HM Government

# Europe 2020:

# UK National Reform Programme 2016

March 2016

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# Contents

# Foreword

The long-term economic plan has delivered considerable economic gains since 2010. The 2016 UK National Reform Programme (NRP) updates on progress with economic and employment reforms, and reports on the impact of reforms implemented over the past year.

The UK was the fastest growing major advanced economy in 2014, the second fastest in 2015 and the OECD forecast the UK to be the fastest growing in 2016. Government action to reward work and reform benefits has delivered a stronger labour market in the UK, with an employment rate that has risen faster in the UK than in any other G7 country since 2010. The employment rate for 3 months to December 2015 was a record 74.1%. Earnings growth picked up in much of 2015, with total annual pay rising 2.5% on the year in nominal terms, and 2.3% in real terms. This represents the highest annual growth in nominal and real earnings since 2008.

The NRP reports 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 2015. The UK's CSRs focused on deficit reduction, boosting supply in the housing sector, addressing skills mismatches and low levels of basic skills for young people, and improving the availability of childcare. It 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.

The NRP is presented to the European Commission as part of the Europe 2020 Strategy for smart, sustainable and inclusive growth. As part of the European Semester process for aligning reporting and surveillance of national fiscal, economic and employment policies, the NRP is presented in parallel with the UK 2015-16 Convergence Programme (CP). The CP sets out the UK's medium term fiscal policies and is a requirement under the Stability and Growth Pact.

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

In a context of continued pressure on public finances, it is essential to complement the actions of individual Member States with a determined co-ordinated effort to raise competitiveness. These actions have been reinforced by the deal secured by the UK Prime Minister at February European Council 2016 that included commitments to complete trade and investment agreements with the most dynamic economies around the world, to reduce the regulatory burden on businesses with specific targets established in key sectors, and to complete the single market in key areas for the UK, including services, energy and digital. This is why the government believes the UK will be stronger, safer and better off remaining in a reformed EU.

# 1 Introduction

## Context

1.1 The global economic outlook has deteriorated. Both the International Monetary Fund and the Organisation for Economic Cooperation and Development have revised down their global forecasts for GDP in 2016. The IMF predicts global growth of 3.4% in 2016, 0.2 percentage points lower than its October forecast while the OECD forecasts growth of 3.0% in 2016, and 0.3 percentage points below its November forecast.

1.2 Since 2010, the government's long-term economic plan has been focussed on ensuring sound public finances, while delivering the supply-side reforms necessary to improve long-term productivity. That has allowed active monetary policy to support the economy while ensuring the fiscal position is sustainable.

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

- The **Northern Ireland Executive** has, through its **Programme for Government**,[1] its economic[2] and investment[3] strategies and in "Together: Building a United Community"[4] set out its priorities for sustainable growth, prosperity and building a better future. In particular, it has set twin goals of rebalancing the economy and undertaking a more immediate rebuilding phase to address the impact of the global downturn on the local economy and labour market. The Investment Strategy, which coordinates the Executive's investment plans, will provide an economic stimulus that will flow across the region and into the wider economy, helping to keep people in productive employment and maximising the positive impact on jobs. The good relations strategy "Together: Building a United Community" reflects the Executive's commitment to improving community relations and continuing the journey towards a more united and shared society.

- The **Scottish government** has an Economic Strategy[5] which sets out the Scottish government's approach to creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The approach is built around two inter-dependent pillars for achieving this vision: increasing competitiveness and tackling inequality. These twin goals are underpinned by 4 priority areas which are focussed on delivering sustainable economic growth: investing in Scottish people and infrastructure in a sustainable way; fostering a culture of innovation and research and development; promoting inclusive growth and creating opportunity through a fair and inclusive jobs market; and promoting Scotland on the international stage to boost our trade and investment, influence and networks.

- The **Welsh government's programme for government**,[6] which is reviewed and updated on an annual basis, sets out a plan of action that is designed to achieve its four overarching priorities, on health and health services, educational attainment, growth and jobs, and supporting children, families and deprived communities in line with the goals outlined in the Europe 2020 strategy.

[1] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf
[2] http://www.northernireland.gov.uk/ni-economic-strategy-revised-130312.pdf
[3] http://www.isni.gov.uk/PDFs/Investment%20Strategy.pdf
[4] https://www.ofmdfmni.gov.uk/publications/together-building-united-community-strategy
[5] http://www.gov.scot/Topics/Economy/EconomicStrategy
[6] http://wales.gov.uk/about/programmeforgov/?skip=1&lang=en

## UK 2016 National Reform Programme

1.4 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 submit Stability Programmes (euro area Member States) or CP (non-euro area Member States) reporting on budgetary and fiscal policies. In this way, the European Semester aligns reporting cycles for Europe 2020 and the Stability and Growth Pact.

1.5 The NRP is presented in accordance with Council recommendation 2010/410 on broad guidelines for economic policy. The parts of the NRP relating to CSRs on skills are also by way of the UK's report to the Council and Commission on employment policy measures. That report serves to complete multilateral surveillance in the EU Employment Committee (EMCO) which carries out the Council's examination of Member States' employment and labour market policies, in the light of the Employment Guidelines in the procedure specified in Article 148 TFEU.

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

- the macroeconomic context in the UK, consistent with the UK's 2015-16 CP
- actions taken to address the 3 CSRs addressed to the UK by the European Council in June 2015
- the UK's approach to national monitoring and actions taken in support of the 5 headline Europe 2020 targets agreed by the European Council in June 2010

1.7 The 2016 NRP draws on publicly available information, including Budget 2015, Spending Review and Autumn Statement 2015, Budget 2016 and other relevant documents and announcements, including HMT and BIS' "Fixing the Foundations".[7] Further details are available in the original documents.

1.8 The 2016 NRP emphasises reporting on the implementation of existing structural reform commitments. As such, it sets out recent actions taken by the UK as a whole, including those by the UK government and by the devolved administrations of Scotland, Wales and Northern Ireland, where policies are devolved. This distinction is made clear throughout the document. These actions are consistent with the Europe 2020 Integrated Guidelines (made up of the Broad Economic Policy Guidelines and the Employment Guidelines) presented under Articles 121 and 148 of the Treaty of the Functioning of the European Union. They also follow the broad orientations for structural reforms provided by the European Commission's 2016 Annual Growth Survey (AGS) and the March 2016 European Council conclusions.

1.9 The devolved administrations have contributed fully to the development of the 2016 UK NRP. In addition, the Scottish government has produced its own distinct NRP, which is intended to complement the UK NRP, in order to help provide the Commission with more detail on the Scottish government's approach in supporting the delivery of the Europe 2020 ambitions. This is in line with the devolved administrations' commitment to engage positively with the EU Institutions and represent regional interests.

[7] https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation

## Stakeholder engagement

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

1.11 The government has engaged closely with Parliament on the European Semester more broadly. In particular, the House of Commons debated the UK's 2015-16 CP (23 March 2016) and the 2015 CSRs addressed to the UK (21 July 2015). The House of Lords debated the UK's 2015-16 CP (23 March 2016).

1.12 In the context of preparing the 2016 NRP, a stakeholder event was held by the Scottish government in Glasgow on 29 January 2016. This event was attended by representatives from the UK government, the European Commission, the Scottish government and other interested stakeholders.

1.13 The focus of the 2016 NRP is on implementation and delivery of existing reform commitments. Given the key role that non-governmental organisations play in delivering structural reforms, this document is illustrated with examples of how stakeholders are involved in translating policies into concrete outcomes.

# 2 Macroeconomic context

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) economic forecasts for 2015 to 2020. This includes forecasts for aggregate gross domestic product (GDP) growth, the components of GDP, inflation and the labour market.[1]

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

| | Percentage change on a year earlier, unless otherwise stated | | | | | |
|---|---|---|---|---|---|---|
| | | Forecast | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| **GDP growth** | **2.2** | **2.0** | **2.2** | **2.1** | **2.1** | **2.1** |
| **Main components of GDP** | | | | | | |
| Household consumption[2] | 2.9 | 2.4 | 2.2 | 2.1 | 2.0 | 1.9 |
| General government consumption | 1.7 | 0.2 | 0.6 | 0.5 | 0.2 | 0.7 |
| Fixed investment | 4.2 | 2.9 | 4.5 | 4.1 | 4.0 | 4.3 |
| Business | 4.7 | 2.6 | 6.1 | 5.8 | 5.5 | 4.4 |
| General government[3] | 2.2 | 0.2 | 1.9 | -0.3 | -0.2 | 6.5 |
| Private dwellings[3] | 3.4 | 5.1 | 2.8 | 3.0 | 3.0 | 2.9 |
| Change in inventories[4] | -0.4 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net trade[4] | -0.5 | -0.4 | -0.1 | -0.1 | -0.1 | -0.1 |
| **CPI inflation** | **0.0** | **0.7** | **1.6** | **2.0** | **2.1** | **2.0** |
| **Employment (millions)** | **31.2** | **31.6** | **31.7** | **31.9** | **32.0** | **32.1** |
| **LFS unemployment (% rate)[5]** | **5.4** | **5.0** | **5.0** | **5.2** | **5.3** | **5.3** |

*[1] All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components may not sum to total due to rounding and the statistical discrepancy.*

*[2] Includes households and non-profit institutions serving households.*

*[3] Includes transfer costs of non-produced assets.*

*[4] Contribution to GDP growth, percentage points.*

*[5] Labour Force Survey.*

*Source: Office for Budget Responsibility, Office for National Statistics.*

## Growth forecast

1.14 Britain is forecast to grow faster than any other major advanced economy in 2016. The OBR forecasts GDP growth of 2.0% in 2016, 2.2% in 2017 and then 2.1% to the end of the forecast period. CPI is forecast to be below the 2.0% inflation target in 2016, returning gradually to 2.0% in 2018.

## Employment forecast

2.1.2 The OBR predicts the UK's strong labour market performance to continue. It forecasts employment to be 31.5 million in 2016, rising each year to 32.1 million in 2020. Since the 2015 NRP, the OBR has revised down its forecast of the unemployment rate in 2016 from 5.2% to 5.0%.

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

[2] http://cdn.budgetresponsibility.org.uk/March2016EFO.pdf

## Inflation and average earnings forecast

1.15 The OBR expects CPI inflation to be below the 2.0% inflation target in 2016 at 0.7%, returning gradually to 2.0% in 2018. Wages and salaries are forecast to grow faster than inflation, rising by 3.6% in 2016, and thereafter by an average of 4.0% until 2020.

### Table 2.B: Detailed summary of forecast[3]

| | Percentage change on a year earlier, unless otherwise stated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Outturn | Forecast | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| **UK economy** | | | | | | | |
| Gross domestic product (GDP) | 2.9 | 2.2 | 2.0 | 2.2 | 2.1 | 2.1 | 2.1 |
| GDP level (2014=100) | 100.0 | 102.2 | 104.3 | 106.6 | 108.9 | 111.1 | 113.5 |
| Nominal GDP | 4.7 | 2.6 | 3.1 | 4.1 | 4.1 | 4.0 | 4.1 |
| Output gap (per cent of potential output) | -1.0 | -0.3 | -0.2 | 0.0 | 0.0 | -0.0 | -0.0 |
| **Expenditure components of GDP** | | | | | | | |
| Domestic demand | 3.2 | 2.7 | 2.2 | 2.3 | 2.2 | 2.0 | 2.0 |
| Household consumption[1] | 2.5 | 2.9 | 2.4 | 2.2 | 2.1 | 2.0 | 1.9 |
| General government consumption | 2.5 | 1.7 | 0.2 | 0.6 | 0.5 | 0.2 | 0.7 |
| Fixed investment | 7.3 | 4.2 | 2.9 | 4.5 | 4.1 | 4.0 | 4.3 |
| Business | 4.7 | 4.7 | 2.6 | 6.1 | 5.8 | 5.5 | 4.4 |
| General government[2] | 5.8 | 2.2 | 0.2 | 1.9 | -0.3 | -0.2 | 6.5 |
| Private dwellings[2] | 14.0 | 3.4 | 5.1 | 2.8 | 3.0 | 3.0 | 2.9 |
| Change in inventories[3] | 0.2 | -0.4 | 0.2 | -0.0 | 0.0 | 0.0 | 0.0 |
| Exports of goods and services | 1.2 | 5.0 | 2.5 | 3.3 | 3.3 | 3.4 | 3.4 |
| Imports of goods and services | 2.4 | 6.2 | 3.5 | 3.3 | 3.3 | 3.3 | 3.3 |
| **Balance of payments current account** | | | | | | | |
| Per cent of GDP | -5.1 | -4.3 | -4.2 | -3.8 | -3.7 | -3.5 | -3.4 |
| **Inflation** | | | | | | | |
| CPI | 1.5 | 0.0 | 0.7 | 1.6 | 2.0 | 2.1 | 2.0 |
| RPI | 2.4 | 1.0 | 1.7 | 2.4 | 3.2 | 3.2 | 3.2 |
| GDP deflator at market prices | 1.8 | 0.3 | 1.1 | 1.9 | 2.0 | 1.9 | 2.0 |
| **Labour market** | | | | | | | |
| Employment (millions) | 30.7 | 31.2 | 31.6 | 31.7 | 31.9 | 32.0 | 32.1 |
| Productivity per hour | 0.1 | 0.8 | 1.0 | 1.7 | 2.0 | 2.0 | 2.0 |
| Wages and salaries | 2.9 | 4.1 | 3.6 | 4.2 | 3.9 | 3.8 | 3.9 |
| Average earnings[4] | 1.4 | 2.3 | 2.6 | 3.6 | 3.5 | 3.4 | 3.6 |
| LFS unemployment (% rate) | 6.2 | 5.4 | 5.0 | 5.0 | 5.2 | 5.3 | 5.3 |
| Claimant count (millions) | 1.04 | 0.80 | 0.75 | 0.78 | 0.84 | 0.86 | 0.87 |
| **Household sector** | | | | | | | |
| Real household disposable income | 0.6 | 2.9 | 1.8 | 1.9 | 1.6 | 1.5 | 1.5 |
| Saving ratio (level, per cent) | 5.4 | 4.2 | 3.3 | 3.6 | 3.7 | 3.9 | 3.9 |
| House prices | 9.9 | 6.8 | 6.9 | 4.2 | 5.0 | 4.7 | 3.9 |
| **World economy** | | | | | | | |
| World GDP at purchasing power parity | 3.4 | 3.1 | 3.3 | 3.5 | 3.8 | 3.9 | 3.9 |
| Euro area GDP | 0.9 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| World trade in goods and services | 3.5 | 2.4 | 3.0 | 3.6 | 4.2 | 4.3 | 4.3 |
| UK export markets[5] | 3.9 | 4.1 | 3.4 | 3.9 | 4.4 | 4.5 | 4.5 |

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

[3] http://cdn.budgetresponsibility.org.uk/March2016EFO.pdf

# 3 UK Country-specific Recommendations

3.1 The Country-specific Recommendations (CSRs), addressed to the UK by the Council of the European Union in June 2015, are to:

1. Ensure effective action under the excessive deficit procedure and endeavour to correct the excessive deficit in a durable manner by 2016-17, in particular by prioritising capital expenditure.
2. Take further steps to boost supply in the housing sector, including by implementing the reforms of the national planning policy framework.
3. Address skills mismatches by increasing employers' engagement in the delivery of apprenticeships. Take action to further reduce the number of young people with low basic skills. Further improve the availability of affordable, high-quality, full-time childcare.

## Fiscal policy

**Recommendation 1**

Ensure effective action under the excessive deficit procedure and endeavour to correct the excessive deficit in a durable manner by 2016-17, in particular by prioritising capital expenditure.

## Fiscal consolidation

3.2 The UK entered into the Excessive Deficit Procedure (EDP) under the EU's Stability and Growth Pact (SGP) following a decision by ECOFIN Council in July 2008. In November 2009, the Council made recommendations to the UK, including setting a target to correct its excessive deficit. In June 2015, the Council made new recommendations to the UK, including setting a revised target to correct its excessive deficit.

3.3 Significant progress has been made since 2010 in fixing the public finances. In 2009-10, the government borrowed around £1 in every £4 it spent. The deficit as a share of GDP is forecast to be cut by almost two thirds from its 2009-10 post-war peak and will reach 3.8% of GDP in 2015-16. The government has addressed the rapid rise in public sector net debt (PSND) which more than doubled as a share of GDP between 2007-08 and 2011-12. Net debt as a share of GDP is forecast to fall this Parliament.

3.4 However more work needs to be done – the deficit and debt levels are still too high. The government remains committed to continuing the job of returning the public finances to surplus by 2019-20 and running a surplus thereafter in normal times so Britain bears down on its debt and is better placed to withstand future economic shocks. In a low inflationary environment, with the risk of economic shocks, the only reliable way to bring debt down as a share of GDP is to run a surplus.

3.5 The global economic outlook has deteriorated since the Spending Review and Autumn Statement 2015. The UK is one of the most open trading economies in the world and is not immune to the weaker global outlook. And as in other major advanced economies, the UK's productivity growth has been slower since the financial crisis. Combined, this means that the challenge of delivering a sustained rise in living standards following the financial crisis of 2008 and 2009 is greater here in the UK than the OBR previously forecast.

3.6 Budget 2016 sets out the action the government is taking to meet the fiscal mandate, achieving an overall surplus on the headline measure of public sector net borrowing in 2019-20. The government is maintaining a balanced pace of deficit reduction, with public sector net borrowing forecast to fall as a share of GDP about at the same average annual rate over 2015-16 to 2019-20 as was achieved over 2010-11 to 2014-15.

3.7 The government will build on the measures set out at Spending Review 2015 to deliver a surplus and ensure the sustainability of the public finances. Spending Review 2015 set out savings of £21.5 billion, of which £9.5 billion was reinvested in the government's priorities. Budget 2016 sets out that the government is adjusting those plans and will find a further £3.5 billion of savings from public spending in 2019-20, in line with continuing action to ensure maximum efficiency from every pound of public spending.

3.8 Spending Review 2015 prioritised long term investment over day-to-day spending. The government is on course to exceed its commitment to invest £100 billion in infrastructure by 2020-21. Budget 2016 accelerates the government's investment plans in priority areas to deliver around £1.5 billion investment in areas such as housing, schools and transport over the next three years that would otherwise have taken place at the end of the decade.

3.9 The government remains committed to bringing the UK's Treaty deficit in line with the 3% target set out in the Stability and Growth Pact. The OBR's forecast indicates that this target will be met in 2016-17, and the deficit is forecast to remain below 3% over the forecast horizon.

## Capital expenditure

3.10 The government prioritises investment over day-to-day spending and set out plans at Spending Review and Autumn Statement 2015 to invest over £100 billion in infrastructure by 2020-21. This includes the largest programme of rail investment since Victorian times, the biggest investment in roads since the 1970s, and doubling the affordable housing budget.

3.11 At Budget 2016, the government announced it would accelerate this commitment by accelerating its investment plans in priority areas to deliver around £1.5 billion investment in areas such as housing, schools and transport over the next 3 years that would otherwise have taken place at the end of the decade.[1] This will include bringing forward funding for the Highways Maintenance Challenge Fund and the Pothole Action Fund, and enabling the delivery of 13,000 shared ownership homes 2 years early. As set out in Spending Review and Autumn Statement 2015, capital budgets will be £12 billion higher than planned at Summer Budget 2015. The government has also extended the £40 billion UK Guarantees Scheme to 2021, incentivising private investors to contribute further to financing the UK's infrastructure and helping reduce the costs to tax-payers.

3.12 The government is making the biggest investment in transport infrastructure in generations and is increasing capital investment in the transport network by 50% over this Parliament compared to the last, investing £61 billion. The first Roads Investment Strategy is the biggest programme of investment in England's strategic road network since the 1970's. The government

[1] Announcements on housing and schools are covered in the sections on the housing recommendation in Chapter 3 and on education in Chapter 4.

continues to take a long-term approach to improving England's motorways and major roads and at Budget 2016, announced the launch of the second Roads Investment Strategy, which will determine the investment plans for the period from 2020-21 to 2024-25.

3.13 The government has also created a new National Infrastructure Commission (NIC) that will build consensus and help solve the most complex long-term infrastructure challenges facing the country. It will make recommendations to the government on the basis of unbiased assessments of the country's infrastructure needs, and monitor the government's progress in implementing its recommendations. The NIC currently operates in shadow form.

3.14 Budget 2016 confirmed that the government accepts the NIC's recommendations from its first three reports:

- the government is providing £300 million of funding to improve northern transport connectivity and is giving the green light to High Speed 3 between Leeds and Manchester to reduce journey times to around 30 minutes, in response to the commission's report "High Speed North"
- the government is giving the green light to Crossrail 2, supported by £80 million to help fund development, in response to the commission's report "Transport for a World City"; the government is asking Transport for London to match that contribution, with the aim of depositing a Hybrid Bill within this Parliament
- the government will lay the foundations for a smart power revolution, with support for innovation in storage and other smart technologies, and an increased level of ambition on interconnection, which the NIC estimates could unlock benefits to UK consumers of up to £8 billion per year

3.15 The government has recently consulted on the NIC's proposed governance, structure and operation; this will inform legislation to establish the NIC as an independent body.

## Housing

**Recommendation 2**

Take further steps to boost supply in the housing sector, including by implementing the reforms of the national planning policy framework.

3.16 The government has taken significant steps to support housing supply and low cost home ownership. In the last Parliament, the government launched and implemented a new National Planning Policy framework, invested over £3.6 billion in schemes to support small and medium-sized enterprise (SME) house builders, large housing sites and privately rented sector developments and supported first time buyers through Help to Buy, helping over 120,000 households into home ownership.

3.17 We are seeing the results, with annual housing starts at their highest level since 2007 to 2008 and more than 277,000 affordable homes delivered since 2010. The number of first time buyers was 70% higher in 2014 than in 2008.

3.18 The government is continuing to build on progress made over the last Parliament, announcing a 5 point plan at Spending Review and Autumn Statement 2015. This is the most ambitious plan since the 1970s to build 400,000 affordable homes, focussed on low cost home ownership. This will include 200,000 Starter Homes and 135,000 Help to Buy: Shared Ownership homes. Budget 2016 announced the launch of the Starter Homes Land Fund to prepare brownfield sites for at least 30,000 starter homes.

3.19 The government will further support housing supply by reforming the planning system, releasing public sector land with capacity for 160,000 homes, providing £3 billion in loans to support house builders and supporting locally led garden towns and cities.

3.20 Enabling housing supply to better respond to changes in demand conditions is an essential pre-condition for sustainable growth, mitigating house price volatility and supporting housing affordability. House price increases have moderated since 2014, with prices rising 7.7% in November 2015 compared to 12.1% in September 2014; real house prices are now 3% below their pre-crisis peak.

3.21 Most aspects of public policy relating to housing, including planning law, are the responsibility of the devolved administrations. Various aspects of property taxation are devolved responsibilities in Northern Ireland, Scotland and Wales. Most financial services policies which have an impact on housing are not devolved matters, but in some cases – for example the equity loan element of Help to Buy – they apply in England only, with the devolved administrations receiving funding to permit them to develop schemes which best fit local priorities.

### Increasing housing supply

3.22 There has been a significant supply response to housing market activity with housing completions in England in Q4 2015 21.8% higher than a year earlier. Housing construction is also improving; the volume of new private housing in 2015 was the highest in eight years and total new housing construction activity was the highest on record.

3.23 At Spending Review and Autumn Statement 2015, the government announced that it would deliver 400,000 affordable housing starts by 2020-21.This will include:

- 200,000 starter homes to be sold at a 20% discount compared to market value to young first time buyers; a £2.3 billion fund will support the delivery of up to 60,000 of these
- 135,000 Help to Buy: shared ownership homes which will allow more people to buy a share in their home and buy more shares over time
- 10,000 homes that will allow a tenant to save for a deposit while they rent; this will be in addition to 50,000 affordable homes from existing commitments
- 8,000 specialist homes and homes for older people

3.24 The scale of this house building programme will require all sectors to play a role in delivery. As a result, the government will remove constraints that prevent private sector organisations from participating in the delivery of these programmes, including the constraints of bidding for government funding.

3.25 The government recognises that it plays a key role in the supply of land for development and has therefore committed to release public sector land with capacity for 160,000 homes. Budget 2016 announced that for the first time ever local authorities will collaborate with central government on a local government land ambition to deliver on this commitment, working with their partners to release land for an additional 160,000 homes.

3.26 In recognition of high start-up costs and a lack of commercial investment in specialist house building projects, the government announced at Spending Review and Autumn Statement 2015 that it would offer over £3 billion in loans: £1 billion to diversify and support innovation in the house building industry, by supporting small and medium builders, custom builders and the use of innovative methods of construction; and £2 billion long term loan funding, focused on delivering infrastructure to support a strong future pipeline of housing supply. This builds on the success of previous public land disposal programmes and the success of the Builder's Finance Fund and the Large Sites fund.

3.27 The government has made good progress on its commitment to build a garden city at Ebbsfleet. £310 million was allocated to Ebbsfleet at Spending Review 2015. This is part of a wider £700 million programme of regeneration at Barking Riverside, Brent Cross, Northstowe and Bicester garden town. Together this will support up to 60,000 new homes.

3.28 The government also announced at Spending Review 2015 that it would extend the popular Help to Buy: Equity Loan scheme to 2021; a London Help to Buy scheme would also be launched, offering a 40% equity loan, in recognition of the higher housing costs in the capital. The various forms of Help to Buy have already helped over 150,000 people, on or up the housing ladder. Extending the scheme will further help even more people into home ownership. Help to Buy: Equity Loan can only be used on new-build homes, so it will help to drive supply.

3.29 To deliver on these plans, Budget 2016 announced the launch of the Starter Homes Land Fund prospectus inviting local authorities to access £1.2 billion of funding to remediate brownfield land to be used for housing for at least 30,000 starter homes. Budget 2016 also announced that the government will deliver 13,000 affordable homes 2 years early, by bringing forward £250 million of capital spending to 2017-18 and 2018-19.

## Planning and the National Planning Policy Framework

3.30 The government has taken significant steps to simplify the planning system and speed up planning decisions, in particular through the introduction of the National Planning Policy Framework.[2] Legislation to implement further housing and planning reforms, including

[2] https://www.gov.uk/government/publications/national-planning-policy-framework--2

introducing a new "permission in principle" for land suitable for housing, is presently before Parliament and expected to gain Royal Assent in 2016.

3.31 At Spending Review and Autumn Statement 2015, the government announced that further reforms to the planning system would be brought forward including proposals for a new delivery test on local authorities to ensure delivery against the number of homes set out in Local Plans. The government has recently consulted on this and other reforms to national planning policy and will set out its response in the coming months.

3.32 At Budget 2016, the government announced its intention to move to a more zonal and "red line" planning approach where local authorities use their local plans to signal their development strategy from the outset and make maximum use of permission in principle, to give early certainty and reduce the number of stages developers must go through to get planning permission. Budget 2016 further announced additional measures to speed up the planning system, including minimising the delays caused by planning conditions. The government will support the delivery of new garden villages and towns, including by updating legislation to make it easier to bring forward new settlements.

3.33 The government will also ensure the release of unused and previously undeveloped commercial, retail and industrial land for starter homes. In support of this, it has consulted on proposals for the regeneration of previously developed brownfield sites in the greenbelt, to allow them to be developed in the same way as other brownfield land, provided it contributes to starter homes.

## Macroprudential regulation

3.34 Housing market stability is essential to give firms the confidence and certainty to invest more in bringing forward new housing supply. The government is fulfilling its commitment to consult on the Financial Policy Committee's recommendation that it be granted new powers of direction over aspects of Britain's buy-to-let market.

3.35 The government recognises the potential financial stability risks posed by the housing market and will monitor these closely. However, it is also aware of the difference between buy-to-let lending and owner-occupier lending. The government will ensure that the action taken in the buy-to-let market is proportionate, that it does not place excessive costs on business, and that it does not unduly restrict business activity.

## Reforms to taxation of land and property

3.36 At Spending Review and Autumn Statement 2015, the government announced that higher rates of Stamp Duty Land Tax (SDLT) will be charged on purchases of additional residential properties, such as buy-to-let properties and second homes. From 1 April 2016, the higher rates will be 3 percentage points above the current SDLT rates. The government will use some of the additional tax collected to provide £60 million for communities in England where the impact of second homes is particularly acute. The tax receipts will help towards doubling the affordable housing budget. This will help first time buyers.

## Devolved administrations

### Northern Ireland

3.37 The Northern Ireland Executive is committed to delivering social and affordable housing and has set out a comprehensive package of measures. One of the primary themes of the

Northern Ireland Housing Strategy 2012-2017 Action Plan,[3] is to ensure access to decent, affordable, sustainable homes across all tenures. The Executive is working to create the right conditions for a stable and sustainable housing market and increase access to affordable housing for those seeking to enter home ownership.

3.38 Over £95 million in Financial Transactions Capital (FTC) has been accessed to support the delivery of over 2,600 shared ownership homes across Northern Ireland over the next 4 financial years, starting from 2015-16, through the Northern Ireland Co–Ownership Housing Association.

3.39 Two new initiatives to further widen access to home-ownership are being piloted; the Affordable Home Loans Fund (using £19 million in FTC loans to fund 3 housing associations to build/refurbish 600 homes) and the Rent to Own initiative (involving £12.5 million FTC to fund the purchase of over 100 homes for rent and eventual purchase by those households who are not yet financially ready to purchase a home, even by way of shared ownership).

3.40 In January 2014, a Housing Supply Forum[4] (see Box 3.A: below) was established, bringing together key stakeholders from across the public and private sectors. This has recently presented its report[5] for consideration. There is also ongoing research on a potential Developer Contributions Scheme.[6]

3.41 Land availability is a frequently cited barrier to increasing the supply of housing. In order to help address this issue, surplus public land sites are being provided to housing associations for affordable housing.

**Box 3.A: Northern Ireland stakeholder focus: The Housing Supply Forum**

The Housing Supply Forum and Developer Contributions initiatives provide positive examples of the Northern Ireland Executive working effectively with stakeholders to shape new and evolving policy instruments to address particular housing needs.

The Housing Supply Forum, for example, included representatives from housing, planning and regional development, the construction industry, financial institutions, academics and housing professionals. The forum, through a series of meetings and bespoke focused workshops, capitalised on the wealth of collective knowledge and expertise of the members to seek workable solutions to improve housing supply in a sustainable way.

In gathering evidence for the Developer Contributions study, stakeholders were involved on an ongoing basis. For instance, stakeholders directly influenced the research tender specification, provided evidence for the study through workshops/one-on-one interviews and the supply of data and were provided with the opportunity to debate the research findings before the research was made public.

## Scotland

3.42 The Scottish government is taking a range of actions to ensure that all people in Scotland live in high quality, sustainable and affordable homes.

[3] https://www.dsdni.gov.uk/publications/facing-future-housing-strategy-northern-ireland
[4] https://www.dsdni.gov.uk/topics/housing/housing-supply-forum#toc-1
[5] https://www.dsdni.gov.uk/publications/housing-supply-forum-report
[6] https://www.dsdni.gov.uk/publications/developer-contributions-affordable-housing-nothern-ireland

3.43 The Scottish government's housing strategy "Homes Fit for the 21st Century"[7] aims to deliver at least 30,000 affordable homes over 2011 to 2016, including 20,000 homes for social rent, of which at least 5,000 would be local authority homes. This target has been exceeded, with a total of 30,133 affordable homes delivered by the end of October 2015. This includes 20,400 homes for social rent, of which 5,292 are local authority homes.

3.44 The Scottish government announced an increase in housing subsidies by up to £14,000 for social and affordable homes for rent being delivered by councils and Registered Social Landlords (RSLs), to help towards the target of delivering at least 50,000 affordable homes by the end of the next Scottish Parliament.

3.45 The Scottish government and its partners have put in place a range of schemes to support private sector activity. This includes the £305 million Help to Buy (Scotland) shared equity scheme, which offers support to homebuyers between 2013 and 2016. In January 2015, the Scottish government introduced a new £30 million Help to Buy (Scotland) Small Developers fund, which supports buyers who wish to purchase a new build property from smaller developers in Scotland.

3.46 By early January 2016, over 7,800 homes had been purchased through the Help to Buy (Scotland) scheme. A three-year successor programme was announced in January 2016, the Help to Buy (Scotland): Affordable New Build and Small Developers schemes. These will provide a further £195 million of support over the 3 years from 2016 to 2019, offering equity support of up to 15% on more affordable new build homes, targeting support to those most needing assistance to buy a home and adapting to improved market lending conditions.

3.47 The Scottish government is making use of innovative funding approaches to deliver additional housing. Through the National Housing Trust initiative (NHT) and the Local Affordable Housing Trust (LAR), over 4,000 new affordable homes have been approved for communities across Scotland with hundreds more in the pipeline. The Scottish government is investing a further £25 million in Charitable Bonds – an ethical investment instrument – in 2015-16. The total loan investment of £37 million by 2016 will generate charitable donations of up to £10 million, supporting housing associations in providing up to 600 new affordable homes across Scotland.

3.48 In order to deliver a quicker, more accessible and efficient planning process in Scotland, a review of the Scottish planning system was launched in September 2015. A particular focus of the review is to increase the delivery of high quality housing developments. An independent panel, chaired by Sir Crawford Beveridge, is undertaking the review, which is considering improvements to development planning, housing delivery and infrastructure planning as well as community engagement. The panel is due to publish its report in spring 2016.

## Wales

3.49 The Welsh government has set a target for the number of additional affordable homes in Wales of 10,000 during the term of this government. In the first 4 years of the administration (2011 to 2015), they achieved 9,108 against this target. While a substantial proportion of these homes are delivered via the normal Social Housing Grant programme, the Welsh government is working with the housing association sector in Wales to deliver as many affordable homes without grants as possible. The Welsh government has also introduced a long term revenue stream, the Housing Finance Grant (HFG). An initial target of 1,000 new affordable homes to be built through HFG in the term of this government is still on track to be achieved. Beyond this

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

administration, HFG will go on to deliver a further 2,000 affordable homes due to plans to fund a second phase of the scheme.

3.50 The Land for Housing Scheme has also been introduced by the Welsh government, which is providing a total investment of £19 million in 2015-16. It will provide loan funding to RSLs to purchase land for housing development. The scheme will help tackle the problem of limited supply of housing by increasing the funding options available to RSLs to acquire land sites for affordable and/or market housing development. The investment will also create jobs, boost the local economy, and regenerate brownfield sites and neglected land.

3.51 As well as continuing to support those in greatest need of housing, the Welsh government also operates the Help to Buy – Wales initiative. It will provide a boost to the housing industry by supporting the construction of 5,000 new homes across Wales. The first phase of the scheme remains on track to support the construction of up to 5,000 new homes by the summer of 2016 and to date, 75% of Help to Buy – Wales investment has supported first time buyers. A second phase of the Help to Buy – Wales scheme has also been announced; it will see an investment of £290 million to 2021, with the aim of supporting the construction of over 6,000 additional new homes.

## Skills and childcare

**Recommendation 3**

Address skills mismatches by increasing employers' engagement in the delivery of apprenticeships. Take action to further reduce the number of young people with low basic skills. Further improve the availability of affordable, high-quality, full-time childcare.

3.52 The government is committed to:

- empowering people to be able to fulfil their potential and contribute to the UK's economic growth and prosperity; the government recognises that investment in skills helps people find and keep jobs and increases workplace performance and productivity
- raising employer involvement and investment in skills; the government wants to ensure that the skills system delivers to the highest standard, is responsive to employer and learner needs, and helps Local Enterprise Partnerships (LEPs) and cities grow
- providing support to households to ensure that those who can work do work; while recognising the constraints associated with high childcare costs and providing help with them

3.53 Most aspects of skills and childcare policy are devolved responsibilities in Scotland, Wales and Northern Ireland. There are some areas where the UK government's policy levers can positively impact in the devolved administrations – for example, tax-free childcare is not devolved, as it forms part of the UK-wide tax system.

### Apprenticeships

3.54 The government's goal is for young people to see apprenticeships as a high quality and prestigious path to successful careers, and for these opportunities to be available across all sectors of the economy, in all parts of the country and at all levels.

3.55 The government is committed to reaching 3 million apprenticeship starts in England by 2020. There were 2.4 million apprenticeship starts over the previous Parliament.

3.56 Over the last Parliament, the government took significant action to drive up the quality of apprenticeships, ceasing those that were short and poor quality. The government also ceased programme-led apprenticeships and insisted that all apprenticeships involve employment from day 1. In addition, from April 2016, the government will reduce the cost of employing young apprentices by abolishing employer National Insurance contributions for most apprentices aged under 25. To fund apprenticeships, a new levy is being introduced from April 2017 (see paragraph 3.64).

3.57 The Institute for Apprenticeships is a new independent body, led by employers. It will be fully operational by April 2017 and will ensure that apprenticeship standards in England are high-quality. It will be responsible for setting quality criteria for the development of apprenticeship standards and assessment plans; reviewing, approving or rejecting them; advising on the maximum level of government funding available for standards; and quality assuring some end point assessments.

3.58 Traineeships and work experience also give young people the skills and experience they need to progress to an apprenticeship or other sustainable employment. Between April 2012 and May 2015, the government provided 238,890 work experience and 98,470 sector-based work academy pre-employment training opportunities for 18 to 24 year olds.

## Employers and skills

3.59 The government is placing employers in the driving seat in designing apprenticeships so that they focus on exactly the skills, knowledge and behaviours required of the workforce of the future.

3.60 The government developed a new approach where groups of employers (both large and small), known as "Trailblazers", work together to develop new apprenticeships standards and assessment approaches, to meet the skill needs within their sectors.[8] This initiative was announced in October 2013 in "The Future of Apprenticeships in England – The Reform Implementation Plan".[9]

3.61 Over 150 Trailblazers, involving more than 1300 employers, are designing new apprenticeship standards. Two hundred and five standards have been published (of which over 60 are Higher and Degree Apprenticeships) and more than 150 new standards are in development.[10]

3.62 On 7 December 2015, the government announced an extension to the Apprenticeship Grant for Employers (AGE) until the end of the 2016-17 academic year. This is due to its success at encouraging small businesses to take on an apprentice for the first time. The AGE £1,500 grant per apprentice was introduced in February 2012 and made available for up to 10 new apprentices (aged 16 to 24) in businesses with less than 1,000 employees.

3.63 From January 2015, a specific focus was placed on companies with fewer than 50 employees in the light of their lower-take up. Provisional figures show that between February 2012 and October 2015 there were 172,500 apprenticeship starts for which a payment was made through AGE. AGE funding has been devolved to some city regions as part of increasing local decision making powers.

## A new apprenticeship levy

3.64 Giving employers control over funding for apprenticeships continues to be an essential feature of our reform programme. As announced at Summer Budget 2015, a new apprenticeship levy is being introduced. Spending Review and Autumn Statement 2015 specified that it would apply to all employers with a pay bill of £3 million or more, to help fund the increase in quantity and quality of apprenticeship training in England, starting from April 2017. Employers will choose and pay for the apprenticeship training and assessment they want through the Digital Apprenticeship Service.

3.65 From April 2017, apprenticeships will be funded from the apprenticeship levy and the government will work closely with employers on the details of its design. At Budget 2016, the government announced that employers would receive a 10% top-up to their monthly levy contributions in England and this would be available for them to spend on apprenticeship training. The government will set out further details on the operating model in April and draft funding rates will be published in June 2016.

[8] Guidance for employers on the standards development process is available at: https://www.gov.uk/government/publications/future-of-apprenticeships-in-england-guidance-for-trailblazers.

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253073/bis-13-1175-future-of-apprenticeships-in-england-implementation-plan.pdf

[10] Approved standards and assessment plans along with details of standards in development are available at: www.gov.uk/government/collections/apprenticeship-standards

3.66 The government is working closely with the devolved administrations to ensure they get their fair share of the levy and can work out how best to use it to complement their own apprenticeships/skills policies. As skills policy is a devolved area, the devolved administrations will continue to have complete flexibility over how to support employers through training and apprenticeships.

3.67 2016-17 is a transitional year before the apprenticeship levy comes into effect. It is the last year in which government funding for apprenticeship is solely grant, and not levy.

## Basic skills

3.68 Ensuring young people have the fundamental skills of literacy and numeracy that are vital for success in later life is a priority for the government, as published in the Department for Education's single departmental plan.[11]

3.69 More detail on education policies and achievements in primary and secondary schools can be found in Chapter 4 (see page 43).

3.70 The government fully funds all adults to achieve their first English and maths GCSE. It has invested over £30 million to ensure that the Further Education workforce has the skills it needs to teach these subjects to a high level. It also supports English for Speakers of Other Languages (ESOL) as part of our wider strategy to improve adult literacy connected to employability.

## Childcare and Universal Credit

3.71 The phased introduction of Universal Credit will support people who are on a low income or out of work. It provides the opportunity to improve and simplify the way childcare support is offered. The government continues to work with stakeholders to ensure the design of Universal Credit responds well to parents' needs.

3.72 Under Universal Credit, childcare support is available where a claimant has responsibility for a child and where the childcare costs incurred enable the claimant to undertake paid work. Payment is included in their Universal Credit award and based on actual paid out costs up to the monthly limits. Claimants with a firm or accepted job offer can claim childcare costs a month prior to starting work. In addition, claimants may be able to claim for up-front childcare costs to remove barriers to work; childcare costs can be claimed for a further month following the end of a period of employment.

3.73 Under Tax Credits, working families can claim up to 70% of their eligible childcare costs each month, up to a cap. From April 2016, the government will increase childcare support within Universal Credit by around £350 million per year, to provide 85% of childcare costs where the lone parent or both parents in a couple are in work. Working families on Universal Credit will be able to claim up to 85% of their eligible childcare costs up to a cap. This equates to a maximum support of £646.35 per month for 1 child and £1,108.04 per month for 2 or more children.

3.74 This change will benefit up to 500,000 working families once Universal Credit has been fully rolled out. The intention is that more and more families will get more out of the money they earn, and find that it pays to get a job, from taking the first few shifts back at work, right up to working full-time. The removal of the 16 hours worked per week threshold is expected to help up to 100,000 additional families.

[11] https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020/single-departmental-plan-2015-to-2020.

3.75 All 3 and 4 year olds, and around 40% of 2 year olds (the most disadvantaged 2 year olds), in England, are currently entitled to 15 hours of free early education per week for the equivalent of 38 weeks of the year. A Childcare Bill, which has passed through both Houses of Parliament will extend the free offer to working parents of 3 and 4 year olds by a further 15 hours per week. This will give families where parents are working an entitlement to 30 hours of free childcare for their 3 and 4 year olds. The government intends to roll-out the 30 hour entitlement across England from September 2017. The offer will be made available in September 2016 in some areas, in order to test the best way to make the additional hours available.

3.76 Tax-free childcare (TFC) will be introduced from early 2017, available to around 2 million families, and will provide support to working parents for their childcare costs for children up to the age of 12, or 17 years old for disabled children. For every £8 that families pay in, the government will make a top-up payment of an additional £2, up to a maximum of £2,000 per child per year (or £4,000 for disabled children).

3.77 To focus support where it is most needed and improve work incentives, the government will apply an upper income limit per parent of £100,000, and a minimum weekly income level per parent equivalent to 16 hours (worked at the national living wage or national minimum wage) to TFC as well as to the additional 15 hours of free childcare offered to 3 and 4 year olds in working families.

3.78 At Budget 2016, the government confirmed that TFC would be gradually rolled out in in a managed and careful way. Parents of the youngest children will be able to enter the scheme first, and it will be open to all eligible parents by the end of 2017. The existing scheme, Employer-Supported Childcare, will remain open to new entrants until April 2018 to support the transition between the schemes.

## Childcare places

3.79 The childcare sector is growing. The latest figures show there are around 230,000 more childcare places than in 2009 for children aged 0 to 5 – a 12% increase (including nursery places in maintained schools). The market has demonstrated that it is able to expand and adapt, through its response to the roll-out of the entitlement for disadvantaged 2 year olds which was introduced and extended in the last Parliament.

3.80 Between 2011 and 2013, the number of full-day care places in the 30% most deprived areas rose by 19,600 (an increase of 10%), while the number of part time places rose by 20,500 (an increase of 42%).

3.81 The government is aiming to ensure the schemes complement each other effectively, ensuring parents have the guidance they need in order to make an informed decision on which scheme will provide them the best support.

## Devolved administrations

### Northern Ireland

#### Skills

3.82 "Learning to Learn – A Framework for Early Years Education and Learning"[12] was published in October 2013 and implementation is underway. The overall policy aim is that all children have

[12] https://www.deni.gov.uk/publications/framework-early-years-education-and-learning-october-2013

opportunities to achieve their potential through high quality early years education and learning experiences. The framework provides for actions to deliver improved outcomes.

3.83 As part of the Early Intervention Transformation Programme[13], Getting Ready to Learn, which launched on 18 March 2016, will provide an opportunity for pre-school education settings, with funded places, to apply for additional resources to work with parents to improve the home learning environment for their young children.

3.84 The Northern Ireland Executive invests £25 million annually in the Sure Start Programme.[14] Of the £25 million invested in Sure Start in 2015-16, approximately £4 million supports the Sure Start Development Programme for 2 to 3 year olds. There are currently 142 programmes offering a service for 12 children per programme, for approximately 1,700 children in total.

3.85 There is provision for at least 1 development programme for 2 to 3 year olds in all 39 Sure Start projects. The programme aims to enhance the child's social and emotional development, build on their communication and language skills, and encourage their imagination through play. It is designed for young children in their penultimate pre-school year, focusing on age appropriate constructive play in group settings.

3.86 A key priority for the Northern Ireland Executive is the implementation of the Count, Read: Succeed Strategy,[15] 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 also has a specific focus on improving outcomes in the key skills of literacy and numeracy.

3.87 Other programmes have been implemented by the Northern Ireland Executive to improve literacy and numeracy outcomes for children and young people in socially disadvantaged areas. These include the Delivering Social Change, Improving Literacy and Numeracy Signature Programme[16]; a professional development programme for teachers, and the Education Works advertising campaign; that promotes the value of education and its contribution to the economy.

**Box 3.B: Northern Ireland stakeholder focus: Delivering Social Change Improving Literacy and Numeracy**

The Delivering Social Change Improving Literacy and Numeracy Signature Programme continued until 31 August 2015. The programme has delivered additional literacy and numeracy support to over 18,000 primary and post-primary pupils over the 2 years of operation (the 2013-14 and 2014-15 academic years). It has made a significant contribution to the improved attainment levels in literacy and numeracy. Analysis of the GCSE outcomes for 2013-14 amongst year 12 pupils indicated that schools supported by the programme showed an improvement in the proportion of pupils achieving at least five GCSEs A*-C (or equivalent qualification), including in GCSE English and maths compared to 2012-13.

3.88 A key commitment in the Northern Ireland Executive's 'Together: Building a United Community' Strategy[17] (TBUC) is the United Youth Programme.[18] Funding was secured via the Executive's Change Fund to deliver a number of pilots in 2015. Twelve pilots were delivered

[13] https://www.dhsspsni.gov.uk/articles/early-intervention-transformation-programme
[14] http://www.nidirect.gov.uk/sure-start-services
[15] https://www.deni.gov.uk/publications/count-read-succeed-strategy-improve-outcomes-literacy-and-numeracy
[16] http://nisplan.welbni.org/site/homepage.asp?page_area=111125&page_id=0
[17] https://www.ofmdfmni.gov.uk/articles/together-building-united-community
[18] https://www.delni.gov.uk/articles/united-youth

across Northern Ireland with over 300 young people participating. The purpose of the pilot phase was to test a range of approaches to delivering the United Youth Programme.

3.89 The Northern Ireland Executive has committed to utilising EU PEACE IV Children and Young People funding to roll out elements of the United Youth Programme from 2016 onwards. The 2014 to 2020 PEACE IV Programme was formally adopted by the European Commission in November 2015, with up to €50 million allocated for a cross-border Youth Initiative Programme that will comprise elements of United Youth. A programme level target of engaging with up to 10,000 14 to 24 year olds who are not in education, employment or training (NEET), or are at risk of becoming NEET, has been agreed over the lifetime of the Youth Initiative Programme.

3.90 The Northern Ireland strategy for youth training "Generating our Success"[19] was published in June 2015. It aims to establish a new system of professional and technical learning for all young people, aged 16 to 24, requiring training at level 2 (broadly equivalent to 5 GCSEs including maths and English at A*-C).

3.91 The Youth Employment Scheme[20] (YES) formally closed in March 2015, having reached the end of its 3-year funding cycle. A new YES Work Experience programme[21] was introduced in August 2015. An Employer Subsidy[22] aimed at employers recruiting 18 to 24 year old clients (who are unemployed for 13 weeks or more) was introduced on 30 November 2015. At 31 January 2016, 78 young people had participated on the work experience programme and there were 46 entries into subsidised jobs.

3.92 The First Start Initiative aimed to deliver 1,700 job opportunities by March 2015. Official statistics show that at the end of March 2015, over 1,600 young people had taken advantage of this supported employment.

**Box 3.C: Northern Ireland stakeholder focus: Regional Stadia Programme – Social Clause Policy**

The Northern Ireland Executive has a social clauses policy that provides opportunities for the long term unemployed, apprentices and student placements at pre-construction stage, construction stage and operational stage of the regional stadia programme. The adherence to social clause targets is an inherent part of the funding agreements.

On the Ravenhill / Kingspan stadium project, more than 3 times the number of apprentices were recruited (13 as compared with the required 4), twice as many student placement opportunities were provided (from 2 to 4), and more than double the number of practical proposals for social returns for the local community were achieved (13 distinct proposals with a number of sub-proposals were identified, with only 5 required). The Windsor Park and Casement Park projects also include social clause targets for the creation of sustainable ring-fenced employment opportunities for the long term unemployed, apprenticeships and student placements.

[19] https://www.delni.gov.uk/publications/generating-our-success-northern-ireland-strategy-youth-training
[20] http://www.nidirect.gov.uk/youth-employment-scheme
[21] https://www.jobcentreonline.com/JCOLFront/Template.aspx?articlename=OurProducts_YouthEmp.htm
[22] https://www.employersonlineni.com/Template.aspx?articlename=employer_subsidies_available_for_employers.aspx

### Childcare

3.93 The first phase of the Northern Ireland Executive's Childcare Strategy[23] was launched in September 2013. School age childcare services (breakfast clubs, after school clubs and summer schemes) were the principal area of need identified, particularly in disadvantaged areas. The Bright Start School Age Childcare Grant Scheme[24] was launched in March 2014 to address this. The scheme aims to create or sustain up to 7,000 affordable school age childcare places over the next 3 years. By the end of February 2016, nearly £3 million has been allocated to almost 80 childcare projects to create or sustain approximately 2,200 childcare places, mainly in, or accessible to, disadvantaged areas.

3.94 The final Childcare Strategy which aims to use affordable and accessible childcare services both to promote child development and enable parents to join the workforce is at an advanced stage of development and is expected to be published later in the year.

## Scotland

### Skills

3.95 The Scottish government's vision is to have a world class vocational education system in Scotland, and we are helping to shape how Scotland's education system connects young people to the world of work.

3.96 The Scottish government's approach to improving Scottish education, training and employer engagement with young people is set out in Developing the Young Workforce - Scotland's Youth Employment Strategy (DYW).[25] DYW is a 7 year programme which aims to ensure that young people have access to a broad range of learning options, adequate careers advice and work experience, and skills and training provision that is shaped and supported by employers. The first DYW annual report[26] was published in December 2015 and set out progress in year 1. The report showed positive progress with the introduction of a careers service earlier in school, improved connections between businesses and schools and colleges through employer-led DYW groups, and new opportunities for school pupils to undertake learning – for example new Foundation Apprenticeships – while still at school.

3.97 The Scottish government's Modern Apprenticeship (MA) programme[27] is designed to be responsive to employer needs. 25,247 MA starts were delivered in 2014-15, and the target to deliver over 25,000 MAs each year, with more than 101,000 new opportunities delivered during the current Parliamentary term was exceeded. Employers are highly satisfied, with 96% saying that MA participants are better able to do their jobs after completing the MA programme. The Scottish government has set a target of delivering 30,000 MA places each year by 2020.

3.98 Opportunities For All[28] is the Scottish government's commitment to an offer of an appropriate place in learning or training for all 16 to 19 year olds who are NEET. Showing progress towards this commitment, figures to March 2015 show that 91.7% of school leavers were in a sustained positive destination (that is were participating in learning, training or work 9 months after leaving school), up from 90.4% in 2014. Sustained positive destinations have continued to rise year-on-year, from 84% in 2007-08.

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[23] https://www.ofmdfmni.gov.uk/articles/childcare-strategy

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

[25] http://www.gov.scot/Publications/2014/12/7750

[26] http://www.gov.scot/Publications/2015/12/7463/downloads#res-1

[27] http://www.skillsdevelopmentscotland.co.uk/our-services/modern-apprenticeships/

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

3.99 The Youth Employment Scotland Fund (YESF)[29], available from 1 April 2013 to 30 June 2015, provided 10,000 additional and sustainable job opportunities for young people aged 16-29 across Scotland. A total of £25 million from the Scottish government and European Social Funds (ESF) was available for YESF. The programme, administered by local authorities, supported businesses with up to 400 employees, including social enterprises and third sector employers. An evaluation of the programme is underway, with a final report expected in spring 2016.

### Childcare

3.100 The Scottish government is taking actions to improve the provision of sustainable and affordable childcare in Scotland. Through the Children and Young People (Scotland) Act 2014,[30] the Scottish government is investing £329 million over 2 years to extend early learning and childcare to 600 hours per annum for 3 and 4 year olds. In August 2014, this was expanded to the most vulnerable 15% of 2 year olds.[31] These measures were expanded to 27% of 2 year olds, based on free school meal eligibility, from August 2015.

3.101 As well as increasing the number of funded hours, the Act will also increase the level of flexibility of the entitlement part of the Scotland's Programme for Government, to better meet the needs of parents seeking to balance their childcare responsibilities with work, study or training commitments. The Scottish government is committed to expanding the level of funded early learning and childcare from 600 hours per year to 1,140 hours per year by 2020.

## Wales

### Skills

3.102 The Welsh government's 'Programme for Government' sets out key measures to prevent young people from disengaging from learning and helping to support them with entry to the labour market.

3.103 Jobs Growth Wales, launched in April 2012, is a £87.5 million project which aims to create 16,000 job opportunities across Wales over 4 years. The programme is aimed at young people aged 16 to 24, giving them valuable work experience for a 6 month period, paid at or above the national minimum wage between 25 and 40 hours per week. The ambition for the programme is that job opportunities are sustained by the employer after the 6 month period. Employers are reimbursed their wages and National Insurance contributions, at the national minimum wage, for the contracted hours for the participant. As of April 2015, 17,195 job opportunities had been filled.

3.104 Jobs Growth Wales forms part of a wider progression route within Welsh government funded employability support. Participants of Traineeships and Work Ready (see below) can progress directly into a Jobs Growth Wales opportunity where appropriate. Additionally, after 6 months a young person, if eligible, can progress on to the Welsh government's Young Recruits (Apprenticeship) programme that is currently only open to Job Growth Wales applicants, or onto a direct Apprenticeship opportunity.

3.105 In order to deliver on commitments within the Skills Implementation Plan, the Welsh government consulted on the apprenticeship programme in early 2015. This exercise has informed the Welsh government's future delivery priorities for Wales for 2016 to 2020, as announced in January 2016. These include:

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[29] http://www.employabilityinscotland.com/policy-and-partnership/youth-employment/youth-employment-scotland-fund/

[30] http://www.legislation.gov.uk/asp/2014/8/contents/enacted

[31] This includes those who are looked after; under a kinship care order; have a parent appointed guardian; or, are from workless or job seeking households.

- a focus on growth of apprenticeship numbers for 16 to 18-year-olds by raising the number of school leavers going on to high-quality apprenticeships
- building up apprenticeships in engineering and manufacturing in line with priorities determined by Regional Skills Partnerships
- a focus on apprenticeships at level 3 and above, where returns on investment tend to be higher and where the most successful European countries focus – this will continue the phased reduction across specific sectors of foundation, or level 2, apprenticeships up to 2020 – to continue to accelerate growth in the number of technical and professional opportunities in higher apprenticeships
- a focus on working with businesses, harnessing their potential to recruit apprentices and build awareness of the opportunities the programme has to offer

3.106 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, indeed, the rest of the world. Wales has been looking at skills excellence in other countries, and it is clear that the strongest vocational systems offer a wide range of opportunities to apprentices and young people leaving sixth form.

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

3.108 For the third year of the scheme (2013-14), progression statistics show that 68% of leavers from the Traineeship programme had a positive progression. This is a slight improvement over the second year which showed a positive progression for 67% of leavers.

3.109 The Welsh government is currently working on the design and development of a new adult employability programme for Wales – Skills for Employment Wales (SfEW), using evidence and research gathered as part of an evaluation of adult provision. This programme was announced in February 2016 and will launch in April 2016.

3.110 SfEW will focus on essential skills training and will provide access to employability skills training in conjunction with a work placement employer. It will ensure that there is provision available for unemployed individuals aged 18 or over who have been unemployed for less than 12 months before the Work Programme starts. Individuals who are 18 and over and serving sentences in the community will be able to access the ring fenced essential skills for offenders in the community provision (ESOC).

3.111 The current adult employability programme, Work Ready, is operating via the Work Based Learning network of training providers until 31 March 2016. Work Ready supports individuals' progress from non-employment into employment and the provision consists of two elements (Learning for Work and Routeways). Entry to the most appropriate programme to meet each learner's needs is determined through the Work Based Learning provider's own assessment process.

## Childcare

3.112 Childcare is central to the Welsh government's tackling poverty agenda and to its ambitions to improve the flexibility, affordability and availability of childcare and early years education set out in the “Building a Brighter Future: Early Years and Childcare Plan”. Progress against the Plan is reported annually. The Welsh government is continually reviewing how it can further support parents with their childcare costs.

3.113 The Welsh government is continuing to work with sector stakeholders to develop policies and activities to support the childcare sector. The Out of School Childcare Grant supports local authorities in providing childcare and play opportunities out of school hours and in school holidays. Support under the grant scheme can include start-up and sustainability funding for childcare and play provision. The Welsh government also provides sector specific business advice to childcare providers and is developing online business planning tools and training modules.

3.114 The Welsh government is currently working on a 10 Year Plan for the Early Years, Childcare and Play Workforce in Wales. The plan is a commitment under “Building a Brighter Future” and aims to develop a sector which is highly regarded as a career of choice and offers good quality childcare, education and play opportunities for children in Wales. An ESF operation “Progress for Success” was developed to align with the 10 Year Plan to support the “raising skills and standards across the existing workforce” theme. Progress for Success will fund practitioners within the existing early years, childcare and play workforce through sector recognised qualifications at levels 2 to 6.

3.115 Free, high quality, part-time childcare for 2 to 3 year olds is also provided through Flying Start. The programme delivers support for families with children under 4 years of age, in some of the most disadvantaged areas of Wales. It also encompasses parenting support, an enhanced health visitor service and help for speech, language and communication. Flying Start has a key role to play in tackling poverty and is beginning to have a positive impact on families. In 2014-15, 37,260 children benefited from Flying Start services in Wales.

3.116 It is a statutory duty that all local authorities make available a free part-time Foundation Phase place for all children from the term following their third birthday. Part-time implies a minimum of 10 hours per week for around the same number of weeks as in the school year (normally 38 weeks). The place can be either in a maintained school, or a registered childcare setting that is approved by the local authority as an early education provider. Both are inspected by Estyn, the education and training inspectorate for Wales. The free part-time place is non-statutory as the child is under compulsory school age. In planning this provision, local authorities take into account the needs of the individual child and their parents as identified in their local sufficiency assessment and the level of provision they already have in place. However, it is up to the parent/carer to decide if they access this provision, although they are encouraged to take up the entitlement, as it is beneficial to a child’s development.

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

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

3.119 Through £10.9 million of Welsh government and ESF funding, Parents Childcare and Employment (PaCE) will assist economically inactive parents into training or employment where childcare is their main barrier. Working in partnership with the Department for Work and Pensions, the Welsh government will lead the programme. When it is fully operational, PaCE aims to help almost 8,000 parents and specifically targets lone parents, parents from a workless household or a second earner in a working household.

3.120 It is anticipated over 1,500 parents will enter sustainable employment. Many more will complete volunteering, training and work experience which will help them increase their chances of moving into work, helping those families find a route out of poverty. Community-based Parent Employment Advisers will offer individual support and solutions to meet their childcare needs. Working closely with Local Authority Families First, Flying Start Teams and other organisations, the Advisers will help participants identify training, volunteering or work experience opportunities, which will help provide a route into sustainable employment.

# 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 Single Departmental Plan (SDP). These plans were published online,[1] and will be updated regularly as new performance information becomes available.

4.2 Each SDP is owned by the relevant department, and written with the support of HM Treasury, the Cabinet Office, and the Prime Minister's Office. SDPs lay out each department's objectives, how key political commitments from the 2015 Conservative Party Manifesto will be delivered, and what the department is doing to drive efficiency. Each SDP has been aligned with the outcomes of the Spending Review 2015.

4.3 Each SDP is also supported by a clear set of output and outcome indicators, which 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 SDP process.

4.4 Accountability for delivering services and policies is clear and transparent. Within each published SDP, 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.[2] Detailed data on transactional spend is also made available through Spend Reports.[3]

4.6 The government has also created a National Information Infrastructure,[4] which identifies the data[5] held by government and which are likely to have the broadest and most significant economic and social impact if made available and accessible outside of government. The first iteration was made available in October 2013, and was updated in March 2015.

### Europe 2020 Strategy

4.7 Europe 2020 is the European Union's growth strategy for 2010 to 2020 for a smart, sustainable and inclusive economy.[6] 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.

[1] https://www.gov.uk/government/collections/single-departmental-plans-for-2015-to-2020
[2] https://data.gov.uk/
[3] http://data.gov.uk/data/openspending-report/index
[4] https://www.gov.uk/government/publications/national-information-infrastructure
[5] http://data.gov.uk/data/search?core_dataset=true
[6] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF

4.8 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.

4.9 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:[7]

- 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 to 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

4.10 For each EU level target, it 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

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

## Devolved administrations

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

### Northern Ireland

4.13 The Northern Ireland Executive's 2011-15 Programme for Government[8] is managed through a multi-layered delivery framework, which supports effective management of specific activities and projects contributing to the programme, and also strategic management of the overall programme. A new Programme for Government Framework will be implemented following the Assembly elections scheduled in May 2016.

[7] http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf.
More background on Europe 2020 targets at: http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/targets/index_en.htm
[8] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf

## Scotland

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

4.15 Progress against the priorities set out in Europe 2020 is captured through the NPF's Purpose Targets and National Indicators, with performance monitored and reported through Scotland Performs[9] – the Scottish government's online reporting tool.

## Wales

4.16 The Welsh government's Programme for Government, is reviewed and updated on an annual basis, providing up-to-date information on outcomes at an all-Wales level, and a summary of progress on actions that the Welsh government is taking. This plan of action is designed to achieve and report progress against the government's four overarching priorities of growth and jobs; educational attainment; supporting children, families and deprived communities; and improving health and health services for all of our citizens which align to the goals of the Europe 2020 strategy. The latest annual report was published in June 2015 in which the First Minister of Wales highlighted the important progress that has been made against these key priorities.

[9] 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

4.17 The overall role of the UK government in the labour market is to encourage flexibility, efficiency and fairness. The government has set out its ambition to achieve full employment in the G7.

4.18 The Department for Business, Innovation and Skills 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' focus 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, employment matters in Great Britain, such as the National Living Wage, remain the responsibility of the UK Parliament; responsibility in Northern Ireland is transferred to the Northern Ireland Assembly. However, some related policy areas, such as skills, are the responsibility of the devolved administrations. Details of the policies being implemented in Northern Ireland, Scotland and Wales are included in this section.

## Policy context

4.20 The UK labour market is flexible and dynamic, with over 10 million moves in and out of employment, unemployment and inactivity each year. There are currently around 7 million job starts each year, and over 6 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, reduce individual dependence and state expenditure on benefits through more or better work

4.22 Labour market interventions to achieve these objectives can be grouped into 4 main areas:

- passive labour market policies use the design of working age benefits to avoid distorting the labour market

- activation strategies aim 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
- interventions to raise employment levels among specific groups in the labour market
- the Public Employment Service (JobCentre Plus) offers job-matching with employers and a personalised tailored regime for claimants.

4.23 According to the latest comparable Eurostat data (Q3 2015), the UK employment rate is 72.9%, which is 6.8 percentage points above the EU-28 average, and the sixth highest employment rate in the EU. Employment (16 to 64 year olds) grew by 521,000 over the course of year 2015, based on UK ONS statistics; it continues to increase, as 116,000 more jobs were added to the UK economy between November and January 2016, to stand at a record 74.1% for November to January 2016.

4.24 As of January 2016, International Labour Organisation (ILO) unemployment was at 1.68 million, down 171,000 on the year. Inactivity fell 0.1 percentage points on the quarter and 0.4 percentage points on year, to 21.8%.

4.25 The employment rate for women is at a record high of 69.1%. By the 3 months to January 2016, the employment level for women had increased by 160,000 over the year, to 14.64 million, while the level for all 50 to 64 year olds was 8.39 million.

4.26 The number of young people who are not in work or in full time education fell by 122,000 over the year in the 3 months to January 2016, to 1.03 million, or 14.3% of 16 to 24 year olds, close to the record low. As of November to January 2016, 85.7% of those aged 16 to 24 were in full-time education or employment. Of these, some 64% were in employment and 52% in full-time education, with 16% in both.

4.27 There was an increase in private sector jobs of 519,000 over the year 2015, up 2.8 million since 2010, and a fall in public sector jobs of 40,000 on the year.

## Actions to achieve objectives

4.28 In order to meet its objectives, to improve the functioning of the labour market, reduce unemployment and in-work poverty, active policies have been put in place by the government, alongside action to create a competitive and stable business environment.

### Improving the job-seeking regime

4.29 Jobcentre Plus (JCP) policies have been designed to increase participation and employability; they continue to play an important role. These improve peoples' work-readiness and help drive recruitment of unemployed people by employers, with specialised additional support for those individuals who need it.

4.30 Access to out-of-work benefits and labour market support is regulated by a series of contacts with JCP that aim to influence claimant behaviours, in order to encourage the quickest possible return to work. Jobseeker's Allowance claimants, and those claiming the equivalent in Universal Credit are now required to do more for their benefit. Half of all claimants are required to attend the Jobcentre weekly rather than fortnightly, and the government announced in Spending Review and Autumn Statement 2015 that, from October 2016, all new claimants will be required to attend the Jobcentre weekly at the start of their claim. The majority of claimants find work very quickly, and 90% of Jobseeker's Allowance claimants leave the benefit within a year.

4.31 This support, including contracted provision, is evolving so as to remain responsive to the labour market and the needs of claimants. Recent years have seen significant improvements in the labour market, and the unemployment rate is close to its pre-recession level. JCP has been very effective at helping claimants.

4.32 The introduction of Universal Credit should strengthen further the effectiveness of these labour market policies. Indeed, Universal Credit is removing the distinctions between benefit types and between in and out of work benefits, and is making sure that work pays.

4.33 The Claimant Commitment is continuing under the Universal Credit scheme. It is a condition of entitlement that all claimants agree on what they will do to find work. For the first time, claimants' obligations are recorded in one place, clarifying both what they are expected to do in return for benefits and support, and exactly what happens if they fail to comply. The work-related requirements detailed in the Claimant Commitment are tailored to an individual's needs, experience and circumstances, making them realistic and achievable.

### The Work Programme

4.34 The Work Programme, started in 2011, was designed as a contracted payment by results programme to support those in or at risk of long-term unemployment. It has been successful in helping people furthest from the labour market and getting people into sustained jobs. By December 2015, 481,880 participants had escaped long term unemployment and found sustained work.

4.35 The Work Programme will be closed to new entrants in 2017. Experience gained from running the programme is being used to develop the new Work and Health Programme. The type and scale of support available will be better adapted to present labour market conditions. These have changed since the Work Programme was launched, with levels of employment significantly higher and unemployment lower. The Work and Health Programme will provide specialist support for the long-term unemployed and to claimants with health conditions and disabilities.

### Tackling youth unemployment

4.36 The government is successfully reducing unemployment among young people. There has been a significant reduction in youth unemployment since 2010. By December 2015, the number of people aged 16 to 24 who were unemployed under the ILO measure had fallen to 622,000, down by 118,000 from the previous year. Under the Youth Contract, from April 2012 to May 2015, 238,890 18 to 24 year olds started a work experience placement and 98,470 18 to 24 year olds had started a sector-based work academy placement. Elements of the Youth Contract continued in 2015-16, including job search support, work experience, as well as mandatory short-term work activity placements and continuing sector-based work academies in sectors with high volumes of local vacancies.

4.37 Against a backdrop of improving youth employment overall, the government is turning towards increasing support for those harder to reach individuals. From April 2017, the government will be introducing a Youth Obligation for most 18 to 21 year olds claiming benefits. From the start of Universal Credit claims, 18 to 21 year olds will participate in an intensive period of support, learning, job-search and interview techniques and doing structured work preparation. Tailored, flexible support will be provided to those in work, but need to increase their earnings.

4.38 After 6 months, young people still claiming Universal Credit will be expected to apply for an apprenticeship, a traineeship, gain work-based skills valued by employers, or go on a work placement to give them the skills they need to get on in work. Work has continued with employers on initiatives such as Movement into Work, a programme to deliver work experience and vocational training opportunities for young people aged 18 to 24, and on developing the requirements for apprenticeships and sector-based work academies.

### Universal Credit

4.39 The implementation of Universal Credit, the new benefit to support people who are on a low income or out of work, continues. This is a major reform of the benefits system that will make work pay. Universal Credit will dramatically reduce the number of people facing very weak financial incentives to move into or stay in work. Universal Credit extends financial incentives to people working less than 16 hours per week and removes the worst progression incentives of the current system. The incentive provided by Universal Credit will be further bolstered by increasing the personal tax allowance, an increase in free childcare for working parents of pre-school children and the introduction of tax-free childcare for working families.

4.40 Universal Credit is rolling out as planned. It was available in 75% of Jobcentres by the end of 2015 and is on track to be available in all of them by spring 2016, for all single, unemployed claimants nationally. The transition phase, including the Government Digital Service, will roll out across the country on schedule from May 2016, and all new claims to existing benefits are due to close as planned by June 2018. Finally, people on pre-existing "legacy" benefits will be transferred to Universal Credit.

### Halving the disability employment gap

4.41 To support progress toward the manifesto commitment of halving the disability employment gap, the government has increased funding for employment support targeted at those with health conditions and disabilities. Expansion of the Fit for Work service will support more people on long-term sick leave return to work; new spending on Access to Work means an additional 25,000 people can get practical help to start or stay in a job; and an Innovation Fund has been established to test approaches that bring together the expertise of employment and health services.

4.42 Over the course of 2015, the number of disabled people in employment rose 150,000 to over 3.25 million. To build on this, the government will publish a white paper later in 2016, focusing on the roles that the health, care and welfare sectors can play in supporting disabled people and those with health conditions to get into and remain in work.

### Action for full employment

4.43 To help ensure labour market opportunities for all, the government has embodied the idea of full employment in the Welfare Reform and Work Bill/Act 2016, which has passed through both Houses of Parliament. The Bill/Act contains a duty to report annually on the progress made towards full employment. The first such annual report will set out a conceptual framework for full employment and the measures that will be used to monitor progress towards that aim.

4.44 Meanwhile, the government is taking wider action to support employment in the UK, including:

- generous childcare support: as presented in Chapter 3 (see page 22), the government funds 15 hours a week of free childcare for all 3 and 4 year olds, extended to 30 hours a week for working parents of 3 and 4 year olds from September 2017; tax-free childcare will be introduced early 2017
- an Employment Allowance for businesses and charities throughout the UK since April 2014; it gives employers up to £2000 off their National Insurance bill every year and, from April 2016, this will increase to £3,000

- exemption from employer National Insurance contributions for employees under 21 years old (on earnings up to £815 a week) since April 2015; from April 2016, this will be extended to cover apprentices under 25

## Devolved administrations

### Northern Ireland

4.45 For the period 1 April 2015 to 31 January 2016, the Northern Ireland Employment Service had assisted 26,605 working age benefit clients into employment, against a target of 25,000 by March 2016.

4.46 Steps to Work (StW) was the Northern Ireland Executive's main adult return to work programme. From September 2008 to September 2014, StW helped over 52,100 participants into unsubsidised employment, representing 35% of participants who left the programme within that period. Of this total, approximately 42,500 (29% of all leavers) sustained that employment for 13 weeks or more. The target for StW was 25% of leavers to find employment (within 13 weeks of leaving the programme) and to sustain that employment for a full 13 weeks.

4.47 StW was replaced by a new adult return to work programme in October 2014: Steps 2 Success[10] (S2S). S2S builds on the success of the previous StW programme by increasing the number of clients who find and sustain employment. As part of the transitional arrangements put in place to facilitate the introduction of S2S and the continuity of delivery of Executive funded initiatives a short term measure, known as Employment Service Support (ESS) was introduced in June 2014. Referrals to ESS ceased in March 2015.

4.48 "Enabling Success",[11] the Northern Ireland Executive's new strategy, aimed at reducing the level of economic inactivity in Northern Ireland, was officially launched on 20 April 2015. The strategy has been developed in close partnership with other Executive departments.

4.49 The implementation of the strategy, over its proposed fifteen year period, is based on eleven key projects, to be managed and resourced on a cross-departmental basis. The strategy will focus on three key economically inactive groups: people with work-limiting health conditions or disabilities; lone parents; and carers.

4.50 The strategy seeks, by 2030, to contribute towards a stable and competitive employment rate in Northern Ireland through a reduction in the proportion of the working age population classified as economically inactive. An interim strategic goal of achieving an employment rate of more than 70% by 2020 has also been included in order to assess the effectiveness of the strategy at a mid-point in the implementation process.

4.51 The Social Investment Fund[12] (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 will be spent on community based initiatives designed to bring the maximum benefit to local people and communities.

4.52 A key objective of the fund is to support increased employment opportunities by addressing issues associated with educational underachievement, lack of skills and access to jobs. By the end of February 2016, £58 million had been committed to projects across Northern

10 http://www.nidirect.gov.uk/steps2success

11 https://www.delni.gov.uk/publications/enabling-success-northern-ireland-strategy-reducing-economic-inactivity

12 https://www.ofmdfmni.gov.uk/articles/social-investment-fund

Ireland. Allocations should continue over the remainder of 2015-16 and into the early part of 2016-17.

### Scotland

4.53 The Scottish government is committed to supporting the development of a labour market that provides sustainable and well-paid jobs, whilst addressing long-standing barriers to employment to give everyone the opportunity to fulfil their potential.

4.54 The Scottish government's approach to tackling youth unemployment, as set out in Chapter 3, includes: delivering 25,000 Modern Apprenticeship opportunities in each year of the current parliament, and expanding this to 30,000 per year by 2020; offering a place in education or training for all 16 to 19 years-old not currently in education, training or employment through the Opportunities for All programme; and implementing the recommendations of the Young Work Force Commission through "Developing the Young Workforce" – Scotland's refreshed youth employment strategy.[13]

4.55 Working with Local Employability Partners, Skills Development Scotland will provide 11,650 training places in 2016-17 through the Employability Fund to improve outcomes for people moving towards and into work. Its aim is to support activity that will help to develop the skills needed to secure a job or progress to more advanced forms of training. Since its introduction in 2013-14, the Employability fund has delivered over 40,000 training places, with 66% of those participating reporting a positive outcome in 2014-15.

4.56 The Scottish government is continuing to deploy its initiative for responding to redundancy situations through Partnership Action for Continuing Employment (PACE), a national strategic framework that ensures that local and national public sector agencies respond to potential and proposed redundancies as quickly, effectively and consistently as possible. Over the period April 2014 to March 2015, PACE has provided support to 12,161 individuals and 252 employers.

4.57 As well as helping people to enter and remain in employment, a central priority of the Scottish government is to encourage the private sector to adopt fair and inclusive workplace practices. A central part of Scotland's Economic Strategy is the Scottish government's Fair Work agenda, encompassing job security, fair reward and opportunities for personal and workplace development. A key initiative working as part of the Scottish government's Fair Work agenda is the Scottish Business Pledge, outlined in Box 4.A: below.

4.58 A Fair Work Convention was established following the recommendations of the Working Together Review.[14] The Convention has been tasked with providing independent advice to the Scottish government on matters relating to innovation and productive workplaces, Fair Work and the Living Wage in Scotland to support the Scottish government's objective to reduce inequality and promote diversity and equality. Following a period of extensive stakeholder engagement, the Convention will develop, promote and sustain a fair employment and workplace framework and advise the Scottish government on issues relating to Fair Work that are within the scope of the current devolution settlement. A practical blueprint for implementing Fair Work will be published in March 2016.

[13] http://www.educationscotland.gov.uk/Images/DYWResponseYouthEmpl%20Strategy_tcm4-853595.pdf

[14] http://www.gov.scot/Resource/0045/00457659.pdf

**Box 4.A: Scotland stakeholder focus: The Scottish Business Pledge**

The Scottish Business Pledge, launched in May 2015, is a shared mission between the Scottish government and businesses, with the goal of boosting productivity, competitiveness, employment, fair work and workforce engagement and development. By making their Pledge, companies demonstrate their commitment to shared values and to deliver them through their actions and future plans.

The Pledge has nine components:

1. Paying the living wage[15]
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

Up to February 2016, over 220 companies across a range of sectors from banking to hospitality had signed up to the Scottish Business Pledge. The Scottish government's Programme for Scotland 2015-16, sets out a commitment to continue raising awareness of the Pledge and encouraging more businesses to choose this route to productivity and business growth; fostering a business-led Pledge network to provide opportunities for companies to come together to learn from each other; and working with trade and business bodies to explore sectorial challenges and how they might be addressed.

4.59 On 6 October 2015, the Scottish government announced new statutory guidance on "Addressing Fair Work Practices, including Living Wage, in Procurement". This statutory guidance, published under section 29 of the Procurement Reform (Scotland) Act 2014, requires public bodies to consider, before undertaking a procurement exercise,[16] whether it is relevant and proportionate to include a question on fair work practices, which should be evaluated along with other relevant criteria, while ensuring the appropriate balance between quality and cost of the contract.

4.60 From 1 April 2017, powers over some contracted employment services for disabled people and those at risk of long-term unemployment will be devolved to Scotland. In order to ensure that the new services meet the needs of our future clients, the Scottish government undertook a wide-ranging consultation exercise last year. Scottish Ministers will outline their response to the consultation in due course. The focus initially for the launch of the new service will be on the most disadvantaged people in the labour market, including those with a disability but the service will continue to be developed until 2020.

[15] £8.25 per hour

[16] http://www.gov.scot/Publications/2015/07/9128/downloads#res-1

## Wales

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

4.62 This work is underpinned by the Skills Performance Measures, published in September 2014, which focus on jobs and growth, financial sustainability, equality and equity as well as international skills benchmarking.

4.63 In addition, the Welsh government has specific measures designed to address the employability of young people, such as traineeships, Jobs Growth Wales and the Apprenticeships Programme. Details of these programmes and other measures are outlined in the section covering the policy response to CSR 3 in Chapter 3 (see page 20).

4.64 Skills for Employment Wales is being developed using evidence and research gathered as part of an evaluation of adult provision. Work Ready, the interim adult skills programme is operating via the Work Based Learning network of training providers until 31 March 2016. Skills for Employment Wales will be an all Wales, all age programme from April 2016.

4.65 The Welsh government is working with internal and external stakeholders including the National Training Federation Wales (NTFW), JCP and the Department for Work and Pensions to ensure that programme development is influenced and informed by coherent strategic agreement across the Department for Education and Skills and its partners.

4.66 The Department for Education and Skills published its Footprint for ESF Delivery (2014 to 2020) in May 2014 and more recently a Footprint update report in December. The Footprint document provided detail of activities in relation to youth and adult employment and skills across Wales. It showed a clear link between proposed activity and the new ESF programme. It also contained a description of the employment and skills landscape operating across Wales.

4.67 The Footprint document has been superseded by the Employment Routes map, which was published in November 2015. Employment Routes aims to map funded provision and can be used as a mechanism for avoiding duplication across the skills delivery landscape.

4.68 Employment Routes will sit within the Skills Gateway, which is the Welsh government's mechanism for delivering an engagement, assessment and referral system that provides a seamless service for businesses and individuals seeking skills support in Wales. It underpins the delivery of, and provides the access point to, the wider integrated portfolio of employment and skills provision. It provides a key mechanism for benchmarking the relevance and suitability of skills provision and is a vital source of intelligence on skills and employment needs and opportunities.

4.69 Employment Routes aims to support individuals to enter employment through access to skills information, providing a bespoke employment route so that individuals can see where they are in their journey into employment or progression into work. It will present the progression opportunities available to individuals by using a series of 'tracks/routes' against which, all existing supported provision at a national and regional level will be mapped. It will also encourage businesses and their owners to invest in staff growth and personal development by clearly defining the opportunities available.

4.70 It will be a useful tool for referral agents to ensure that they are able to see the full journey and potential options for referral for individuals they are working with. The Welsh government continues to develop Employment Routes and hopes to shortly introduce an interactive tool.

4.71 Building on Employment Routes, the Welsh government will be undertaking a full review of ESF operations through the completion of ESF Priority Maps and the establishment and maintenance of a detailed operation database. These tools will enable the Welsh government to undertake a thorough analysis of the provisions within Wales and identify duplication and gaps.

# 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 objective

4.72 The government is working to achieve a highly educated society with opportunity for all children and young people, regardless of their background or family circumstances, and ensure that young people are prepared for adult life with the skills and characteristics to contribute to the society and economy and are able to access high-quality work or study options.

4.73 The government intends to enable young people to gain the knowledge they need to prepare them for adult life and work and ensure that employers have the skilled workforce that they need.

4.74 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

4.75 The government is committed to:

- empowering people to get on and fulfil their potential, contribute to economic growth and prosperity as the government recognises that investment in skills helps people find and keep jobs and increases workplace performance and productivity
- raising employer involvement in skills and ensure that individuals have the best opportunities to develop their skills and succeed in their future life
- ensuring that the skills' system delivers to the highest standards, is responsive to employer and learner needs, and helps Local Enterprise Partnerships (LEPs) and cities to grow

## Actions to achieve objective

### Standards

4.76 Ensuring young people have the fundamental skills of literacy and numeracy that are vital to success in later life is a priority for the government. The government has been introducing reformed, more rigorous GCSEs and A levels, which bring standards in line with other high-performing countries, pushing expectations and aspirations of young people and ensuring they can compete with peers across the globe to secure the government's vision of full employment.

4.77 Primary schools are making substantial gains. The percentage of pupils achieving the expected level in reading, writing and maths at age 11 has risen by 5 percentage points since 2013. Primary sponsored academies open for 2 years were 15 percentage points below the state-funded mainstream school average in 2013. This gap has narrowed by 5 percentage points at the same time that the average has increased.

4.78 At secondary level, the number of pupils taking core academic subjects at GCSE has also dramatically increased with the introduction of the English Baccalaureate – which pupils achieve if they secure a grade C or better GCSE in English, maths, 2  sciences, history or geography, and a language. Sponsored academies have reacted to the more rigorous accountability system. In 2011, 8.3% of their pupils were entered for the EBacc. In those same schools in 2015, it was almost a third (29.7%). This increase is over 4 percentage points more than the increase in all state-funded schools.

4.79 Across all state-funded schools in England, attainment of at least 5 GCSEs at grade C, including English and maths, increased by 0.5 percentage points to 51.7% between 2014 and 2015. Recently opened sponsored secondary academies are matching or bettering their academic performance year-on-year, overcoming the significant challenges of transforming underperforming schools. Secondary sponsored academies open for 2 academic years have improved results by 2.3 percentage points since 2013-14 compared with 0.4 points in local authority schools. The results were published in "SFR01/2016 Revised GCSE and equivalent results in England: 2014-15".[17]

4.80 Results in 2015 also show the impact of reforms that require all young people who do not achieve at least a C at GCSE in English or maths at 16 continue studying until they reach that standard. For 17-year-olds and over, entries in maths are up 30% while English entries have risen 23%. Compared to the previous year there are now over 4,000 more passes in English by students aged 17 and over, and over 7,500 more maths passes.

4.81 To improve young people's participation in education and training, the government has increased the age to which all young people in England are required to continue in education or training. Those pupils who left year 11 in summer 2014 are the first cohort required to continue until their 18th birthday. The government has committed to significantly increase the quality of apprenticeships in England and to deliver 3 million starts by 2020. By 2019-20, government spending on apprenticeships, including income from the apprenticeships levy on larger employers, will be double the level of spending in 2010-11 in cash terms.

4.82 The tertiary education attainment rate (the proportion of the population aged 30 to 34 having completed tertiary or equivalent education) has been increasing continually in England since 2000, reaching 47.7% in 2014, which is one of the highest rates in Europe and well above the EU average (37.9% in 2014). The main challenge for the higher education sector is to increase access for students from lower socioeconomic backgrounds.

### Disadvantaged children

4.83 Providing educational excellence everywhere is a key part of the government's mission to extend opportunities to every child. The government continues to invest in the pupil premium to raise the attainment of disadvantaged pupils. The government's attainment gap measure shows that the gap between disadvantaged pupils and their peers has narrowed by 6.6% since 2011, the year the pupil premium was introduced. This measure had showed a year-on-year narrowing between 2012 and 2014, though 2015 figures show a slight widening of the gap by 1.6%.

4.84 Under proposals published for consultation in March 2016,[18] the government has started the process of introducing a national funding formula from 2017-18. This will mean that funding for disadvantaged children will be based on pupils' characteristics (e.g. deprivation, low

[17] https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2014-to-2015

[18] https://www.gov.uk/government/consultations/schools-national-funding-formula

prior attainment, etc.). As part of this, local authorities will receive funding to help with their responsibilities towards young people with high-level special educational needs on a fair and formulaic basis, so that no pupil is disadvantaged simply by where they live.

## Schools

4.85 Better schools are the single greatest step the government can take towards an economy which is more productive, creates more jobs, and equips young people with the knowledge they need to succeed.

4.86 The government continues to increase autonomy for schools. There are now 5,133 open academies, of which 2,919 are primary schools and 2,003 are secondary schools.

4.87 The Education and Adoption Act delivers on the government's manifesto commitments to improve school standards across the country by tackling failing and coasting schools. The Act introduces measures designed to speed up the process by which the worst schools are transformed, removing bureaucracy and legal loopholes, in order to ensure schools receive the support and challenge they need to bring about rapid and sustained improvements. Action will be taken from day one to turn every failing school into an academy, giving sponsors clear responsibility and freedom to transform schools and to give children the excellent education they deserve.

4.88 The schools' budget is over £40 billion for 2016-17, including £2.5 billion for the pupil premium. This is the highest ever level of funding for schools of any government.

4.89 Budget 2016 accelerates the government's schools reforms throughout England. The government announced plans to:

- further devolve power to school leaders, expecting all schools to become academies by 2020, or to have an academy order in place to convert by 2022
- replace the existing system for allocating school funding with a National Funding Formula for schools from 2017-18; subject to consultation, the government's aim is for 90% of schools who gain additional funding to receive the full amount they are due by 2020; to enable this the government will provide around £500 million of additional core funding to schools over the course of the current Spending Review on top of the commitment to maintain per pupil funding in cash terms
- double the primary school physical education and sport premium from £160 million per year to £320 million per year from September 2017, in order to help schools support healthier, more active lifestyles, and provide up to £285 million a year to give 25% of secondary schools increased opportunity to extend their school day
- invest £20 million a year of new funding in a Northern Powerhouse Schools Strategy, to accelerate action to raise standards in underperforming areas of the North, for example by bringing in support from the best leaders and schools into these areas, and by boosting funding available for turn-around activity in coasting and vulnerable schools
- review the case for how to improve the study of maths from ages 16 to 18

4.90 The government is continuing and expanding programmes such as Teach First, School Direct and the National Teaching Service to recruit and retain the teachers we need to deliver educational excellence. The number of teachers in our schools is at an all-time high. There are now 454,900 full time equivalent (FTE) teachers, up 5,200 from last year. The government is piloting a project which will support a number of schools to recruit hundreds of teachers to return to the classroom in September 2016, to teach the core subjects that help young people reach their full potential.

4.91 The quality of entrants continues to be high, a record proportion of the 2015-16 cohort hold a first-class degree (18%). As of 2015, the proportion of all teachers with a degree or higher is 96.6% and has risen by 1.8 percentage points (from 94.8%) since 2011.

### Lifetime learning

4.92 At Budget 2016, the government announced that:

- for the first time, direct government support would be made available to adults wishing to study at any qualification level, from basic skills right the way up to PhD
- loans of up to £25,000 would be available to any English student without a Research Council living allowance who can win a place for doctoral study at a UK university
- it would review the gaps in support for lifetime learning, including for flexible and part-time study

## Devolved administrations

### Northern Ireland

4.93 The Northern Ireland Executive's key policy for raising standards is "Every School a Good School"[19] – a policy for school improvement which is focussed on ensuring that every young person fulfils his or her full potential at each stage of their development.

**Box 4.B: Northern Ireland stakeholder focus: Creative Learning Centres**

The network of Creative Learning Centres (CLCs) in Northern Ireland is an internationally renowned and innovative model supporting teachers and embedding digital technology skills in the classroom. They are funded by the Northern Ireland Executive through the lead agency for the film, television and digital content industry, Northern Ireland Screen. The CLCs offer a range of integrated creative digital technology skills programmes for teachers, youth and community leaders and young people to build sustainability in the schools and youth sector. A key element of the service provides professional development programmes for teachers and youth leaders. The Education and Training Inspectorate's reports of the CLCs have demonstrated the valuable contribution they make in supporting schools and the Northern Ireland curriculum.

A survey, funded by the EU Commission's MEDIA Unit in 2012 and carried out by a consortium led by the British Film Institute, examined film education in 32 countries. It concluded that Northern Ireland Screen's film education strategy was "one of the most successful and long established strategies of its kind in Europe". In 2014-15, 3,767 teachers took part in CLC programmes and 79.9% of the activity involved schools or groups from areas of disadvantage.

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

[19] https://www.deni.gov.uk/publications/every-school-good-school-policy-school-improvement

4.95 These barriers to learning are not divorced from the influence of parents and the wider community. Therefore other interventions are in place, aimed at encouraging and helping parents and local communities, particularly parents of socially disadvantaged pupils, to engage with and support their children's education. These include for example, the Education Works campaign.[20]

## Scotland

4.96 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.

4.97 On 6 January 2016, the Scottish government launched the National Improvement Framework for Scottish Education,[21] which sets out the Scottish government's vision and priorities for Scottish children's progress in learning. The vision is made up of:

- excellence through raising attainment: ensuring every child achieves the highest standards in literacy and numeracy, and the range of skills, qualifications and achievements to allow them to succeed
- achieving equity: ensuring every child has the same opportunity to succeed regardless of their background

4.98 The current priorities for the National Improvement Framework, are:

- improving attainment, particularly in literacy and numeracy
- closing the attainment gap between the most and least disadvantaged children
- improvement in children and young people's health and wellbeing
- improvement in employability skills and sustained, positive school leaver destinations for all young people

4.99 Actions for 2016 as part of the Framework include development of national standardised assessments in primary and early years of secondary school to inform teacher judgement of children's progress. Over time, the Framework will provide a level of robust, consistent and transparent data, to extend our understanding of what works to drive improvements across all parts of the education system.

4.100 The Scottish Attainment Challenge will accelerate targeted improvements in literacy, numeracy and health and wellbeing for children in our most deprived communities. The Challenge is funded through the Attainment Scotland Fund. In February 2016, the Deputy First Minister announced plans to double the amount of funding allocated to the Attainment Scotland Fund over the next 3 years from £80 million to £160 million, bringing the total investment over 2015 to 2019 to £180 million. As part of the fund, all schools and local authorities have access to a named Attainment Advisor, one per local authority, a virtual National Hub of educational expertise and a £1.5 million Innovation Fund which will support other schools (including secondary schools) across Scotland explore and develop innovative approaches to raising attainment.

4.101 Seven local authorities have been selected as the first "Challenge" Authorities, and each is developing a bespoke improvement plan to put in place effective interventions in education. The

[20] http://www.nidirect.gov.uk/education-works

[21] http://www.gov.scot/Publications/2016/01/8314

initial focus of the fund has been in Glasgow, Dundee, Inverclyde, West Dunbartonshire North Ayrshire, North Lanarkshire and Clackmannanshire. A further 57 schools in 14 other local authorities have been selected as the next tranche of the Attainment Fund, providing support for the most hard pressed local communities in Scotland.

4.102 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 to enable them to continue to stay in education and learning beyond the school leaving age. In academic year 2013-14, £28.2 million of funding was provided to support 34,955 young people in schools and colleges. Over a third (34%) of all school pupils in Scotland received an EMA payment in 2013-14. In January 2016, the programme was expanded to include part-time non-advanced college courses and the income thresholds were increased.

4.103 The Scottish government is committed to ensuring that access to higher education remains free for Scottish-domiciled students, and is investing over £1 billion in Scotland's higher education sector in 2016-17 to support this. In addition, The Scottish government's Draft Budget for 2016-17 confirmed that college funding levels would be maintained at 2015-16 levels to build on the sector's strengths in delivery of relevant, high-quality learning connected to the needs of their regions.

4.104 The Scottish government is committed to providing student support. The current 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 £17,000 (rising to £19,000 in the academic year 2016-17), and a student loan of £4,750 a year which all students are eligible for. Part-time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition fee costs. Over the academic year 2014-15, over £780 million of student support,[22] covering tuition fees, grants, bursaries and authorised loans, was allocated through the Student Awards Agency for Scotland (SAAS) to 139,370 full-time higher education students.

4.105 The current phase of the Scottish government's £1.8 billion school building programme, Scotland's Schools for the Future,[23] will see the construction or refurbishment of over 112 schools in Scotland, benefitting over 60,000 pupils, by March 2020. These schools will be built in every part of Scotland, in partnership with local authorities. To date, 23 schools are operational (15 primary, 1 additional support needs and 7 secondary schools. There are 30 schools currently in construction (14 secondary, 15 primary and 1 additional support needs).

## Wales

4.106 The Welsh government's Youth Engagement and Progression Framework, which was published in November 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.

4.107 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.

[22] http://www.saas.gov.uk/_forms/statistics_1415.pdf

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

4.108 Provisional figures from the Welsh government reveal that 19,330 learning programmes were started by apprentices in Wales (at levels 2 to 4 and above) in 2014-15, compared with 27,485 in 2013-14, 28,030 in 2012-13 and 17,910 in 2011-12.

# Social exclusion and poverty reduction

**June 2010 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

4.109 The government is committed to working to eliminate child poverty and to improving life chances for children. Work is the best route out of poverty and therefore the government continues to focus on improving work incentives and ensuring that people have the skills and the opportunities to move into employment. The government is determined to tackle the root causes of poverty and believes that its Life Chances approach will drive continued action on work and education, areas which will make the biggest improvement for disadvantaged children now and in the future.

4.110 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. The devolved administrations are responsible for their own policy direction in all other areas, for example education.

## Policy context

4.111 With improvements in the economy, there are now record numbers of people in work and workless households are at an all-time low, including the number of children living in workless households. The number of children living in relative poverty is at the lowest level since the mid-1980s. 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.

4.112 The Welfare Reform and Work Act received Royal Assent on 16 March. This will change the name of the Child Poverty Act 2010 to the Life Chances Act 2010, which introduces a new statutory duty to report on worklessness and educational attainment in England. The government is committed to publishing a new Life Chances Strategy, which will set out how it will tackle the root causes of poverty through a comprehensive plan to fight disadvantage and extend opportunity.

## Actions to achieve objective

### Welfare reform

4.113 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 get a job 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 continue to get support to increase their earnings whether they are in work or out of work.

4.114 The government 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 increased from 57% in Q2 2010 to 64% in Q2 2015, and is now the highest rate since 1996.

### Troubled Families

4.115 The cross-departmental Troubled Families Programme, begun in 2012 and delivered through local authorities on a payment by results basis, has improved the lives of almost 117,000 families, as of May 2015. This has been achieved by getting children back into school, and significantly reducing youth crime and anti-social behaviour, as well as more than 1 in 10 families on the programme seeing an adult move off benefits and into continuous employment.

4.116 In June 2013, the government announced that it would be extending the programme for another 5 years, with the aim of working with 400,000 more families, and with funding of £200 million committed for the 2015-16 financial year.

### Preventing homelessness

4.117 Spending Review and Autumn Statement 2015 announced a real terms protection for central funding for homelessness, demonstrating the government's commitment to support the most vulnerable in society. This funding will support wider work to reform and refocus the system on preventing homelessness.

4.118 To further support rough sleepers off the streets and to help those who are recovering from a homelessness crisis, Budget 2016 announced:

- the investment of £100 million to deliver low cost "second stage" accommodation for rough sleepers leaving hostel accommodation and domestic abuse victims and their families moving on from refuges; this will provide at least 2,000 places to enable independent living for vulnerable households and individuals, freeing up hostels and refuges for those in the most acute need
- the investment of £10 million over 2 years to support and scale up innovative ways to prevent and reduce rough sleeping
- a doubling of the funding for the Rough Sleeping Social Impact Bond announced at Spending Review and Autumn Statement 2015, from £5 million to £10 million

### Youth Engagement Fund

4.119 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 longer 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 become 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

4.120 Creating opportunities, tackling disadvantage and improving health and well-being is referenced as Priority 2 in the Northern Ireland Executive's Programme for Government.[24] This priority seeks to address the challenges of disadvantage and inequality that afflict society and to address the relatively poor health and long-term shorter life expectancy of our population. Its purpose is to stimulate interventions that break the cycle of deprivation, educational under-achievement, and to address health inequalities and poor health and wellbeing as well as economic disengagement. Examples of initiatives taken forward are provided below.

4.121 The Delivering Social Change Signature Programmes[25] have been implemented to improve literacy and numeracy levels, offer increased family support and to support job creation within local communities with £27 million being committed to these programmes between October 2012 and March 2016.

4.122 The "Programme for Government 2011-15" also committed to help individuals and families who are facing hardship. It included a £13 million fund (from year 2012-13 to year 2014-15) to deliver the "Tackling Rural Poverty and Social Isolation Programme", which provides support to vulnerable people in rural communities, targeting poverty and social isolation. The Tackling Rural Poverty and Social Isolation Programme was extended for 1 year (2015-16), with a budget of £4.7 million and is on course to achieve this spend target.

### Scotland

4.123 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

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

[25] https://www.ofmdfmni.gov.uk/topics/social-change/delivering-social-change-signature-programmes

in the early years, promoting fair work and protecting households from current economic pressures – is embedded in the foundations of Scotland's Economic Strategy.

4.124 The Scottish government fully supports the Living Wage Campaign and recognises the real difference that fair pay makes in both reducing inequalities and improving productivity. To this end the Scottish government is protecting the pay of the lowest earners which it has direct responsibility for by committing to support the Living Wage in our public sector pay policy.

4.125 We are committed to encouraging an increased number of employers paying the Living Wage across all sectors in Scotland, and we set a target of 500 Scots-based living wage accredited employers by the end of March 2016 and we are working with the Poverty Alliance to achieve this. To February 2016, over 470 Scottish-headquartered organisations had become accredited living wage employers.

4.126 In order to understand the issues standing in the way of achieving social justice across Scotland, the Scottish government launched a national conversation on "Creating a Fairer Scotland" in June 2015. The intention of the consultation was to speak to as many people as possible to hear first-hand from those with lived experience of poverty and inequality, to understand the issues that matter to them and how Scotland can become fairer by 2030. Over 7,000 people have taken part in the Fairer Scotland public events, and a summary of the discussion was published in March 2015.[26] It identified issues around 5 key themes: work and living standards; homes and communities; early years, education and health; community participation and public health; and respect and dignity. A social justice plan is being developed which will take into account the responses to the Fairer Scotland Consultation.

4.127 The Scottish Welfare Fund is providing crisis grants and community care grants which can act as a safety net in an emergency when there is a threat to health and safety, or enable independent living, preventing the need for institutional care. The fund is delivered by local authorities, meaning the scheme is tailored to meet local needs. From April 2013 to September 2015, £81 million has been spent, supporting around 178,000 vulnerable households on low incomes, including around 59,000 families with children. Around half of all funding has gone to communities in the 20% most deprived areas of Scotland. Initially established on an interim basis, the Welfare Fund will be set in a permanent, statutory footing from 1 April 2016 through the Welfare Funds (Scotland) Act 2015.

4.128 The Community Empowerment (Scotland) Act 2015[27] strengthens opportunities for communities to take action to achieve their own goals and aspirations, including through the ownership of land and buildings, and to have their voices heard in the decisions that affect them. This includes provisions which extend the community right to buy, making it simpler for communities to take over public sector land and buildings, and strengthening the statutory base for community planning, for example.

4.129 The Scottish government's Regeneration Strategy[28] responds to the challenges faced by the most disadvantaged communities to help create a Scotland where all places are sustainable and where people want to live, work and invest. To support regeneration, the Scottish government is providing £12.6 million in 2015-16 to support 197 community-led projects in disadvantaged communities across Scotland. The £25 million per annum Regeneration Capital Grant Fund has approved 40 projects to deliver large-scale improvements to deprived areas. Approved projects for 2016-17 include community and leisure centres, and creative industry hubs.

[26] http://www.gov.scot/Publications/2016/03/8727/downloads

[27] http://www.gov.scot/Topics/People/engage

[28] http://www.scotland.gov.uk/Publications/2011/12/09110320/0

## Wales

4.130 The Welsh government remains committed to the overarching ambition of eradicating child poverty by 2020.

4.131 To support low income households, a range of different policies and programmes are being taken forward. The Welsh government is tackling poverty through mainstream initiatives, with support from specific tackling poverty programmes: Communities First, Families First, Flying Start, Supporting People and Vibrant and Viable Places.

4.132 The Children and Families (Wales) Measure 2010 placed a duty on the Welsh government to publish a Child Poverty Strategy for Wales. The Welsh government published its first Child Poverty Strategy for Wales in February 2011. The Strategy set 3 strategic objectives for tackling child poverty:

- to reduce the number of children living in workless households
- to improve the skills of parents and carers to enable them to secure well paid employment
- to reduce the inequalities which exist in the health, education and economic outcomes of low income families, by improving the outcomes of the poorest

4.133 In 2015, a revised strategy was produced which reaffirmed the Welsh government's ambition to eradicate child poverty by 2020 and our commitment to deliver the 3 strategic objectives of the 2011 strategy, but added 2 new objectives. The first focusses on using all available levers to create a strong economy to support the poverty agenda and address in-work poverty. The second aims to support families living in poverty to increase household income and address the poverty premium. Recognising the changing characteristics of poverty in Wales – the revised strategy also includes 5 new priorities, where further action will be taken forward. These 5 priorities include reducing in-work poverty, tackling food poverty, housing and regeneration, mitigating the impacts of welfare reform and childcare.

4.134 In 2012, the Welsh government published a tackling Poverty Action Plan for Wales that set out a range of different actions and commitments. This Action Plan was refreshed in 2013, to include specific milestones and targets – with a particular emphasis on tackling worklessness, preventing poverty in the longer term (for example by improving educational outcomes and increasing skills) and mitigating the impacts of poverty. The Welsh government has committed to reporting on progress through an Annual Report. The annual report provides us with the opportunity to refresh the agenda, and include new actions and commitments being taken forward to deliver the objectives of both the Child Poverty Strategy and the 2013 Action Plan. The last annual report on the Welsh government's Tackling Poverty Action Plan was published in July 2015.

# 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.

## Government objective

4.135 The UK government's strategy is outlined in the December 2014 publication "Our Plan for Growth: science and innovation".[29] This set a clear vision of making the UK the best place for science and business.

## Policy context

4.136 The Department for Business, Innovation and Skills (BIS) is ensuring that the UK is the best place in Europe to innovate and maintains our world-leading research and science base to drive growth and productivity. The Spending Review and Autumn Statement 2015[30] ensures the UK remains a world leader in science and research by investing £6.9 billion in capital funding. The government also committed to protect the £4.7 billion resource funding for science in real terms for the rest of the Parliament.

4.137 The continued success of government policies in terms of research and development (R&D) and innovation is reflected in:

- the UK maintaining second place in the WIPO / INSEAD Global Innovation Index[31]
- the UK's first place ranking for top-quality published research against other core countries[32]

4.138 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. These responsibilities include higher education and the funding of universities; and while responsibility for the Research Councils rests with the UK government, the devolved administrations also have important responsibilities for the funding of research, particularly in universities.

## Actions to achieve objective

### Deciding priorities

4.139 The government is setting the economic conditions to enable business to invest in the technology and skills it needs to compete and to deliver productivity growth. The report 'Fixing the Foundations',[33] published in July 2015, sets out the government's approach to delivering productivity growth. The approach to working with industry focusses on:

[29] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387780/PU1719_HMT_Science_.pdf
[30] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf
[31] https://www.globalinnovationindex.org/content/page/data-analysis/
[32] https://www.gov.uk/government/publications/performance-of-the-uk-research-base-international-comparison-2013
[33] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443898/Productivity_Plan_web.pdf

- supporting businesses to invest, grow and prosper in the UK
- promoting the UK as a world leader in disruptive and emerging technologies
- making the UK the best place in the world to start up and grow a business

4.140 The government is doing this by focusing on the skills businesses and individuals need most and by increasing long-term investment in science and research, in order to maintain the UK's position as a global leader and make the country the best place in Europe to innovate and patent new ideas.

### Nurse Review

4.141 In December 2015, Sir Paul Nurse set out his plan to bring together the 7 Research Councils under the banner of Research UK.[34] As the Chancellor confirmed in Spending Review and Autumn Statement 2015, the government is now moving forward with these recommendations. The objective is to preserve what works well, and build a stronger base for the future. The government has made clear its commitment to retain the dual support system and the Haldane principle. These are vital characteristics of our research base.

### Nurturing new scientific talent

4.142 The UK has the most productive research base in the G7 in terms of papers and citations per unit of GDP, and is the leading nation in terms of the Field Weighted Citation Impact (FWCI) amongst core comparator countries with large research bases (G7 plus China).[35]

4.143 Details of the funding the government makes available are as given in the "Allocation of Science and Research Funding 2015/16".[36]

4.144 The Allocation for Science and Research Funding published in March 2016 will support investment in infrastructure through World Class Laboratory Capital funding, which will make £3 billion available from 2016-17 to 2020-21 to maintain and refresh the UK's existing infrastructure. Grand Challenges Capital will make £2.9 billion available for investment over the same period in priority Grand Challenge projects when underpinned by a sound business-case.

### Innovate UK

4.145 The vision of Innovate UK – an executive non-departmental public body acting as the UK's innovation agency – is for the UK to be a global leader in innovation and a magnet for innovative businesses.

4.146 Following the Spending Review and Autumn Statement 2015, Innovate UK is now developing a new 5-year Strategic Plan which will be published in the spring. It will also be publishing its annual Delivery Plan (2016-17) at that time and is in the process of simplifying the way that it works and provides support to businesses. The new strategic plan will be based on its current 5 point plan:

- accelerating UK economic growth, nurturing small, high-growth companies, helping them to become high-growth mid-sized companies with strong productivity and export success

[34] https://www.gov.uk/government/collections/nurse-review-of-research-councils

[35] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263729/bis-13-1297-international-comparative-performance-of-the-UK-research-base-2013.pdf

[36] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/332767/bis-14-750-science-research-funding-allocations-2015-2016-corrected.pdf

- building on innovation excellence throughout the UK, investing locally in areas of strength
- developing Catapults within a national innovation network, to provide access to cutting edge technologies, encourage inward investment and enable technical advances in existing businesses
- working with the research community and across government to turn scientific excellence into economic impact, and improve efficiency
- evolving our funding models; exploring ways to help public funding go further

4.147 The government will maintain support for Innovate UK in cash terms, through the introduction of new finance products to support companies to innovate. This would follow best practice in countries such as France, Finland and the Netherlands. These will replace some existing Innovate UK grants, and reach £165 million per year by 2019-20.

4.148 Evidence shows that, to date, Innovate UK's investments have generated a return to the UK economy of between £6 and £9 of additional value for each £1 of public money invested. Evidence also shows that receiving a government innovation grant:

- increases a business' own spending on R&D by 30%
- makes businesses over 40% more likely to market new products
- 40% more likely to engage in product innovation
- almost 30% more likely to employ science, technology, engineering and mathematics graduates.

## Dowling Review

4.149 Professor Dame Ann Dowling's Review on business-university collaboration was published on 2 July 2015.[37] The report concludes that the UK has a good record in university-business research collaboration but it is not reaping its full potential. The overarching recommendation was that public support for the innovation system is too complex and acts as a barrier to collaboration, particularly with smaller businesses. The review made 32 recommendations in 6 themes aimed at various stakeholders including the government, funding bodies, business and universities.

4.150 The government has welcomed the review and the conclusions it has reached. The government is grateful for the insights and recommendations it provided, in particular the need to simplify our support for research and innovation. A new strategy will be published which will guide Innovate UK's annual delivery plans from April 2016 onwards. The government will take forward other recommendations as part of the wider reform of research and innovation that the government is now preparing.

## R&D tax credits

4.151 In the financial year ending 31 March 2014, 18,000 companies used the R&D tax credit scheme to claim tax relief or tax credit, claiming a total of £1.7 billion. R&D expenditure used to make supporting these claims totalled £14.3 billion. There are separate schemes for SMEs and large companies.

[37] http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research

4.152 The Patent Box 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. Further to an international agreement, the Patent Box will change from July 2016 onwards to make the lower effective tax rate dependent on, and proportional to, the amount of R&D expenditure incurred by the claimant UK taxpayer. Existing Patent Box claimants will benefit from grandfathering provisions until July 2021. Most recent costings, from Budget 2013, estimated costs of £350 million in 2013-14 and £640 million in 2014-15.

4.153 For capital equipment, 100% tax relief is available for capital expenditure incurred in the course of R&D activities.

4.154 The government also encourages private individuals to make early stage investments in growth companies, which would 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, the Seed Enterprise Investment Scheme and Venture Capital Trusts (VCT). So far, the schemes have collectively supported more than 23,000 companies to raise over £18 billion. The government has recently received state aid approval for both EIS and VCT to provide additional support for knowledge intensive firms, recognising the more acute challenges faced by innovative companies.

## Science and Innovation Audits (SIAs)

4.155 SIAs were launched in November 2015.[38] They are intended to be a new way to explore and encourage the links between research excellence in an area, the innovation that comes from it, and productivity in that area. The government invited universities, research and innovation organisations, LEPs and businesses to form into consortia with a geographical locus and apply to undertake an SIA.

4.156 The government intends the SIAs to identify and validate clusters with potential for global competitive advantage across the UK, provide evidence to help underpin future investment decisions and catalyse collaboration and leadership between groups that are often incentivised to compete. The window for initial expressions of interest to undertake an audit closed on 29 January 2016 and consortia are being selected to take forward the first wave.

## Regional Smart Specialisation Strategy

4.157 England published its Smart Specialisation Strategy in August 2014.[39] The Strategy is kept under review to ensure it remains current and reflects the evolving priorities of Smart Specialisation at national and local level.

4.158 Input on the implementation and development of the Smart Specialisation Strategy is being provided by the Smart Specialisation Hub, established in November 2015. It is delivered jointly on behalf of the government by the Knowledge Transfer Network and the National Centre for Universities and Business. The Hub is also strengthening England's innovation ecosystems in a range of ways, including:

- providing co-ordination across England on smart specialisation, and working with the devolved administrations to ensure smart specialisation strategies across the UK are (where possible) aligned
- helping LEPs to review their Innovation strategies in the context of smart specialisation

[38] https://www.gov.uk/government/publications/science-and-innovation-audits-submit-an-expression-of-interest

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

- identifying partnering opportunities across local areas and regions
- sharing best practice
- acting as an observatory; collecting and analysing data to build a strong evidence base on England's strengths, including on cluster strengths
- developing a network of smart specialisation experts able to provide advice at a local and national level

4.159 The Hub's work is under way and will pick up pace over the coming months. At this point, more than half of LEPs have engaged with the Hub through innovation review and scoping workshops, and this coverage will increase rapidly.

## Global science and innovation

4.160 The UK has a uniquely strong internationally connected research base and is a destination of choice for high-quality researchers. The UK remains an attractive R&D destination, drawing very large amounts of foreign investment in R&D with a uniquely high percentage of business R&D financed from overseas.

4.161 The government has established strong platforms for innovation collaboration with China and India and is developing one with Brazil, whilst offering greater support for UK organisations looking for collaboration partners or trading and investment opportunities overseas.

4.162 A key instrument in delivering policy is the Newton Fund, part of the UK's official development assistance. Its aim is to develop science and innovation partnerships that promote the economic development and welfare of developing countries. The fund was originally intended to be £75 million each year from 2014 for 5 years. In Spending Review and Autumn Statement 2015, it was announced that the timeframe would be extended from 2019 to 2021 and that the funding would be doubled to £150 million by 2020-21.[40]

4.163 The fund will build scientific partnerships with 15 countries to support their economic development and social welfare. The funding will leverage additional funding from:

- partner countries
- private foundations
- multi-lateral organisations
- corporate partners

4.164 The fund covers 3 broad categories of activity:

- people: improving science and innovation expertise (known as 'capacity building'), student and researcher fellowships, mobility schemes and joint centres
- research: research collaborations on development topics
- translation: innovation partnerships and challenge funds to develop innovative solutions on development topics

4.165 At Spending Review and Autumn Statement 2015, the government also announced a new Global Challenges research fund of £1.5 billion over the next 5 years. This will ensure UK science takes a leading role in addressing the problems faced by developing countries.

[40] https://www.gov.uk/government/news/johnson-sets-out-measures-to-make-uk-best-place-in-world-to-do-science

4.166 UK Trade and Investment (UKTI) works with UK based businesses to ensure their success in international markets through exports. We encourage and support overseas companies to look at the UK as the best place to set up or expand their business. To do this UKTI manages a number of initiatives:

- UKTI launched the Exporting is GREAT campaign[41] in November 2015 to help encourage more businesses to export
- UKTI coordinates the government's strategic relationship management (SRM) with the largest global corporates, the aims of which include promoting R&D collaboration and investment in the UK

## Devolved administrations

### Northern Ireland

4.167 The Northern Ireland Executive's Innovation Strategy[42] set out a range of actions with the key objective of transforming Northern Ireland's economy into one of the most innovative in the United Kingdom. In 2014, total Northern Ireland investment in R&D was £602.3 million.

4.168 Encouraging collaboration and accessing external knowledge are central to moving to a more open innovation system and increasing productivity and growth. The Executive has therefore prioritised completion in collaborative R&D programmes such as Horizon 2020 and has set a target of drawing down €145 million of Horizon 2020 funding by 2020. The most recent data in January 2016 shows that Northern Ireland has secured £47.6 million of Horizon 2020 funding. This includes a successful bid for a €5.2 million Horizon 2020 Pre-commercial Procurement (PCP) to improve recovery of stroke patients (including €3.6 million of costs from the EU). This is the first Horizon 2020 PCP awarded to the UK.

### Scotland

4.169 Scotland's Economic Strategy identifies that entrepreneurial and innovation activity is a key driver of sustainable economic growth. The Scottish government's approach is set out in Scotland CAN DO,[43] a framework which sets out the priority areas for Scotland to become a world-leader in innovation and entrepreneurship.

4.170 Scotland remains an important participant in Horizon 2020, the EU's programme for Research and Innovation. Data to October 2015[44] indicated that Scottish organisations secured in excess of €158 million, representing around 11% of total funding awarded to UK organisations. Scottish Higher Education organisations and research institutes have been the main beneficiaries, securing over 83% (€132 million) of all funding awarded to Scottish organisations.

4.171 Scotland continues to be a leading member of the Vanguard Initiative[45] and has had a major role in shaping its work and direction. The Vanguard Initiative is a pioneering new approaches to support EU industry internationalisation and competitiveness (see Box 4.C: below)

41 https://www.exportingisgreat.gov.uk

42 https://www.detini.gov.uk/publications/northern-ireland-innovation-strategy

43 http://www.gov.scot/Resource/0043/00438045.pdf

44 Figures based on data received via BIS: 2015/10/29 on money awarded across Europe

45 http://www.s3vanguardinitiative.eu/

**Box 4.C: The Vanguard Initiative**

The Vanguard Initiative was launched by EU regions who committed to engage in growth-oriented collaborations. Joint investments are at the core of the Vanguard Initiative approach. The Vanguard Initiative is working to generate financing and investment models for the joint demonstration cases. This includes exploring how the full range of public and private funds and instruments can be used. In addition, the Vanguard Initiative is also considering developing bespoke financial instruments and is investigating proposals for an interregional investment platform to build innovative co-investment schemes and to support the development of a credible and investable project pipeline.

Scotland participates in three of the five joint demonstration cases that are driving forward the work of the Vanguard Initiative and is seen as a partner of choice amongst member regions. These projects include demonstration cases in the fields of bio-economy and efficient and sustainable manufacturing.

Scotland jointly leads a pilot project with the Basque Country on the development of advanced manufacturing for energy related applications in harsh environments. The aim is to strengthen a sector of European manufacturing that is well positioned to dominate global markets. After an initial mapping exercise and development of a technology roadmap a database was created with over 300 companies and organisations. Regional experts have been identified to lead in key areas of interest and propositions from key actors were further developed at an event in Brussels.

The matchmaking event was held on 25 February 2016, supported by €400,000 of funding by DG REGIO. The event was used to move the joint demonstration cases further forward and brought together Regional Technology Offices, companies and investors in focussed partnering sessions as well as parallel sessions including one from the European Investment Bank and the European Fund for Strategic Investment (EFSI).

4.172 The Scotland CAN DO Innovation Forum,[46] which draws its membership from the Scottish government, businesses, and third sector partners, is focusing on increasing the contribution that innovation can make to the economy through driving up levels of business innovation. This is supported by the Innovation Scotland Policy Forum (ISF),[47] which is now a delivery group of the Scotland CAN DO Innovation Forum, is working to enhance university-business engagement and greater collaboration between business and academia.

4.173 Scotland's network of Innovation Centres[48] bring together university staff, research institutes, businesses and others to enhance innovation and entrepreneurship across Scotland's key sectors. There are currently 8 centres in Scotland, collectively spanning across stratified medicine, sensors and imaging systems, digital health, industrial biotechnology, oil and gas, big data, constructions and aquaculture. The centres are being supported by up to £124 million of funding from the Scottish government over 2013 to 2019, which is being administered by the Scottish Funding Council.

4.174 The Scottish government's £1 million Innovation Challenge Fund aims to encourage collaborative multi-disciplinary responses to Scotland's industrial and societal challenges. The Challenge calls for joint working across the Innovation Centres to deliver activities that

[46] http://www.gov.scot/Topics/Economy/candoinnovationforum
[47] http://www.gov.scot/Topics/Education/UniversitiesColleges/16640/UniversitiesColleges
[48] http://www.sfc.ac.uk/funding/FundingOutcomes/KnowledgeExchange/InnovationCentres/InnovationCentres.aspx

demonstrate feasibility and routes to development in solutions to key issues. The first year of the challenge is 2016-17, and its focus this year is "Transforming Cancer Care in Scotland" with three Innovation Centres working on this Cancer Care challenge in partnership with the Chief Scientist Office and the NHS. In future years, it is envisaged that the fund will focus on other challenges of national importance to Scotland.

4.175 The Scottish government is continuing to provide support for Interface,[49] the free, national service which match-makes businesses with research resources in Scotland's universities and research centres. Since 2006, Interface has introduced over 2,149 businesses to academic partners, resulting in 1,250 company and university collaborative projects initiated. From these services 79% of Interface client companies have or will increase their turnover.

4.176 In addition to supporting innovation activity in Scotland, the Scottish government is increasing its support of international collaboration by piloting Innovation and Investment Hubs in Dublin, London and Brussels. The Hubs, supported by a commitment of £3.5 million through the Scottish government's Draft Budget 2016-17, are tasked with securing research and innovation partners, investors in Scottish innovation, and building on established exporting and inward investment expertise. The Hubs will provide a focus for Scottish companies and innovation centres to maximise their links outside of Scotland.

### Wales

4.177 The Sêr Cymru programme is supported by the Welsh government and the Higher Education Funding Council for Wales (HEFCW) with the aim of attracting world class academic researchers to Wales. The Sêr Cymru programme has appointed 4 'Star' research chairs, 2 in Swansea University and 2 in Cardiff University. With each research chair, a number of Research Fellows and Ph.D. studentships have been awarded thus making up teams of researchers. In addition, 3 National Research Networks have been implemented, one in each of the Grand Challenge areas of Advanced Engineering and Materials, Low Carbon, Energy and Environment and Life Sciences and Health. These networks share funding of £21.3 million over 5 years.

4.178 A follow-on programme, known as Sêr Cymru 2, has been developed and launched in late 2015. This is aimed at recruiting 'Rising Stars', appointing more Research Fellows and a special programme aimed at returning talent, that is recruiting researchers who have left research for family reasons. Sêr Cymru 2 is funded by the Welsh European Funding Office, the Welsh government and the Welsh HEI Sector.

4.179 The wider Sêr Cymru programme has been developed further by the launch of COFUND to attract Research Fellows into Wales. This is funded by the Marie Sklodowska-Currie Horizon 2020 fund and aims to appoint up to 90 Research Fellows in Welsh universities. COFUND is part funded by Horizon 2020, Welsh government and the HEI Sector.

4.180 The new £63 million European Regional Development Fund (ERDF) funded SMARTCymru operation has been approved. 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.

4.181 A new ERDF funded SMART Expertise operation will replace the previous Academia for Business (A4B) programme. This 6 year operation will fund research organisations, including universities, to undertake industry led collaborative R&D projects. The programme will provide support for 120 projects having a total value of £51 million involving 320 collaborative partners

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

providing £21 million of private sector investment. This will deliver 132 new to market or company products, processes or services. A major aim of these projects will be to compete for subsequent funding from other sources such as Innovate UK or Horizon 2020.

4.182 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.

4.183 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.

4.184 The new £21 million ERDF funded SMARTInnovation operation, the replacement for the previous Business Innovation Programme, has been approved. The 8 year operation aims to increase the 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 will assist companies to access a wide range of financial support including SMARTCymru, SMARTExpertise, Innovate UK and Horizon 2020.

# 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

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

4.186 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

4.187 In December 2015 a historic deal was struck at the United Nations Climate Change Conference in Paris. For the first time ever 195 countries committed to act together to combat climate change and be held equally accountable. The deal means that countries will now have to come together regularly to review their climate plans and collectively ensure that the necessary action is being taken to tackle climate change.

4.188 The Climate Change Act 2008 established legally binding carbon budgets putting us on a cost effective pathway to reduce our emissions by at least 80% from 1990 levels by 2050. The UK overachieved on the first carbon budget (2008 to 2012) and the latest projections suggest the UK is on track to meet the second carbon budget (2013 to 2017) and third carbon budget (2018 to 2022).

## Actions to achieve objective

### Renewable energy

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

4.190 The Electricity Market Reform (EMR), published in 2012, has set out a framework for encouraging investment in low carbon electricity generation (an estimated £100 billion of capital investment will be needed in the electricity sector over the next decade). Alongside investment, the EMR also set out an Electricity Demand Reduction pilot and ensured security of supply through the Capacity Market mechanism.

4.191 In particular, the Contracts for Difference (CfDs) scheme aims at reducing risk barriers to investment in low carbon technologies. The first competitive CFD auction was completed in March 2015. Twenty-five contracts worth over £300 million per year were signed by a range of developers across the UK. This could deliver over 2 gigawatt (GW) of new renewable capacity; enough to power over 1.4 million homes whilst reducing $CO_2$ emissions. Competition in the CfD auctions also led to a reduction in costs for consumers. At At Budget 2016, the government announced that it will auction CfDs of up to £720 million this Parliament for up to 4GW of offshore wind and other less established renewables, with a first auction of £290 million.

4.192 Existing support for renewable energy also include:

- **The Renewables Obligation** (RO). Introduced in 2002, the RO has been 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 from 3.1GW in 2002 to 24.6GW in 2014. On an international definition basis, the proportion of electricity generation from renewables in the UK has increased from 1.8% in 2002 to 19.1% in 2014. The scheme will close to new capacity in 2017 as the government transitions to CFDs, which will provide a more cost effective support for renewable generation.

- **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 October 2015, over 782,000 installations (4GW capacity) had been registered on either the Central Feed-in Tariff Register, the Microgeneration Certification Scheme or both. Of these 99% are solar photovoltaic (PV) installations (84% of capacity). As required by our EU state aid approval process, the government carried out a review of the FITS Scheme between August and October 2015. The government is determined to deliver a low carbon future that meets the UK's international obligations and domestic ambitions.

- **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 January 2016, there have been 13,854 accreditations to the scheme with 2,270 megawatt (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 January 2016, there had been 45,971 accreditations to the scheme, of which 19,332 were from new installations (applicants who had systems installed on or after the domestic RHI scheme launch date). At Spending Review and Autumn Statement 2015, the government committed to continuing the RHI scheme, up to a budget of £1.15 billion in 2020-21.

- **Renewable Transport Fuel Obligation** (RTFO): This came into effect in April 2008, with an obligation that 2.5% by volume of suppliers' fuel should be from biofuels. The obligation level increased each year to a maximum of 5% in 2013-14. The level of the RTFO currently remains at 5%. The government will, later this year, hold a consultation on increasing the level of the RTFO.

4.193 Further progress was made in the area of renewable energy deployment. During 2015, renewables generated 23.5% of electricity in the third quarter, up 5.9% from the same quarter in 2014. For the whole of 2014, the share of electricity generation from renewable sources was an annual record of 19.1%. Total renewable electricity generation was 64.7TWh in 2014, an increase of 21% from 2013. This generation increase coincided with a capacity increase of 24%, reaching 24.6GW at the end of 2014. Total solar PV capacity grew by 2.5GW between

December 2013 and December 2014, representing an 89% increase and bringing total installed capacity to 5.4GW.

### Nuclear

4.194 The UK government has prepared the ground for new nuclear power stations through a package of reforms and regulatory measures that remove barriers to investment and give developers confidence. Three consortia – EDF and CGN, Horizon Nuclear Power, and NuGen – have set out proposals to develop 18GW of new nuclear at 6 sites. Under these proposals, the sites will become operational from mid-2020s.

### Energy efficiency

4.195 The 2012 Energy Efficiency Directive introduced a requirement (Article 3) on Member States to establish a non-binding national energy efficiency target by 30 April 2013. In April 2013, the UK notified the European Commission of its national energy saving target. The target was set at the level of 129.2 million tonnes of oil equivalent for final energy consumption, representing an 18% reduction relative to the 2007 business-as-usual projection (equivalent to a 20% reduction in primary energy consumption). The 2015 Energy and Emissions Projections suggest the UK is on track to meet this target, with final energy consumption in the UK expected to be around 20% lower in 2020. This reflects the government's ambitious policy package.

4.196 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
- energy consumption has fallen in 8 of the last 9 years and our energy efficiency policies have contributed to a 20% decline in household energy use since 2004 – one of the biggest decreases in the EU. Over the same period, UK energy intensity has fallen by 22%

4.197 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. Schemes include doubling of the Department of Energy and Climate Change's innovation programme to £500 million over the next 5 years, the Domestic Renewable Heat Incentive, Smart Meters and the reform of the Energy Company Obligation (ECO).

4.198 The current ECO[50] runs from 1 April 2015 to 31 March 2017 and has 3 distinct obligations:

- Carbon Emissions Reduction Obligation (CERO): this includes the installation of carbon qualifying actions such as wall and roof insulation; connecting to district heating systems and 'secondary' insulation measures
- Carbon Savings Community Obligation (CSCO): this involves the measures as set out in the CERO but aimed at areas of low income and deprived rural areas
- Home Heating Cost Reduction Obligation (HHCRO): this involves the installation of insulation and the repair or replacement of boilers and electric storage heaters for people receiving certain benefits and living in private domestic premises; this is also known as "Affordable Warmth"

4.199 The ECO has set out overall targets for each of the above obligations. These overall targets are then allocated to large energy suppliers as a proportion of their market share.

[50] https://www.ofgem.gov.uk/sites/default/files/docs/volume_1.1_guidance_update_delivery_-_final.pdf

Spending Review and Autumn Statement 2015 announced that ECO will be replaced from April 2017 by a new, cheaper domestic energy efficiency supplier obligation. The new scheme will upgrade the energy efficiency of over 200,000 homes per year, saving those homes up to £300 off their annual energy bill, tackling the root cause of fuel poverty and delivering on the government's commitment to help 1 million more homes this Parliament.

4.200 For business energy use, there remains significant untapped potential for energy efficiency, in both commercial and manufacturing sectors. As well as contributing to the UK's emissions reduction targets, improving energy efficiency will cut costs for business, improve productivity and competitiveness. In July 2015, the government announced a review of the business energy efficiency tax and related policy landscape, with the aim of streamlining and simplifying the current framework to reduce administrative burdens while improving incentives for business (as well as public and third sector organisations) to save energy and reduce their emissions.

4.201 Budget 2016 announced the biggest business energy tax reforms since the taxes were introduced, in response to the business energy tax review. To simplify the landscape and drive business energy efficiency the government will:

- abolish the CRC energy efficiency scheme (CRC) following the 2018-19 compliance year; it will streamline the business energy tax landscape by moving to a system where businesses are only charged one energy tax administered by suppliers
- increase the Climate Change Levy (CCL) from 2019, to recover revenue from abolishing the CRC in a fiscally-neutral reform, and incentivise energy efficiency among CCL-paying businesses
- rebalance CCL rates for different fuel types to reflect recent data on the fuel mix used in electricity generation; in the longer term, the government intends to rebalance rates further to deliver greater energy efficiency savings, to reach a 1:1 ratio of gas and electricity rates by 2025
- consult later in 2016 on a simplified energy and carbon reporting framework for introduction by April 2019

4.202 Looking forward, 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

4.203 In February 2011, the Northern Ireland Executive approved a Northern Ireland Greenhouse Gas Emissions Reduction Action Plan, which examined relevant policies and actions across the Executive, identifying the projected impact on emissions and the economy and therefore provided an overall indication of Northern Ireland's emissions in 2025. One of the actions identified in the Action Plan was for a Cross Departmental Working Group on Climate Change[51] to provide an annual report to the Executive on progress towards greenhouse gas emission reductions. The fourth Annual Progress report[52] was presented to the Executive in May 2015.

4.204 The latest emission figures available for Northern Ireland, set out in the Greenhouse Gas Inventories for England, Scotland, Wales and Northern Ireland: 1990-2013, estimate the 2013

[51] https://www.doeni.gov.uk/articles/cross-departmental-working-group-climate-change

[52] https://www.doeni.gov.uk/publications/cross-departmental-working-group-climate-change-annual-report

Northern Ireland emissions at 22 million tonnes of carbon dioxide equivalent (Mt $CO_2e$); with 29% from agriculture, 18% from transport, 18% from energy supply and 13% from the residential sector. Across all sectors, the 2013 emissions levels show a longer term decrease of 16% since the base year. Using this data, the latest greenhouse gas (GHG) emissions reduction projection, produced in December 2015, forecast a 34.1% reduction in emissions (excluding land use, land use change & forestry) by 2025 against 1990 baselines.

4.205 The aim of the Northern Ireland Executive's Strategic Energy Framework 2010[53] is to achieve a competitive, sustainable future for energy in Northern Ireland and included interim objectives for 20% renewable electricity consumption and 4% renewable heat by 2015. These have been achieved. It also provides for further development of the natural gas network.

**Box 4.D: Northern Ireland stakeholder focus: Prosperity Agreement**

Minister for the Environment Mark H. Durkan and representatives of agri-food companies, Linden Foods and Linergy Ltd. signed the world's first Prosperity Agreement on 21 August 2014 and a number of further agreements with other companies were signed during 2014-15. The agreements will help turn environment issues from barriers to business to economic opportunities by reducing red tape. In return companies will significantly invest in the environment and see them commit to reducing their carbon emissions by up to 25%.

4.206 Northern Ireland has achieved its interim renewable targets of 20% renewable electricity and 4% renewable heat as set out in the Executive's Programme for Government. Longer term objectives in the Executive's Strategic Energy Framework are currently being reviewed.

4.207 Work has started to extend the natural gas network to the main towns in the west of Northern Ireland. Main construction works are expected to commence in early 2017. Projects which have EU Projects of Common Interest status such as gas and energy storage and additional interconnection with the Republic of Ireland are being developed. These and other measures such as the development of battery storage can help provide security of supply for Northern Ireland. Additional interconnection is essential to support reform of the Single Electricity Market in Ireland to meet EU plans for an integrated European electricity market by 2017. This work is being led by the Northern Ireland Authority for Utility Regulation working with its counterpart in the Republic of Ireland.

## Scotland

4.208 Scotland's Economic Strategy highlights the importance of prioritising investment to ensure that Scotland protects and nurtures its natural resources. The Scottish government is taking a range of actions to support renewable technologies, improve resource and energy efficiency, and make the transition to a more low carbon economy.

4.209 To support community involvement in the supply of renewable energy, The Local Energy Challenge Fund will support large-scale local low carbon demonstrator projects which show a local energy economy approach linking local energy generation to local energy use. There have been 2 rounds of the Challenge Fund since its inception in August 2014. The first round has delivered 4 innovative projects that will inspire similar projects across the country. The second round of projects will progress from feasibility to capital spend during 2016. The £500,000 development and feasibility support for this second round has been provided through the ESF supported Low Carbon Infrastructure Transition Programme (LCITP) (see Box 4.E: below).

[53] https://www.detini.gov.uk/articles/strategic-energy-framework-2010

4.210 To support developments in renewable energy, the £103 million Renewable Energy Investment Fund (REIF) was established to provide commercial loans and equity, particularly in the marine and community sectors. To date, REIF has invested £37.1 million in marine energy projects with further investments planned. This includes over £1.5 million to support the largest wholly community-owned wind farm in the UK (on the Isle of Lewis).

4.211 With the support of REIF, the Scottish public sector has invested £23 million in the MeyGen project, developed by Atlantis Resources. Meygen is the largest planned tidal development project in the world and will have 398MW of installed capacity when fully constructed.

**Box 4.E: Scotland stakeholder focus: Low Carbon Infrastructure Transition Programme**

The Low Carbon Infrastructure Transition Programme (LCITP) is a working partnership between the Scottish government, Scottish Enterprise, Highlands & Islands Enterprise, Scottish Futures Trust and sector specialists, designed to support the development and acceleration of low carbon infrastructure projects to develop investment grade business cases allowing them to secure existing streams of public and private capital finance. This is supported by the 2014 to 2020 European Regional Development Fund (ERDF) programme. The Programme is the first strategic intervention supported through Scotland's €1.9 billion European structural funds package and is worth £76 million (of which £32.9 million is from the ERDF grant), over 2015 to 2018.

To date LCITP has funded a number of projects across private, public and community sectors, and has held two specific calls for geothermal energy projects and water-source heat pump projects. These calls have accelerated the deployment of these technologies in the Scottish context. LCITP has also provided funding towards the Local Energy Challenge Fund in 2015-16.

Through the LCITP, the Water Source Heat Pumps Challenge Fund has been set up to support district heating schemes in Scotland. The fund is made up of two elements: £375,000 to support the development of high quality and comprehensive investment grade business proposals (up to £75,000 per project), and up to £2 million financial support for a demonstrator project. It is intended that both elements of the Challenge Fund will be concluded before the end of the 2016-17 financial year.

4.212 In 2011, the Scottish government set an ambitious target of 500MW of community and locally owned renewables to be operational by 2020. This has been met 5 years early. By the end of September 2015, an estimated 508MW of community and locally owned energy capacity was operational in Scotland, with 62MW of this under direct community ownership. It is estimated that achieving this target could be worth up to £2.2 billion to Scottish communities and rurally owned businesses over the lifetime of those projects.

4.213 The Scottish government's national retrofit programme, Home Energy Efficiency Programmes for Scotland (HEEPS), is helping us meet our fuel poverty and climate change targets and enable Scottish households and businesses to get maximum benefit from energy efficiency works and other investment. The Scottish government allocated £119 million for HEEPS in 2015-16, and in 2016-17 over £103 million will be made available to tackle fuel poverty and improve energy efficiency. This funding will be used to help install energy efficiency measures, including solid wall insulation, in 14,000 homes and will build on the 900,000 energy efficiency measures delivered since 2009.

4.214 Building on progress in the zero waste and resource efficiency agenda, the Scottish government set out its priorities for moving towards a more circular economy - where products and materials are kept in high value use for as long as possible – in "Making Things Last – A Circular Economy Strategy for Scotland",[54] Scotland's circular economy strategy published in February 2016. The strategy outlines the benefits of a more circular approach to the environment, the economy, and communities. The strategy also sets a new target to cut food waste by a third by 2025, the first national target of its kind in Europe, with actions to help both businesses and households achieve these major savings.

4.215 In February 2016, the First Minister announced a £70 million programme of investment, including some £30 million of ERDF funding, to support a more circular economy which will be delivered in partnership between Zero Waste Scotland and Scottish Enterprise. This includes a Circular Economy Investment Fund that will support the development of innovative technologies, business models and infrastructure that will typically be at proof of concept state through to scoping and pre-feasibility and commercialisation.

## Wales

4.216 The Welsh government's Climate Change Strategy (2010) set the ambition of a 3% per annum reduction in greenhouse gas emissions in areas of devolved competency against a baseline of average emissions over the period 2006 to 2010. It also set a target to reduce total Welsh emissions by 40% by 2020 against a 1990 baseline.

4.217 In terms of the progress made against targets for the most recent 2013 emissions data, for the 3% annual emissions target in devolved areas, the target was exceeded with a reduction of 14.7%. For the wider target to reduce all emissions by 40% by 2020, the data shows a reduction in emissions by 11.9% against the 1990 baseline. In terms of progress on emissions by sector: transport (8.7%), resource efficiency and waste (46.7%), business (20.1%), public sector (13.6%), agriculture and land use (4.5%) and residential (10.5%).

4.218 This highlights the progress in the resource efficiency and waste sector in particular and is a demonstration of how emissions can be decreased whilst increasing growth and investment in the sector. With the fourth highest recycling rate in Europe, Wales now recycles over 54% and has also decreased emissions by over 46% from the baseline in the sector.

4.219 The Well-being of Future Generations (Wales) Act 2015 (The WFG Act), approved by the National Assembly for Wales in March 2015, 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.

4.220 Complementing the WFG Act, the Environment (Wales) Bill was passed by the Assembly in February 2016. The Bill establishes an ambitious legislative framework to tackle climate change and requires statutory interim emission reduction targets and five year carbon budgeting.

4.221 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 Bill also requires Welsh Ministers, in relation to final statements

[54] http://www.gov.scot/Publications/2016/02/1761

for carbon budgets, to include information on emissions from the consumption and use of goods and services.

4.222 In addition, the passing of the WFG Act and Environment (Wales) Bill strengthens the legal requirements for the Welsh government to adapt to the projected locked-in impacts and extremes of climate change.

# A Measuring progress against objectives: indicators

## Employment

### United Kingdom

| Indicator | Current level | Reference period |
|---|---|---|
| Employment rate UK | 74.1% | Nov-Jan 16 |

### England

| Indicator | Current level | Reference period |
|---|---|---|
| Employment rate England | 74.4% | Nov-Jan 16 |

### Northern Ireland

| Indicator | Current Level | Reference period |
|---|---|---|
| Employment rate (population aged 16-64) | 69.0% | Nov-Jan 16 |

### Scotland

| Indicator | Current Level | Reference period |
|---|---|---|
| Employment rate (population aged 16-64) | 74.5% | Nov-Jan 16 |

### Wales

| Indicator | Current Level | Reference period |
|---|---|---|
| Employment rate (population aged 16-64) | 71.5% | Nov-Jan 16 |

# 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% | 2012-13[1] |
| 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) | 63% | |
| Achievement of government-funded learners participating in Further Education (FE) | 80% achieving at least upper secondary (English level 2)<br>41% at least tertiary (English level 4) | Q4 2014[2] |
| Number of government-funded learners participating in Further Education (FE), academic age 19 years and over. | Full level 2 qualifications 408,400<br>Full level 3 qualifications 176,500 | 2014-15[3] |

## 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 | 63.5% | 2013-14 |
| 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 | 34.9% | 2013-14 |

## Scotland

| Indicator | Current Level[4] | Reference period |
|---|---|---|
| Highest qualification held by working age adults (19-64 years old) | 83% achieving at least upper secondary (SCQF Level 5) and 45% at least tertiary (SCQF Level 7) | Q4 2014 |
| Population aged 18-24 who are early leavers from education and training | 10.2% | 2014 |
| Population aged 30-34 having completed tertiary education | 56.4% | 2014 |

[1] Source: SFR0/2016Destinations of key stage 4 and key stage 5 pupils, 2012/13

[2] Source: Education and Training Statistics for the UK, 2014, Table 3.4

[3] Source: SFR: SFA/SFR26 Further Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held, Table 1.2

[4] Source: *Education and Training Statistics for the UK*, 2015, table 3.4 for highest qualifications held by adults; Eurostat, tables tgs00106 and tgs00105 for the 18-24 and 30-34 indicators respectively.

## Wales

| Indicator | Current Level | Reference period |
|---|---|---|
| Percentage of 15 year olds achieving the level 2 threshold (5 or more A*-C GCSEs or equivalent) including English and/or Welsh first language and mathematics | 57.9% | 2014-15 |
| Working age adults achieving NQF 2,3 and 4 + | NQF 2: 78%<br>NQF 3: 58%<br>NQF 4: 36% | 2014 |
| Attainment at age 19 – percentage having achieved:<br>level 2<br>level 3 | Level 2: 82%<br>Level 3: 53% | 2012-13 |
| International comparison (within the OECD) of the qualification levels of the working age population | 78% achieving at least upper secondary (UK level 2) and 37% at least tertiary (UK Level 4) | 2014 |
| 16-18 year olds who are not in employment, education or training | 10.9%. | 2014 |

# Social exclusion and poverty reduction

## England

| Indicator | Current level | Reference period |
|---|---|---|
| Children in workless households (England) | 11.8% | 2015 |
| Children in relative income poverty (HBAI) | 17% | 2013-14 |
| Children in absolute income poverty (England) | 19% | 2013-14 |
| Children in combined low income and material deprivation (UK) | 13% | 2013-14 |

## Northern Ireland

| Indicator | Current level | Reference period |
|---|---|---|
| Children in relative poverty | 23% (100,500 children) | 2013-14 |
| Children in absolute poverty | 26% (112,400 children) | 2013-14 |

## Scotland

| Indicator | Current level | Reference period |
|---|---|---|
| Proportion of income earned by the 3 lowest income deciles (Solidarity target) | 14.4% | 2013-14 |
| Percentage of people living in relative poverty (below 60% of median income before housing costs) | 15.7% | 2013-14 |

## Wales

| Indicator | Current level | Reference period |
|---|---|---|
| People living in households in relative income poverty | 23%. | 2011-12 to 2013-14 |
| Children living in households in relative income poverty | 31% | 2011-12 to 2013-14 |
| Working age adults living in households in relative income poverty | 22% | 2011-12 to 2013-14 |
| Pensioners living in households in relative income poverty | 16% | 2011-12 to 2013-14 |

# Research and development and innovation

## United-Kingdom

| England Indicator | Current level | Reference period |
|---|---|---|
| UK share of top 1% cited research-papers corrected by field. | 15.9% | 2012[5] |
| Expenditure on research and development at HEIs | £7.6 billion | 2013[6] |

## Northern Ireland

| Indicator | Current level | Reference period |
|---|---|---|
| Total R&D expenditure | £602 million | 2014 |
| Percentage of firms that are innovation active | 45% | 2012-14[7] |

## Scotland

| Indicator | Current level | Reference period |
|---|---|---|
| Gross R&D expenditure in percentage of Scottish GDP | 1.55% (£1.92 billion) | 2013[8] |
| Percentage of firms that are innovation active | 51% | 2012-14[7] |

## Wales

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

[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263729/bis-13-1297-international-comparative-performance-of-the-UK-research-base-2013.pdf

[6] http://www.ons.gov.uk/ons/dcp171778_398876.pdf

[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506953/bis-16-134-uk-innovation-survey-2015.pdf

[8] http://www.gov.scot/About/Performance/scotPerforms/indicator/research

# Climate change and energy

## United Kingdom

| Indicator | Targets | Current level | Reference period |
|---|---|---|---|
| Reduction in total emissions of greenhouse gases from the UK in comparison with 1990 levels (no allowance for Emissions Trading) | 34% reduction by 2020 on 1990 levels | 35% reduction | 2014[9] |
| Energy consumed in the UK that has been produced from renewable sources. | 15% of energy to come from renewable sources by 2020 | 7% | 2014 |
| Energy Efficiency Directive national indicative 2020 energy efficiency target | 18% reduction in final energy consumption by | 20% reduction | 2007 baseline projection for 2020 |

## Northern Ireland

| Indicator | Target | Current Level | Reference period |
|---|---|---|---|
| Greenhouse gas emissions | At least 35% reduction by 2025 on 1990 levels | 16.1% reduction | 2013[10] |
| Indigenous renewable energy sources | 20% | 20% | March 2015 |

## Scotland

| Indicator | Target | Current Level | Reference period |
|---|---|---|---|
| Reduction in greenhouse gas emissions | At least 42% reduction by 2020 and at least 80% by 2050 on 1990 levels | 38.4% | 2013[11] |
| Proportion of electricity consumption from indigenous renewable energy sources | Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020 | 49.7% | 2014 |
| Proportion of heat demand from renewables | 11% of heat demand from renewables by 2020 | 2.7% | 2013 |
| Reduction of final energy end-use consumption (energy efficiency) | 12% reduction of final energy end-use consumption by 2020 on a 2005-2007 baseline | 14.1% | 2013 |

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/496946/2014_Final_Emissions_Statistical_Summary_Infographic.pdf
[10] http://www.northernireland.gov.uk/news-doe-090615-no-change-in
[11] After taking account of trading in the EU Emissions Trading System (EU ETS); http://www.gov.scot/Topics/Statistics/Browse/Environment/TrendGasEmissions

## Wales

| Indicator | Target | Current Level | Reference period |
|---|---|---|---|
| Greenhouse gas emissions | 40% reduction in greenhouse gas emissions by 2020 on 1990 levels (of 57.63 $MtCO_2e$) | 11.9% reduction (50.76 $MtCO_2e$) | 2013[12] |
| 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 $MtCO_2e$) | 2013 |
| Energy efficiency installations (Arbed 2 ERDF project) | 4,790 properties to receive energy efficiency improvements by March 2015 | Over 4,860 properties reached | Mar 2010 – Jun 2015 |
| Energy efficiency installations (Nest) | 15,000 households per annum to receive help between 2011 and 2017, with around 4,000 households receiving a package of energy efficiency improvements | Over 68,000 households have received free advice and support since 2011; over 17,700 of them benefitted from free home energy improvements (e.g. new boiler, central heating and insulation) | Apr 2011 – Mar 2015 |

[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/455529/DA_GHGI_1990-2013_Report_v1.pdf

**HM Treasury contacts**

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If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

E-mail: public.enquiries@hmtreasury.gsi.gov.uk