A call for Expressions of Interest to identify the major industrial and societal challenges to fund through wave 3 of the Industrial Strategy Challenge Fund went live on 28 February.

Research and Innovation Talent

- 4.139 The government is investing £300 million over the next three years in world-class research and innovation talent, including in priority areas aligned with the Industrial Strategy, such as artificial intelligence, to enhance the skilled workforce and attract private sector R&D investment. This investment will focus on collaboration and the flow of people between industry and academia and will support the Industrial Strategy programme and the Grand Challenges. Support will range from Knowledge Transfer Partnerships and PhD programmes, with strong and flexible links to industry, to prestigious awards that support rising stars and the top talent from both the UK and overseas.

R&D and taxation

- 4.140 R&D tax credits incentivise businesses to invest more in R&D, to remain competitive and grow. There are separate schemes for Small and Medium sized Enterprises (SMEs) and large companies. In the financial year 2015/2016, 25,300 companies used the R&D tax credits to claim R&D support of a total of almost £2.9 billion. The total value of R&D expenditure against which claims were made totalled £22.9 billion.
- 4.141 The government announced in Budget 2017 that it will increase the rate of the R&D Expenditure Credit (RDEC) for large businesses from 11% to 12% from 1 January 2018. To provide businesses with the confidence to make R&D investment decisions, the government will also introduce a new Advanced Clearance Service for R&D expenditure credit claims. More widely, the government will work with SMEs, and those developing new and emerging technologies, to ensure that they can access the maximum amount of support from R&D tax credits, and will launch a campaign to raise awareness in these sectors.
- 4.142 The government also introduced the Patent Box in April 2013, which applies an effective corporation tax rate of 10% to profits attributable to patents and equivalent forms of intellectual property. It is being phased in with the full benefit being available in 2017-18. In 2014-15, 1,135 companies claimed relief under the Patent Box with a total value of £651.9 million. This has increased from 828 companies and £365.5 million relief in 2013-14 as the relief is phased in.
- 4.143 The government encourages private individuals to make early stage investments in growing innovative companies, which might otherwise struggle to access finance. The incentives, which include upfront income tax relief and capital gains tax reliefs are offered through the Enterprise

Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT). The government has announced that it has significantly expanded the support that innovative knowledge-intensive companies can receive through the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). The annual investment limit for EIS investors will be doubled from £1 million to £2 million, provided that any amount above £1 million is invested in knowledge-intensive companies. The annual investment limit for knowledge-intensive firms will be doubled from £5 million to £10 million through the EIS and by VCTs.

Public procurement and R&D

- 4.144 The Small Business Research Initiative (SBRI) is a competition-based pre-commercial procurement programme managed by Innovate UK. The programme enables companies to compete for R&D contracts to develop new products and services for the public sector. SBRI has two aims:
- to stimulate innovation in the economy by supporting firms to develop and commercialise new technology-based products and solutions
 - to provide government departments and their agencies with new, cost effective, technical and scientific solutions to meet their needs
- 4.145 David Connell, an expert on technology exploitation programmes, has reviewed the SBRI programme and following this review, the government will reboot SBRI to increase its impact for innovative companies, aligning it with Grand Challenges and building capability in the public sector to drive productivity. Furthermore, the government will introduce a new GovTech Fund of up to £20 million and a GovTech Catalyst to support the procurement of new products from companies using the latest emerging technologies which will provide Government with cutting edge solutions to deliver more efficient public services.

Catapults

- 4.146 The UK has a range of public research organisations that bridge the gap between business, academia and government, bringing together the very best people in their fields to work side-by-side on later-stage research and development and transform "high potential" ideas into new products and services to generate economic growth. Through the work of Innovate UK, the government has expanded this part of the innovation ecosystem, establishing a network of 'Catapult centres' to commercialise new and emerging technologies.
- 4.147 An independent review of the Catapult network was carried out last year. It sets out that Catapults are an important and successful part of the UK's innovation ecosystem, and that they can drive innovation and economic benefit in the UK. As well as highlighting the success of the best-performers, the review found that improvements should be made to the network to increase its performance and drive economic impact.
- 4.148 The government is keen to ensure Catapults play a growing role in UK innovation. All of the Catapults are currently improving their strategies, governance and performance management with special attention being

focussed on those Catapults where most improvement is needed. UK Research and Innovation are currently implementing the findings and recommendations of the review.

Higher Education Innovation Funding

4.149 The government is increasing funding that supports universities and businesses to work together to innovate and commercialise research. Key to this is the Higher Education Innovation Funding (HEIF) in England, which enables universities to engage with businesses and improve the commercial skills of their staff. HEIF has deepened universities' relationships with business.²⁴ University patents, licence income and industrial collaboration are increasing²⁵ and there is scope and demand from business to do more. The government also have announced an uplift of £40 million a year to HEIF in 2017 and will now commit to reaching a total of £250 million a year by 2020-21, as recommended in the Witty Review.²⁶ The increased support will align with the needs of the Industrial Strategy and will result in consequential funding to the Devolved administrations.

Knowledge Excellence Framework

4.150 The government has asked Research England within UK Research and Innovation to develop a new Knowledge Exchange Framework, which will assess how well universities are doing at fostering knowledge sharing and research commercialisation. It will sit alongside the Research Excellence Framework and the Teaching Excellence and Student Outcomes Framework, providing a holistic view of how universities are delivering their threefold mission of generating knowledge through research, transmitting knowledge through teaching, and translating knowledge into practical uses through knowledge exchange. The development of the Knowledge Exchange Framework will build on the work of the McMillan Review,²⁷ and will capture the rich network of collaborations between university and businesses.

Science and Innovation Audits

4.151 Science and Innovation Audits (SIAs) were launched in November 2015²⁸ as a new way to explore and encourage links between research excellence, innovation, and productivity in an area. The government invited universities, research and innovation organisations, Local Enterprise Partnerships (LEPs) and businesses to form consortia with a geographical locus and apply to undertake an SIA.

4.152 The government intends the SIAs to identify and validate clusters with potential for global competitive advantage across the UK, to provide evidence to help underpin future investment decisions and to catalyse collaboration and leadership across groups that are often incentivised to

²⁴ Royal Academy of Engineering (2015), 'The Dowling Review of Business-University Research Collaborations'

²⁵ HEBCI (2015/16), 'HE-BCI Record 2015/16 (Part B)'

²⁶ BIS (2013), 'Encouraging a British invention Revolution: Sir Andrew Witty's Review of Universities and Growth'

²⁷ HEFCE (2016), 'University KE framework: Good practice in technology transfer'

²⁸ <https://www.gov.uk/government/publications/science-and-innovation-audits-submit-an-expression-of-interest>

compete. In November 2016,²⁹ the first wave SIA reports were published. The second wave reports were published in summer 2017 and the areas undertaking their SIAs in the third wave were announced in October 2017.

Strength in Places Fund

- 4.153 Evidence shows innovation drives productivity and interventions work best where they support existing strengths and collaborations.³⁰ Building on emerging evidence on the Science and Innovation Audits,³¹ the government is launching a new £115 million Strength in Places Fund to support areas to build on their science and innovation strengths and develop stronger local networks.
- 4.154 The fund will support collaborative programmes based on research and innovation excellence in places right across the UK which can demonstrate a strong impact on local productivity and enhance collaboration between local universities, businesses, local government and Local Enterprise Partnerships in England and relevant agencies in the devolved administrations.
- 4.155 This will be delivered through UK Research and Innovation as a competitive fund for collaborative bids. The government and UK Research and Innovation will evaluate these in 2021 to consider how they are working and whether they can be scaled up in future.

International collaboration

- 4.156 The government is keen to build on the UK's strengths as a magnet for world-class talent and will continue to recruit and retain the best global talent and ensure the UK remains a world-leader in science and innovation through the Rutherford Fund. The Fund is investing £118 million over four years (from 2017/18) in fellowships for early-career to senior researchers. Furthermore, measures have been taken to double the number of available visas in the Tier 1 (Exceptional Talent) route available to those who are already recognised as global leaders or who show considerable promise in their fields.
- 4.157 As announced in the Industrial Strategy paper the government is developing a new International Research and Innovation Strategy, working in partnership with UKRI. The Strategy will further set out our desire to build on the UK's long tradition of international collaborations in research and innovation across all fields and welcoming international talent. In conjunction with this, UKRI are establishing the Fund for International Collaborations, which can augment other specific funding streams.
- 4.158 This £110 million fund will be split over 3 years starting in 2018/19. This will be complementary to the existing Overseas Development Assistance (ODA) budget which supports projects that benefit developing countries. Steps

²⁹ <https://www.gov.uk/government/publications/science-and-innovation-audits-first-wave-reports>

³⁰ Brenner, T; Emmrich, C; Schlump, CI (2013), 'Regional Effects of a Cluster-oriented policy measure – The Case of the Inno-Regio program in Germany'

³¹ BEIS (2017), 'Science and innovation audits: second reports published'

have also been taken to strengthen key partnerships with pioneering new collaborations:

- Last year, the government signed significant Science and Innovation agreements with the US, China and Canada. These agreements provide an overarching framework for UK Institutions to collaborate with partner countries while building lasting partnerships.
- The UK-China Strategy reflects a shared commitment to drive growth and tackle global challenges. It outlines priority areas for collaboration and new cooperation mechanisms, including an annual Flagship Challenge Programme.
- These agreements also help sets out shared principles for intellectual property in research and innovation collaborations, supporting projects in adhering to international best practice.

4.159 UK Research and Innovation integrates the seven Research Councils, Innovate UK, and a new organisation, Research England, which continues the England-only responsibilities of the Higher Education Funding Council for England (HEFCE) in relation to research and knowledge exchange. UK Research and Innovation will have a strategic vision for research and innovation the UK and better enable multi-and interdisciplinary research. It will maximise the impact of over £6 billion annual investment in research and innovation, while building on and protecting the strengths of the current system.

4.160 Through the EU-Horizon 2020 scheme, the UK has received 20% of all European Research Council (ERC) grants awarded so far and has attracted €4.24 billion in agreed funding for innovative businesses and universities, as of 18 April 2018.³²The UK and EU negotiating teams have agreed the terms of a time-limited implementation period, which envisages unchanged access for UK participants to Horizon 2020 for the duration of the programme. The UK is also seeking a far-reaching science and innovation agreement with the EU, which establishes a framework for future cooperation, and would welcome the opportunity to discuss possible options for our future involvement in the EU framework programmes as part of this agreement.

Devolved Administrations

Northern Ireland

4.161 The need for Northern Ireland private and public sector to increase their focus on innovation underpins the draft Programme for Government³³ and the draft Industrial Strategy³⁴. Implementation of the 2014 Innovation Strategy³⁵ has supported progress in relation to innovation with record

³² <https://www.gov.uk/government/statistics/uk-participation-in-horizon-2020>

³³ <https://www.executiveoffice-ni.gov.uk/topics/making-government-work/programme-government-and-budget>

³⁵ https://www.economy-ni.gov.uk/sites/default/files/publications/deti/Innovation-Strategy-2014-2025_2_0.pdf

numbers employed in the Knowledge Economy and, more companies than ever engaged in R&D, employing record numbers of R&D personnel. However, it is recognised that much more needs to be done to deliver the ambition of the draft Northern Ireland programme for government.

- 4.162 Key areas of focus for innovation moving forward include – embedding innovation across all sectors, strengthening the innovation ecosystem and supporting research excellence. There are a range of measures already in place to support this and further new measures are being considered including the introduction of a new Investors in Innovation accreditation scheme. This aims to instil a culture of innovation across all sectors, supporting and encouraging firms to take the initial steps to engage in innovation activity, and also support existing innovative firms to engage in more collaborative activity with other firms, universities, colleges etc. It will involve the use of innovation audits and provide support packages specifically tailored to the companies. The accreditation process will further recognise and reward the level of their innovation activities, creating an internationally recognised achievement.
- 4.163 There has also been an increased focus on innovation within the public sector through schemes such as the Small Business Research Initiative. One project, in particular “maximising non-domestic rates collection” has been regularly used as an exemplar of best practice. This small digital project which cost £150,000 involved the use of data analytics to identify business use of premises that resulted in over £350,000 of additional rates revenue for a local council being discovered in just the first 3 weeks of testing.
- 4.164 The 1st Open Data challenge ([The OpenDataNI Challenge for Education](#)) was run in 2016/17, the £50,000 fund saw 6 entries funded £2,500 to develop to pilot stage, two finalists were then awarded £20,000 to complete their winning entries. These products are now being embedded into the secondary school curriculum in Northern Ireland.
- 4.165 The Knowledge Economy Index which monitors performance in 10 sectors which are knowledge intensive and export oriented is an important indicator of Northern Ireland Innovation activity. The latest Knowledge Economy Report highlights increasing levels of employment (up from 38,549 to 39,499) and a record number of new business start-ups (up from 390 last year to 400 this year) in the sector. Encouragingly there are now more companies than ever in Northern Ireland investing in R&D, with the majority of those locally owned companies.
- 4.166 To move to a more open innovation system and increase productivity and growth, the Northern Ireland Administration has prioritised participation in collaborative R&D programmes such as Horizon 2020, and has set a target to draw down €145 million of Horizon 2020 funding by 2020. The most recent data, released in October 2017, shows that Northern Ireland has secured €56.3 million of Horizon 2020 funding. This does not include €23.3 million for a Horizon 2020-related project won by Queen’s University Belfast for the development of new Cystic Fibrosis drugs.

Scotland

Innovation

- 4.167 Driving up levels of business innovation is a key theme in Scotland's policy framework. Through Scotland's Economic Strategy, and more recently the 2017 Programme for Government, the Scottish Government is fostering a culture of innovation and research and development.
- 4.168 While Scotland's business innovation performance has improved slightly in recent years there is more to do and it is the Scottish Government's long term ambition to boost Scotland's innovation performance to match the levels of the best performing countries in the OECD.
- 4.169 Scotland CAN DO is a framework which sets out the priority areas for Scotland to become a world-leader in innovation and entrepreneurship. The CAN DO Innovation Action Plan published on 11 January 2017 focuses on the steps the Scottish Government can take to improve Scotland's innovation performance.
- 4.170 The key priorities of the Plan along with some examples of activity are listed below:
- directly encouraging more business innovation by, for example, setting a goal in the Scottish Government's 2017 Programme for Government to double Business Enterprise Research and Development (BERD) from £871 million in 2015 to £1.75 billion by 2025 and committing an additional £15 million per annum (from £22 to 37m) to R&D grants for business to support this.
 - using public sector needs and spend to catalyse innovation by, for example, the £9 million CAN DO Innovation Challenge Fund and doubling the funding for CivTech - the world's first cross-public-sector tech accelerator - to £1.2 million, enabling them to scale up their activity to address public sector needs with business led innovation.
 - supporting innovation across sectors and places by, for example, supporting the development of Fintech Scotland, developing and delivering the National Manufacturing Institute for Scotland, supporting a health innovation pilot in the Highlands and Islands and supporting high value innovation projects such as the such as the £180 million Oil & Gas Technology centre in Aberdeen, through the city region deals.
 - making best use of University research knowledge and talent to drive growth and equip Scotland's people with the tools and skills needed to innovate by, for example, piloting a £500,000 College Innovation Fund, increasing investment in Interface to connect business and academia; and continuing to support the network of eight Innovation Centres, including backing for the £1 million Innovation Centres: Cancer Innovation Challenge.

Business Enterprise Research and Development

- 4.171 Key measures to increase Business Enterprise Research and Development (BERD) include:

- Scottish expenditure in 2016 was £1.072 billion the highest level since records began (2001); this is the first time that BERD spend has exceeded £1 billion.
- Scotland's real terms increase in BERD spend between 2015 and 2016 exceeds the growth experienced in the UK (10.1% for Scotland vs 3.3% for the UK).
- Scotland's share of UK BERD at 4.8% is still low, but this share has increased by 0.3 percentage points between 2015 and 2016, and the 2016 share is 1.4 percentage points up on 2007.
- Businesses in Scotland employed 12,000 R&D staff in 2016, as in 2015 – maintaining the highest level of BERD employment in the series back to 2001.
- BERD expenditure in Scotland has increased by 69.5% in real terms since 2007 whereas UK spend only increased by 21.6% over this period.

4.172 Higher Education Research and Development - At £1,092 million in 2015, Scottish higher education R&D (HERD) spend was 13.6% of the UK total and at 0.75% of GDP is ranked top of the twelve countries/regions of the UK, and ranked fourth highest among the OECD countries that reported. Reflecting on university strength, Scotland saw particular success in 2016, emerging as the UK leader in attracting FDI for research and development (R&D) projects.

4.173 Innovation Active Businesses – In 2015, 50.4% of enterprises were innovation active compared to 53% for the UK as a whole. This compares to 43.3% of businesses in 2013 and 31.6% in 2011. Scotland is now in the top quartile amongst EU countries, a significant improvement on the 2013 survey results which put Scotland in the 3rd quartile.

Wales

4.174 The Sêr Cymru programme has two main strands of activity:

1. securing truly world-class academics as Sêr Cymru Research chairs/'Stars', Rising stars and Research Fellows based within Wales
2. establishing National Research Networks (NRNs) to bring together academic teams across institutions working in three broad 'grand challenge areas'

4.175 This £50 million, 5 year programme, supported by the Higher Education Funding Council for Wales (HEFCW), is part of the Welsh Government's drive to increase research capacity within the HEI sector by building the essential foundations of a vibrant and socially responsive economy. Even though the Sêr Cymru was put forward in Science for Wales back in 2012, in today's terms, it delivers many of the objectives as outlined in the Welsh Government's National Strategy, Prosperity for All and the Economic Action Plan. The programme is designed to help improve both the quality and quantity of research activity in Wales, so that it will become more competitive, while retaining a focus on Wales' existing strengths in

academia, business and industry. It will also improve skills, employment, prosperity and health for future generations.

- 4.176 The original Sêr Cymru programme is now nearing its planned end date, in March 2019. Four world-class academics now hold Sêr Cymru Research Chairs (2 in Swansea University and 2 in Cardiff University) and have brought together many significant industrial and international research collaborations. All three National Research Networks (NRNs) - Life Sciences and Health; Advanced Engineering & Materials and *Low Carbon*, Energy & Environment *are* more than halfway through the programme and almost all of the funding has been allocated to research programmes.
- 4.177 Since inception (late 2013), collectively, the Sêr Cymru four Research Chairs and three National Research Networks have brought in just over £95 million (at end September 2017), of competitive research funding into Wales. The programme has also supported the appointments of up to 161 Post-doctoral researchers and 159 PhD/EngD students from across the globe to Wales to study. Their research outputs have demonstrated Welsh excellence on the international scientific stage.
- 4.178 Sêr Cymru 2, which was launched in 2015, is continuing to develop Wales's research capacity further in order to increase Wales' share of competitively won research income. Sêr Cymru 2 is funded through the Horizon 2020 Marie Skłodowska-Curie COFUND, the European Regional Development Funds through the Welsh Government, the Welsh Government, HEFCW and the Welsh HEI Sector. The cost of the overall programme is just under £56 million.
- 4.179 The Programme is aimed at recruiting 'Rising Stars' and appointing more Research Fellows. It also includes a strand aimed at re-capturing talent, for researchers who have taken a break from the research environment. Ser Cymru 2 also supports Research Chairs where a demand can be demonstrated.
- 4.180 To date Sêr Cymru 2 has just over 100 awards in place across a broad range of research areas in advanced materials and manufacturing, low carbon and environment, life sciences and health and ICT and the digital economy.
- 4.181 A number of prestigious awards have been made to Research Chairs across Wales in the fields of sustainable advanced materials, low carbon energy, drug discovery, systems medicine and earth observation.
- 4.182 The £63 million European Regional Development Fund (ERDF) funded SMARTCymru operation was approved last year and is now operational. As 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. A range of Innovation Vouchers and R&D funding support is offered to help businesses carry out research and development work that will lead to technologically innovative products or processes.
- 4.183 SMARTExpertise has replaced Academia for Business (A4B) as Wales' programme for academic-business collaboration. The 6-year operation funds research organisations, including universities, to undertake industry-led

collaborative R&D projects. Over the life of the programme, it will provide support for 120 projects having a total value of £51 million involving 320 collaborative partners, providing £21 million of private sector investment. This will deliver 132 new to market or company products, processes or services. An important aim of the programme is for projects to compete for subsequent funding from other sources such as Innovate UK or Horizon 2020.

- 4.184 The Innovation Advisory Council for Wales has undertaken a full programme of work, assisting the Welsh Government with the delivery of Innovation Wales strategy. Notable early achievements have been assisting with building the business case for a Compound Semiconductors Catapult Centre in Wales, supporting Wales' participation in international groupings such as the Regional Entrepreneurship Acceleration Program with the Massachusetts Institute of Technology, and the Vanguard Initiative and examining the case for the formation of a National Innovation Body for Wales.
- 4.185 The Welsh Government's Small Business Research Initiative (SBRI) Catalyst Fund continues in Wales, promoting and supporting the use of the SBRI mechanism by problem owners in the public sector. Working in partnership with Innovate UK and in some instances with other UK government departments, Wales now has 11 challenges in progress or completed with a further call for up to 6 new challenges being developed for 2016 to 2018. Public sector bodies participating include South Wales Police, University Health Boards, local government and Natural Resources Wales.
- 4.186 SMARTInnovation has replaced the previous Business Innovation service. This is a £21 million ERDF- funded, 8-year programme, aimed at increasing innovation awareness and capability of Welsh businesses and assist them to access financial support to grow their investment in R&D and Innovation. The operation provides impartial innovation advice and diagnostics, advice on intellectual property, non-financial support for the acquisition and implementation of new technologies and support for commercialisation and licensing. In addition to non-financial support the programme helps companies to access a wide range of financial support including SMARTCymru, SMARTExpertise, Innovate UK and Horizon 2020.
- 4.187 The Welsh Government's Small Business Research Initiative (SBRI) Innovation Accelerator has been successful in promoting and supporting the use of the SBRI mechanism by challenge owners across the Welsh public sector. Working collaboratively with Innovate UK, UK government departments and other devolved administrations, 14 challenges have been launched in Wales to date. Along with Innovate UK, projects have involved Welsh Government departments (Transport, Health, Environment, Food, Education), Natural Resources Wales, Abertawe Bro Morgannwg and Betsi Cadwaladr Health Boards, Unitary Authorities (Cardiff and Rhondda Cynon Taf) and South Wales and Gwent Police.
- 4.188 Competitions have generated 343 applications, 89 contracts have been awarded between 2014 and 2017, valued at over £6.5 million.

Climate change and energy

June 2010 European 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

- 4.189 In line with the EU Climate and Energy Package adopted in June 2009, the UK's Effort Sharing Decision (ESD) target is a reduction of 16% compared to 2005 Green House Gas (GHG) emissions levels by 2020. Projections submitted under the EU Monitoring Mechanism in 2017 show that the UK is on track to meet this 2020 target.
- 4.190 The EU Renewables Energy Directive (RED) set a target for the UK to increase the share of final energy consumption from renewable sources across heat, electricity and transport to 15% by 2020. The UK is currently progressing in line with the trajectory set out in the Directive and has now exceeded its third interim target, averaged over 2015 and 2016. Renewables achieved 8.5% against its target of 7.5%. In 2016, 8.9% of total energy consumption came from renewable sources; up from 8.2% in 2015.³⁶
- 4.191 To date formal compliance reporting has taken place for the first three years of the ESD (2013-15). The UK has reported ESD emissions more than 70 MtCO₂e below the annual targets for this period.
- 4.192 Energy consumption in the UK has been on a downward trend. Primary energy consumption in 2015 fell by 0.2% since 2014, though final energy consumption was 2% higher. Compared with 2007, consumption was 15% and 11% lower respectively.³⁷ To maintain this trend the government will continue to act to enhance the energy efficiency of homes, business and transport.
- 4.193 Energy and environmental policies rest within a complex landscape of devolved and reserved powers, and the devolved responsibilities differ in each of the devolved administrations.

Policy context

- 4.194 In December 2015, a historic deal was struck at the United Nations Climate Change Conference in Paris, following which 195 countries committed to

³⁶ Digest of UK Energy Statistics (2017) at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/633782/Chapter_6.pdf

³⁷ UK Annual Report against Article 24(1) of the Energy Efficiency Directive 2012: April 2017 at https://ec.europa.eu/energy/sites/ener/files/documents/uk_eneap_2017.pdf

adopt a global climate change Agreement. The Paris Agreement on climate change entered into force on 4 November 2016 and was ratified by the UK on 18 November 2016. The Nationally Determined Contribution of the EU and the Member States is an at least 40 per cent domestic reduction in greenhouse gas emissions by 2030 compared to 1990 levels. This contribution will be fulfilled jointly by the EU and the Member States in accordance with EU legislation to be adopted in respect of both the emissions trading sector and the non-traded sector.

- 4.195 The Climate Change Act 2008 established legally binding carbon budgets, seeking to put the UK on a cost effective pathway to reduce emissions by at least 80% from 1990 levels by 2050 and by at least 34% by 2020. The UK overachieved on its first carbon budget (2008 to 2012) and latest projections suggest it is on track to meet the second (2013 to 2017) and third (2018 to 2022) carbon budgets.
- 4.196 In October 2017, the UK published the Clean Growth Strategy. This sets out the government's ambitious and robust plans to reduce emissions in line with the Climate Change Act and build on the economic opportunities across the country as part of the government's Industrial Strategy. The Clean Growth Strategy includes ambitious proposals on housing, business, transport, the natural environment and green finance. Low carbon innovation is at the heart of our approach, with over £2.5 billion of Government investment from 2015 to 2021. The Strategy introduces a Green Great Britain Week to promote clean growth with businesses and civil society and reinstates a Clean Growth Inter-Ministerial Group. The Clean Growth Grand Challenge in the UK's Industrial Strategy (published November 2017) aims to amplify and extend these plans across the whole economy, ensuring that policies on innovation, skills, business, infrastructure, and local growth all support the goal of maximising UK advantage from the global shift to clean growth.

Actions to achieve objective

Renewable energy

- 4.197 The Electricity Market Reform (EMR), implemented under the Energy Act 2013, set out a framework for encouraging investment in low carbon electricity generation. Alongside investment, the EMR also set out an Electricity Demand Reduction pilot and ensured security of supply through the Capacity Market mechanism.
- 4.198 Existing support for renewable energy includes:
- Contracts for Difference (CfDs): Introduced in 2014 as part of EMR, the CfD scheme has replaced the Renewables Obligation (RO) as the main financial support mechanism for new large-scale low carbon electricity projects. The CfD gives greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high. In total, the CfD scheme is now supporting forty-two renewable electricity projects across fifty-six

contracts, and is expected to deliver around 10GW of new installed capacity by 2023. Six projects have so far been commissioned, providing a combined capacity of over 1.6 GW of renewable electricity. The government announced in its Clean Growth Strategy in October 2017 that it plans to hold a further allocation round in spring 2019.

- The Renewables Obligation (RO): Introduced in 2002 (2005 in Northern Ireland), the RO was the main financial mechanism by which the Government incentivises the deployment of large-scale renewable electricity generation. The RO has succeeded in supporting the deployment of increasing amounts of renewable generation. In 2015-16, 90.4 million Renewables Obligation Certificates (ROCs) were issued based on 69.1TWh electricity generated by stations accredited under the scheme. Renewable generation under the RO was equivalent to 23.4% of the UK electricity supply market that year; an increase from 1.8% in 2002 when the scheme began.³⁸ The RO closed to new capacity on 31 March 2017 (with exceptions that extend the deadline for certain projects to January 2019 in Great Britain) as we transition to the 'Contracts for Difference' scheme. Accredited capacity will receive support under the RO for 20 years or until the final closure of the scheme on 31 March 2037, whichever is the earlier.
- 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 August 2017, over 911,000 installations (6GW capacity) had been registered on the Central Feed-in Tariff Register. Of these 99% are solar photovoltaic (PV) installations (84% of capacity). As required by the UK's EU state aid approval process, the government carried out a review of the FITs scheme between August and October 2015, and introduced quarterly deployment caps and new tariffs in early 2016. In the Clean Growth Strategy, the government indicated its intention to consider options for our approach to small scale low carbon generation beyond 2019, when current FITs support ends.
- The Renewable Heat Incentive (RHI): The RHI is the first of its kind in the world, and was introduced to non-domestic applicants in November 2011. It 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 2017, there have been 17,955 accreditations to the scheme with 3,864 megawatts (MW) of installed capacity.
- The domestic RHI scheme was introduced in April 2014, offering a financial incentive to home-owners, private and social landlords and people who build their own homes to install an eligible renewable heat system. As of the end of December 2017, there had been 60,093 accreditations to the scheme, of which 33,977 were from new installations (applicants who had systems installed on or after the

³⁸ https://www.ofgem.gov.uk/system/files/docs/2017/03/ro_annual_report_2015-16.pdf

domestic RHI scheme launch date). At the 2015 Spending Review, the Government committed to continuing the RHI scheme, up to a budget of £1.15 billion in 2020-21.

- Renewable Transport Fuel Obligation (RTFO): The RTFO came into effect in April 2008. It requires fuels suppliers to supply a certain volume of biofuels. Currently biofuel supplied under the RTFO is equal to 2.6% of the UK's transport energy. In September 2017, the government announced that, subject to parliamentary approval, targets under the RTFO will rise. As a result, the share of transport energy from biofuels is forecast to reach around 5.2% in 2020, and 6.7% by 2032.

4.199 Further progress was made in the area of renewable energy deployment. Though renewables' share of generation fell slightly, from 24.6% in 2015 to 24.5% in 2016 due to weather factors, total capacity increased 16% from 31 GW to 35.7 GW.³⁹ Last year the UK produced more renewable energy than ever before, with renewables meeting more than 50% of power demand for the first time on 7 June 2017, generating more than gas and coal combined.

Nuclear

4.200 The Clean Growth Strategy reasserted the government's ongoing commitment to nuclear as part of the UK's future energy system. It committed to delivering new nuclear power through Hinkley Point C, which is now under construction, as well as progressing discussions with developers to secure a competitive price for future projects in the pipeline.

Energy efficiency

4.201 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). In the 2017 National Energy Efficiency Action Plan (NEEAP),⁴⁰ the UK's 2020 final energy consumption was projected to be 132.2 million tonnes of oil equivalent (mtoe).

4.202 The UK is a world leader on energy efficiency:

- the UK energy efficiency sector supports growth in the economy; it employs more than 100,000 people and is a multibillion pound market
- seasonally adjusted final energy consumption, has fallen in 8 of 10 years for the period 2004 – 2014. For the period 2004-2016, UK energy intensity has fallen by 24%

³⁹ Digest of UK Energy Statistics (2017) at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/633782/Chapter_6.pdf

⁴⁰ UK National Energy Efficiency Action Plan 2017

https://ec.europa.eu/energy/sites/ener/files/documents/uk_neeap_2017.pdf

- 4.203 The government has put in place schemes designed to boost energy efficiency in the home. However, there is no ‘silver bullet’ to achieve a reduction in carbon emissions in household energy, and it cannot be done overnight. Such schemes include:
- offering every household the opportunity to have a smart meter by the end of 2020 (applies to Great Britain only)
 - investing in low carbon heating by reforming the RHI (see above)
 - supporting around £3.6 billion of investment to upgrade around a million homes through the Energy Company Obligation (ECO)
- 4.204 Additionally, the government is consulting on the steps to make regulations more effective for privately rented homes and intends to publish an action plan for owner occupier properties in 2018.
- 4.205 The ECO started in January 2013. It places an obligation on energy suppliers to deliver carbon and notional bill savings by promoting and installing energy efficiency measures in residential properties. Energy suppliers are obligated where they have more than 250,000 domestic customer accounts and supply more than certain specified amounts of electricity or gas
- 4.206 There have been two phases of ECO so far – Jan 13 to Mar 15 (‘ECO1’), and the current scheme, which runs from April 2015 to September 2018. A new scheme (ECO 3) is intended to start its operation in October 2018, and will run until March 2022. This phase of ECO will focus on targeting low income and vulnerable households. Further details of the new policy will be published in the upcoming consultation referenced in above.
- 4.207 In its Clean Growth Strategy, the government announced that it will develop a package of measures to support businesses to improve how productively they use energy and will consult on this in 2018, with the aim of improving energy efficiency by at least 20% by 2030. As part of this package of measures, the government will:
- continue with plans to close the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme following the 2018-19 compliance year working with the devolved administrations on scheme closure arrangements. Energy efficiency will be increased by implementing the previously announced increase to the main rates of the Climate Change Levy from 2019.
 - undertake an evaluation of the Climate Change Agreements to inform any successor scheme from 2023.
 - build on existing schemes such as the Energy Savings Opportunity Scheme (ESOS), undertaking a comprehensive assessment of its effectiveness and consider any future reforms.
- 4.208 The government has consulted on a new and streamlined energy and carbon reporting framework to replace some existing schemes, such as the reporting element of the CRC Energy Efficiency Scheme, and align with mandatory annual greenhouse gas reporting by UK quoted companies. This will improve

the way in which businesses report their energy use and provide businesses with the information needed to identify how they can reduce energy bills.

- 4.209 Looking forward, UK energy efficiency policies are projected to reduce final energy demand by 145TWh and net energy imports by around 20% in 2020.

Devolved administrations

Northern Ireland

- 4.210 A Cross Departmental Working Group on Climate Change, was established in 2011. The established reporting mechanisms were revised this year and actions and measures to reduce greenhouse gas emissions will now be reported through the Programme for Government. A delivery plan has been developed and agreed for reporting to the Northern Ireland Administration. The first reporting cycle is anticipated to be in 2018.
- 4.211 The latest emission figures available for Northern Ireland, set out in the Greenhouse Gas Inventories for England, Scotland, Wales and Northern Ireland: 1990 – 2015, estimates, Northern Ireland emissions at 20.7 million tonnes of carbon dioxide equivalent (Mt CO₂e); with 29% from agriculture, 21% from transport, 19% from energy supply and 12% from the residential sector. Across all sectors, 2015 emissions levels show a longer term decrease of 17.84% since the base year. Using this data, the latest greenhouse gas emissions reduction projection (produced in January 2018) forecast a 30.1% reduction in emissions by 2030 against the 1990 baseline.
- 4.212 The aim of the Northern Ireland Administration's Strategic Energy Framework 2010⁴¹ is to achieve secure, competitively priced and sustainable energy supplies for all in Northern Ireland and includes objectives for 40% renewable electricity consumption and 10% renewable heat by 2020.
- 4.213 The Administration's Programme for Government for the period 2011 to 2015⁴² set renewables targets of 20% consumption from renewable electricity and 4% from renewable heat by 2015. Both targets were achieved. As of 31 March 2017, 27.1% of electricity consumption in Northern Ireland was from renewable sources.
- 4.214 Work has started to extend the natural gas network to the main towns in the West of Northern Ireland, with a new pipeline provided to Strabane and first customers connected to gas. Proposals to connect other towns in the West obtained planning consent in April 2017 and works commenced in October 2017. Work is also continuing to provide gas networks to some 13 towns and villages in East Down.
- 4.215 Work continues by developers to progress energy projects which have EU Projects of Common Interest status such as gas storage and additional electricity interconnection with the Republic of Ireland. Promoters of the gas

⁴¹ <https://www.economy-ni.gov.uk/sites/default/files/publications/deti/sef%202010.pdf>

⁴² <https://www.northernireland.gov.uk/sites/default/files/publications/nigov/pfg-2011-2015-report.pdf>

storage project have been successful in accessing EU Connecting Europe Facility (CEF) funding for important pre-construction studies and aim to progress engineering design with further CEF funding.

- 4.216 Significant progress has been made under the Integrated Single Electricity Market (I-SEM) programme to facilitate go live of new market arrangements in May 2018. The first I-SEM capacity auction was completed in December 2017 and is expected to ensure adequate capacity for the 16-month period from go live to end-September 2019. Full planning approval for the North South Interconnector was also given in January 2018. Construction works are expected to begin in late 2018 and on completion the Interconnector will deliver further market efficiencies and ensure long-term security of supply in the all-island market.
- 4.217 A non-domestic Renewable Heat Incentive (RHI) was introduced in Northern Ireland in November 2012. It offered a financial incentive to commercial, industrial, public, not-for-profit and community generators of renewable heat for a 20-year period. The scheme was suspended in February 2016, with over 2,000 renewable heat installations incentivised under the scheme.
- 4.218 A domestic RHI scheme was subsequently introduced in December 2014. The domestic scheme offered a financial incentive for the use of four different renewable heating technologies in domestic properties. Participants received incentivisation through an upfront payment followed by seven years of annual payments. Over 2,500 domestic properties availed of the domestic RHI scheme before its suspension in February 2016.

Scotland

- 4.219 Action to mitigate climate change is a key component of the Scottish Government's aim to create a growing, sustainable and inclusive economy.
- 4.220 The Climate Change (Scotland) Act 2009 sets targets to reduce Scotland's emissions of greenhouse gases by at least 42% by 2020 and 80% by 2050, compared to the 1990/1995 baseline. The Act also requires that annual emissions reduction targets are set for each year in the period 2010-2050, consistent with achieving the long-term targets. The Act anticipated that reducing greenhouse gas emissions would be required across all major sectors of the economy and society. Specifically, it requires the Scottish Government to set out policies and proposals for energy efficiency, energy generation, land use and transport.
- 4.221 In February 2018, the Scottish Government will publish its third Climate Change Plan setting out how it intends to meet emission reduction targets in the period 2017-2032. The draft Plan contains transformational outcomes in transport, heat, electricity generation, and energy efficiency along with increased natural carbon sinks and more efficient and profitable agricultural practices.
- 4.222 In 2018, the Scottish Government will be introducing a new Climate Change Bill that responds to the UNFCCC Paris Agreement with new, evidence based, statutory emission reduction targets.

- 4.223 In December 2017, the Scottish Government published a new, overarching Scottish Energy Strategy, setting a vision for 2050 of a flourishing, competitive local and national energy sector, delivering secure, affordable, clean energy for Scotland's households, communities and businesses.
- 4.224 The first publication of its kind, the strategy is intended to guide the decisions that the Scottish Government, working with partner organisations, will make over the coming decades. It describes the ways in which the Scottish Government will strengthen the development of local energy, protect and empower consumers, and support Scotland's climate change ambitions while tackling poor energy provision.
- 4.225 The strategy's vision for 2050 is built around six priorities:
- Promote consumer engagement and protect consumers from excessive costs
 - Champion Scotland's renewable energy potential, creating new jobs and supply chain opportunities
 - Improve the energy efficiency of Scotland's homes, buildings, industrial processes and manufacturing
 - Continue to support investment and innovation across the oil and gas sector, including exploration, innovation, subsea engineering, decommissioning and carbon capture and storage
 - Ensure homes and businesses can continue to depend on secure, resilient and flexible energy supplies
 - Empower communities by supporting innovative local energy systems and networks
- 4.226 The Strategy establishes two new 2030 targets for energy in Scotland:
- to deliver the equivalent of 50% of all energy consumed in Scotland from renewables
 - a 30% improvement in energy 'productivity'
- 4.227 The Scottish Energy Strategy includes a range of actions that will create opportunities for both suppliers and consumers of energy. These include a £20 million Energy Investment Fund, which will build on the success of the Renewable Energy Investment Fund, and a £60 million Low Carbon Innovation Fund, to provide dedicated support for renewable and low carbon infrastructure over and above wider interventions to support innovation across the economy.
- 4.228 In June 2015, Scottish Ministers announced that improving the energy efficiency of all of Scotland's buildings will be a national infrastructure priority. To facilitate this, Scotland's Energy Efficiency Programme (SEEP) will provide an offer of support to buildings across Scotland – domestic and non-domestic – to improve their energy efficiency rating over a 15-20 year period. This integrated programme of support will deliver through partners in local government, housing associations, communities and the private

sector, building on Scotland's existing successful area-based energy efficiency programmes.

- 4.229 The SEEP programme is a key part of Scotland's draft Energy Strategy, and Scotland's efforts to tackle Climate Change and Fuel Poverty. Its aim is to make Scotland's buildings warmer and easier to heat, as well as reducing their impact on the environment. It aims for Scotland's buildings to be near zero carbon by 2050; reducing the energy demand and decarbonising the heating of Scotland's built environment in a way that is socially and economically sustainable. The Scottish Government will publish a SEEP Routemap in May 2018.

Wales

- 4.230 On the 21 March 2016, the Environment (Wales) Act was granted Royal Assent. Part 2 of the Act focuses on action on climate change and provides the Welsh Ministers with powers to put in place statutory emission reduction targets (for 2020, 2030 and 2040) and 5 yearly carbon budgets to support their delivery.
- 4.231 In setting statutory targets, the aim is to set out a clear pathway for decarbonisation within the context of wider UK and EU obligations for at least an 80% reduction in emissions by 2050. A clear pathway for decarbonisation will not only provide transparency but also certainty and clarity for investment. The Act also requires Welsh Ministers, to publish a plan of action and in relation to final statements for carbon budgets, to include information on emissions from the consumption and use of goods and services. The targets and budgets will be set by December 2018 and the plan will be published in March 2019.
- 4.232 In addition to the Environment (Wales) Act 2016, the Well-being of Future Generations (Wales) Act 2015 (The WFG Act), places sustainable development as the central organising principle of the Welsh Government, strengthening the governance arrangements of the Welsh Ministers and, significantly, specified public bodies in Wales. The Act requires public bodies to outline how they are looking to achieve a set of seven shared goals, which define the Wales people want to see in the future and to report on progress regarding this, including action on tackling climate change.
- 4.233 Until the statutory targets and budgets are in place, the Welsh Government is continuing to report on its Climate Change Strategy (2010). This 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 to 2010. It also set a target to reduce total Welsh emissions by 40% by 2020 against a 1990 baseline.
- 4.234 Wales has consistently met the 3% target; in terms of progress against the 40% target Wales have achieved a 19% reduction (2015).
- 4.235 Wales has a proportionately high share of the UK's electricity generation and heavy industry and is a net exporter of energy. This means electricity produced in Wales feeds into the national grid and is consumed by homes and businesses across the UK. Taking these energy exports into account,

emissions based on Wales' end-use consumption of energy are lower and have reduced further since 1990 (35% reduction).

4.236 Progress in the resource efficiency and waste sector in particular demonstrates how emissions can be decreased whilst increasing growth and investment in the sector. With the third highest recycling rate in the world, the average combined reuse, recycling and composting rate across Wales' 22 Local Authorities is 62%.

4.237 In September 2017, the Cabinet Secretary for Environment and Rural Affairs announced new, ambitious targets for energy generation in Wales:

- Wales to generate 70 per cent of its electricity consumption from renewable energy by 2030
- 1 gigawatt (GW) of renewable electricity capacity in Wales to be locally owned by 2030
- Renewable energy projects to have at least an element of local ownership by 2020

Annex A

Measuring progress against objectives: indicators

Employment

United Kingdom

Indicator	Current level	Reference period
Employment rate UK	75.4%	Dec 17-Feb 18

England

Indicator	Current level	Reference period
Employment rate England	75.8%	Dec 17-Feb 18

Northern Ireland

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	69.5%	Dec 17-Feb 18 ⁴³

Scotland

Indicator	Current level	Reference period
Employment rate (population aged 16-64)	75.0%	Dec 17-Feb 18

Wales

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	73%	Dec 17-Feb 18 ⁴⁴

⁴³ <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/hY5t1a-labour-market-report-march-2018.PDF>

⁴⁴ <http://gov.wales/statistics-and-research/key-economic-statistics/?lang=en>

Education

England

Indicator	Current Level	Reference period
Percentage of young people recorded as being in a sustained education destination in the year after Key Stage 4	90.0%	2015/16 ⁴⁵
Percentage 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)	66.0%	2015/16 ⁴⁶
Achievement of government-funded learners participating in Further Education (FE)	82.8% achieving at least upper secondary (English level 2) 43.8% at least tertiary (English level 4)	Q4 2016 ⁴⁷
Number of government-funded learners participating in Further Education (FE), academic age 19 years and over.	2,236,800; of which 426,700 on a full level 2 course; 454,300 on a full level 3 course and 908,700 on an Apprenticeship	2016-17 ⁴⁸

Northern Ireland

Indicator	Current Level	Reference period*
Per cent of school leavers achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and maths	67.7%	2015-16
Per cent of school leavers entitled to free school meals achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and maths	44.8%	2015-16

⁴⁵ Source: SFR56/2017 Destinations of Key Stage 4 and Key Stage 5 students, England, 2015/16

⁴⁶ Source: SFR56/2017 Destinations of Key Stage 4 and Key Stage 5 students, England, 2015/16

⁴⁷ Source: SFR62/2017 Further Education and Skills in England November 2017

⁴⁸ Source: SFR62/2017 Further Education and Skills in England November 2017

Scotland

Indicator	Current Level	Reference period
Highest qualification held by working age adults (19-64 years old)	78% achieved SCQF level 5 47% achieved SCQF level 7 or better	Q4 2016 ⁴⁹
Population ages 18-24 who are early leavers from education and training	13.1%	2016 ⁵⁰
Population ages 30-34 having completed tertiary education	60%	2016 ⁵¹

Wales

Indicator	Current Level	Reference period
Percentage of pupils in year 11 achieving the level 2 threshold (5 or more A*-C GCSEs or equivalent) including English and/or Welsh first language and mathematics	60.3%	2015/16
Working age adults achieving NQF 2,3 and 4 +	NQF 2+: 78% NQF 3+: 58% NQF 4+: 37%	2016
Attainment at age 19 – percentage having achieved: level 2 level 3	Level 2: 83% Level 3: 55%	2013/14
International comparison (within the OECD) of the qualification levels of the working age population	78% achieving at least upper secondary (UK level 2) and 38% at least tertiary (UK Level 4)	2015
16-18 year olds who are not in employment, education or training	10.4%.	2016(provisional)

⁴⁹ <https://www.gov.uk/government/statistics/education-and-training-statistics-for-the-uk-2017>

⁵⁰ Eurostat database

⁵¹ Eurostat database

Social exclusion and poverty reduction

England

Indicator	Current level	Reference period
Children in workless households (England)	10.7%	2016
Children in relative income poverty (HBAI)	18%	2013-14 to 2015-16
Children in absolute income poverty (England)	17%	2013-14 to 2015-16
Children in combined low income and material deprivation (UK)	12%	2015-16
Target on the reduction of population at risk of poverty or social exclusion in number of persons:	None. The 'at risk of poverty or social exclusion rate' stood at 23.5% in 2015. This is a decrease from 24.1% in 2014	

Northern Ireland

Indicator	Current level	Reference period
Children in relative poverty (BHC)	21%	2015-16
Children in absolute poverty	18%	2015-16

Scotland

Indicator	Current level	Reference period
Proportion of income earner by the top 10% compared to the bottom 40%(Solidarity target)	124	2014/15- 2016/17
Percentage of people living in relative poverty (below 60% median income before housing costs)	16%	2014/15 - 2016/17
Percentage of children living in relative poverty (below 60% of median income before housing costs)	19%	2014/15 - 2016/17

Wales

Indicator	Current level	Reference period
Percentage of people living in households in relative income poverty	23%	2012-13 to 2014-15
Percentage of children living in households in relative income poverty	29%	2012-13 to 2014-15
Percentage of working age adults living in households in relative income poverty	22%	2012-13 to 2014-15
Percentage of pensioners living in households in relative income poverty	17%	2012-13 to 2014-15

Research and development and innovation

Northern Ireland

Indicator	Current level	Reference period
Total R&D expenditure	£739m	2016
Percentage of firms that are innovation active	45%	2012-14 ⁵²
R&D Expenditure as % of GVA	1.6%	2016
No. companies investing in R&D	748	2016
Knowledge Economy Jobs	39,499	2015
R&D employees	8,780	2016

Scotland

Indicator	Current level	Reference period
Gross R&D expenditure in percentage of Scottish GDP	1.46% (£2.2bn)	2015 ⁵³
Percentage of firms that are innovation active	50.4%	2012-2014 ⁵⁴
Reduction in greenhouse gas emissions	41.0%	2015 ⁵⁵
Proportion of electricity consumption from indigenous renewable energy sources	54.0%	2016 ⁵⁶
Proportion of heat demand from renewables	4.8%	2016 ⁵⁷
Reduction of final energy end-use consumption (energy efficiency)	15.4%	2015 ⁵⁸

⁵² This information is the most up-to-date available. The survey on firms that are 'Innovation Active' is conducted every 2-3 years.

⁵³ <http://www.gov.scot/About/Performance/scotPerforms/indicator/research>

⁵⁴ <http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/UKIS>

⁵⁵ <http://www.gov.scot/Resource/0052/00520839.pdf>

⁵⁶ <http://www.gov.scot/About/Performance/scotPerforms/indicator/renewable>

⁵⁷ <http://www.gov.scot/Topics/Statistics/Browse/Business/Energy/EIS/EIS2018data> (figure 1.7)

⁵⁸ <http://www.gov.scot/Topics/Statistics/Browse/Business/Energy/EIS/EIS2018data> (figure 2.4)

Wales

Indicator	Current level	Reference period
Gross expenditure on R&D	£686 million	2013
Higher education bodies' expenditure on R&D	£284 million	2013

Climate change and energy

England

Indicator	Target	Current Level	Reference period
The UK's Effort Sharing Decision	16% reduction of GHG emission levels by 2020 on 2005 levels	On track	2005 ⁵⁹
Energy consumed in the UK produced from renewable sources	15% from renewable sources by 2020	9%	2016
Energy Efficiency Directive national indicative 2020 energy efficiency target	18% reduction in final energy consumption by 2020	16% reduction	2007 baseline projection for 2020

⁵⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/680473/2016_Final_Emissions_statistics.pdf

Northern Ireland

Indicator	Target	Current Level	Reference period
Greenhouse gas emissions	Contribution to 80% reduction of UK GHG emissions by 2050	17.8% reduction	2015
Indigenous renewable energy sources	40% renewable electricity consumption by 2020	27.1%	April 2016 – March 2017
Energy Efficiency	Contribution to UK-wide target of 18% reduction in final energy consumption by 2020 – NI contribution is 200GWh energy savings by 2020	134GWh	March 2015

Wales

Wales Indicator	Target	Current level	Reference period
Greenhouse gas emissions	40% reduction in greenhouse gas emissions by 2020 on 1990 levels (of 56.49 MtCO ₂ e)	19% reduction	2015 ⁶⁰
Greenhouse gas emissions	3% emissions reduction within areas of devolved competence each year from 2011, on a baseline of average emissions over the period 2006-10	14.7% reduction (29.46 MtCO ₂ e)	2013
Energy efficiency installations (Arbed 2 ERDF project)	5,229 properties to receive energy efficiency improvements by 2015	Over 4,860 homes provided with advice.	Mar 2010 – Jun 2015
Energy efficiency installations (Nest)	15,000 households per annum to receive help between 2011 and 2017, with around	Over 98,000 households have received free advice and support since	Apr 2011 – Mar 2017

⁶⁰ http://naei.defra.gov.uk/reports/reports?report_id=894

	4,000 households receiving a package of energy efficiency improvements. A new 5-year Nest contract is starting on 1 April 2018 with targets to provide advice to at least 15,000 households and improve at least 4,100 homes per year.	2011; over 29,000 of them benefitted from free home energy improvements (e.g. new boiler, central heating and insulation)	
Renewable Energy Capacity		3,358MW (2,854MW electricity & 504MW thermal)	Up to end 2016
% Wales electricity consumption from renewables	70% of electricity consumption from renewables by 2030	43%	Up to end 2016

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