



HM Government

Europe 2020:

UK National Reform
Programme 2017

April 2017



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Contents

	Page
Foreword	3
Chapter 1 Introduction	5
Chapter 2 Macroeconomic context	9
Chapter 3 UK country-specific recommendations	12
Chapter 4 Performance and transparency	32
Annex A Measuring progress against objectives: indicators	73

Foreword

Following a period of robust economic growth, record levels of employment, and a falling deficit, the UK has made further progress in restoring the public finances to health. The 2017 UK National Reform Programme (NRP) updates on progress with economic and employment reforms, and reports on the impact of reforms implemented in the past year.

The UK economy grew 1.8% in real terms in 2016, second only to Germany among major advanced economies. The OBR now forecasts stronger GDP growth in 2017 than previously expected, as a result of stronger economic data over the past few months.

Government action to reward work and reform benefits has delivered a robust labour market in the UK. The employment rate remained at the record high of 74.6% in the three months to January 2017, while the unemployment rate at 4.7% has not been lower since 1975. The increase in employment over the past year was primarily driven by a rise in full-time employment. Total pay and regular pay (excluding bonuses) rose by 2.2% and 2.3% respectively in the three months to January 2017 compared with the same period a year earlier.

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

The NRP is presented to the European Commission as part of the Europe 2020 Strategy for smart, sustainable and inclusive growth. It is presented in parallel with the UK 2016-17 Convergence Programme (CP), as part of the process for aligning reporting and surveillance of national fiscal, economic and employment policies. The CP sets out the UK government's medium term fiscal policies as required under the Stability and Growth Pact.

The NRP reports in particular on the actions that the government is taking to address the country-specific recommendations (CSRs) addressed to the UK by the Council of the European Union in July 2016. The UK's current CSRs focus on: deficit reduction and raising GDP; increasing network infrastructure investment and boosting housing supply; addressing skills mismatches and providing for skills progression; and improving the availability of affordable childcare. The NRP also reports against policies to support the Europe 2020 Strategy priorities of employment, research and development, education, poverty and social exclusion and climate change and energy sustainability.

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

1 Introduction

Context

1.1 The global economic outlook has improved for the UK. The International Monetary Fund (IMF) forecasts that global growth will increase slightly to 3.4% in 2017. The IMF assesses that the outlook for global growth has improved in advanced economies, where growth in the second half of 2016 exceeded its earlier forecasts, but growth prospects have marginally worsened in emerging economies. Uncertainty around the global outlook is heightened at present, associated, among other things, with policy and political risks.

1.2 Since 2010, the government's decision to live within its means while tackling structural challenges, has enhanced the UK's economic resilience. The government has made good progress in delivering the supply-side reforms needed to improve long-term productivity while restoring the public finances to health. This has allowed active monetary policy to support the economy while ensuring the fiscal position is sustainable.

1.3 The UK government's 2017 'Plan for Britain'¹ commits to continue this balanced approach to building the economy. In particular, to bring down the deficit while investing when and where it is needed; to introduce an industrial strategy that supports skills across key sectors of the economy; to deliver a million new homes; and to provide access to a good school place for every child. It also aims to ensure that big decisions benefit the whole country, by creating jobs and supporting cities, towns, and communities right across the United Kingdom, while actively promoting policies that support integration and social cohesion.

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

- The Northern Ireland Executive sets out its priorities for sustainable growth, prosperity and building a better future, in its 'Programme for Government,'² its economic³ and investment⁴ strategies; in 'Together: Building a United Community,'⁵ and its racial equality strategy.⁶ It is prioritising rebalancing the economy, addressing the impact of the global downturn on the local economy and labour market, and securing community relations. Its investment strategy will provide an economic stimulus across the region and the wider economy, keeping people in productive employment to maximise the positive impact of jobs. 'Together: Building a United Community' and the racial equality strategy outline the Executive's commitment to improving community and race relations and continuing the journey towards a more united and shared multicultural society.
- The Scottish Government's Economic Strategy⁷ sets out its approach to creating a more successful country, with opportunities for all of Scotland to flourish through increasing and sustainable economic growth. This will be built on two inter-dependent pillars - increasing competitiveness and tackling

¹ <https://www.planforbritain.gov.uk/>

² <https://www.northernireland.gov.uk/publications/programme-government-2011-2015>

³ <https://www.northernireland.gov.uk/publications/northern-ireland-economic-strategy>

⁴ <http://www.isni.gov.uk/PDFs/Investment%20Strategy.pdf>

⁵ <https://www.executiveoffice-ni.gov.uk/articles/together-building-united-community>

⁶ <https://www.executiveoffice-ni.gov.uk/publications/racial-equality-strategy-2015-2025>

⁷ <http://www.gov.scot/Topics/Economy/EconomicStrategy>

inequality. The Scottish Government's goals relate to four priority areas: investing sustainably in Scottish people and infrastructure; fostering innovation and research and development; promoting inclusive growth and opportunity through a fair and inclusive jobs market; and promoting Scotland on the international stage to boost its trade and investment, influence, and networks. The Scottish Government is deploying European Structural Funds to help to grow Scotland's economy. Current programmes for 2014-20 are worth over €944 million (£828 million). This approved funding will be invested to improve transport and internet links to remote regions, boost the growth of SMEs, improve education and skills, tackle climate change, and to reduce poverty and social exclusion.

- The Welsh Government's Programme for Government, 'Taking Wales Forward',⁸ published in September 2016, sets out a five year plan to deliver more and better jobs through a stronger, fairer economy, and a programme for improving and reforming public services. Its four overarching priorities are a Wales that is: prosperous and secure; healthy and active; ambitious and learning; united and connected.

UK 2017 National Reform Programme

1.5 National Reform Plans (NRPs) are submitted by member states to the Commission to outline their structural reform plans to promote growth and employment. This is part of the Europe 2020 strategy for smart, sustainable and inclusive growth. In parallel, under the Stability and Growth Pact, member states also submit Stability Programmes (euro area member states) or Convergence Programmes (CPs) (non-euro area member states) which report on their budgetary and fiscal policies. In this way, the European Semester aligns reporting cycles for Europe 2020 and the Stability and Growth Pact.

1.6 On 29 March 2017 the Prime Minister gave effect to the democratic decision of the people of the United Kingdom and notified the European Council of the UK's intention to leave the European Union. However, until exit negotiations are concluded it remains a full member where all the rights and obligations of EU membership remain in force. Therefore during this period the government will continue to participate in the Europe 2020 National Reform Programme, and to report on its achievements.

1.7 The NRP is presented in accordance with Council recommendation 2010/410 on broad guidelines for economic policy. Parts of the NRP relating to country specific recommendations (CSRs) on skills deliver the UK's report to the Council and Commission on employment policy measures, and complete multilateral surveillance in the EU Employment Committee (EMCO), the Council's examination of member states' employment and labour market policies, in the light of the Employment Guidelines in the procedure specified in Article 148 TFEU.

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

- the macroeconomic context in the UK, consistent with the UK's 2016-17 Convergence Programme
- actions taken to address the three CSRs addressed to the UK by the European Council in July 2016

⁸ <http://gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>

- the UK's approach to national monitoring and actions taken in support of the five headline Europe 2020 targets agreed by the European Council in June 2010

1.9 The 2017 NRP draws on publicly available information, including Budget 2017, Spending Review 2015, Autumn Statement 2016, Budget 2016 and other relevant documents and announcements, including HMT and BIS' 'Fixing the Foundations.'⁹ Further details are available in the original documents.

1.10 The 2017 NRP reports on the implementation of existing structural reform commitments. As such, it sets out recent actions taken by the UK as a whole, including those by the UK government and, where policies are devolved, by the devolved administrations of Scotland, Wales and Northern Ireland. This distinction is made clear throughout the document. These actions are consistent with the Europe 2020 Integrated Guidelines (made up of the Broad Economic Policy Guidelines and the Employment Guidelines) presented under Articles 121 and 148 of the Treaty on the Functioning of the European Union (TFEU). They also follow the broad orientations for structural reforms provided by the European Commission's 2016 Annual Growth Survey (AGS) and the March 2016 European Council conclusions.

1.11 The devolved administrations have contributed fully to the development of the 2017 UK NRP. This is in line with the devolved administrations' commitment to engage positively with the EU Institutions and represent regional interests.

Stakeholder engagement

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

1.13 The government engages closely with Parliament on the European Semester more broadly. In particular, the House of Commons debated the UK's 2016-17 CP on 19 April 2017, and the House of Lords debated the UK's 2016-17 CP on 24 April 2017.

1.14 The focus of the 2017 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.

⁹ <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

2 Macroeconomic context

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) Spring Budget 2017 economic forecasts for 2015 to 2021.¹ This includes forecasts for aggregate gross domestic product (GDP) growth, the components of GDP, inflation and the labour market.²

Table 2.A: Summary of the OBR's central economic forecast³

	Forecast						
	2015	2016	2017	2018	2019	2020	2021
GDP growth	2.2	1.8	2.0	1.6	1.7	1.9	2.0
GDP per capita	1.4	1.1	1.3	0.9	1.1	1.2	1.4
Main components of GDP							
Household consumption ²	2.4	3.0	1.8	0.9	1.7	1.7	1.9
General government consumption	1.3	0.8	1.2	0.7	0.4	0.9	1.3
Fixed investment	3.4	0.5	0.8	3.0	3.3	3.9	3.4
Business	5.1	-1.5	-0.1	3.7	4.2	3.9	3.6
General government	-2.6	1.4	0.1	1.2	2.1	6.1	3.8
Private dwellings ³	3.0	4.8	2.5	2.9	2.4	2.9	3.0
Change in inventories ⁴	-0.2	-0.5	0.0	0.0	0.0	0.0	0.0
Net trade ⁴	0.0	-0.4	0.3	0.3	0.0	-0.1	-0.1
CPI inflation	0.0	0.7	2.4	2.3	2.0	2.0	2.0
Employment (millions)	31.3	31.7	31.9	32.1	32.2	32.3	32.5
LFS unemployment (% rate)⁵	5.4	4.9	4.9	5.1	5.2	5.2	5.1
Productivity per hour	0.8	0.5	1.6	1.5	1.7	1.8	1.9
<p>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.</p> <p>2. Includes households and non-profit institutions serving households.</p> <p>3. Includes transfer costs of non-produced assets.</p> <p>4. Contribution to GDP growth, percentage points.</p> <p>5. Labour Force Survey.</p> <p>Source: Office for Budget Responsibility, Office for National Statistics.</p>							

Growth forecast

2.2 The Office for National Statistics (ONS) estimates that the economy grew 1.8% in real terms in 2016, second only to Germany among major advanced economies. The OBR now forecasts stronger GDP growth in 2017 than previously expected, as a result of stronger economic data over the past few months; in particular, consumption growth has been stronger than anticipated. However, in the near term, rising inflation, largely caused by the post-referendum

¹ The government has decided not to proceed with the class 4 National Insurance Contributions measures set out in the Budget. The government will set out in the autumn Budget further measures to fund, in full, this decision.

² All UK economy data from the Office for National Statistics (ONS), and all forecasts from the OBR, unless otherwise stated.

³ All figures 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.

sterling depreciation, is expected to weigh on household consumption growth. The OBR also continues to judge that business investment will be constrained due to economic uncertainty over the next few years.

Employment forecast

2.3 The OBR predicts the UK's strong labour market performance to continue. It forecasts that employment will continue to increase, reaching 32.5 million in 2021. It has revised down its forecast for the unemployment rate, however. This is now expected to rise slightly as the economy slows, reaching 4.9% in 2017, 5.1% in 2018 and 5.2% in 2019 and 2020, before falling back to 5.1% in 2021.

Inflation and average earnings forecast

2.4 The OBR forecasts that CPI inflation will increase to 2.4% in 2017 before falling back to 2.3% in 2018 and 2.0% from 2019 to 2021. Sterling has appreciated 3.3% on a trade weighted basis since the beginning of November 2016, but remains 11.9% below its level of early June 2016, while global oil prices have increased 16.3% since the beginning of November. Combined with the OBR's judgement on the effect of policy measures, these changes mean that inflation is expected to be slightly higher in the near term and slightly lower in later years than forecast at Autumn Statement 2016.

Table 2.B: Detailed summary of forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn		Forecast				
	2015	2016	2017	2018	2019	2020	2021
UK economy							
Gross domestic product (GDP)	2.2	1.8	2.0	1.6	1.7	1.9	2.0
GDP level (2015=100)	100.0	101.8	103.9	105.5	107.3	109.4	111.5
Nominal GDP	2.8	3.6	3.8	3.1	3.4	3.8	4.0
Output gap (%of potential output)	-0.3	-0.0	0.2	-0.0	-0.1	-0.1	-0.0
Expenditure components of GDP							
Domestic demand	1.9	1.6	1.5	1.2	1.7	1.9	2.0
Household consumption ¹	2.4	3.0	1.8	0.9	1.7	1.7	1.9
General government consumption	1.3	0.8	1.2	0.7	0.4	0.9	1.3
Fixed investment	3.4	0.5	0.8	3.0	3.3	3.9	3.4
Business	5.1	-1.5	-0.1	3.7	4.2	3.9	3.6
General government ²	-2.6	1.4	0.1	1.2	2.1	6.1	3.8
Private dwellings ²	3.0	4.8	2.5	2.9	2.4	2.9	3.0
Change in inventories ³	-0.2	-0.5	0.0	0.0	0.0	0.0	0.0
Exports of goods and services	6.1	1.4	3.4	3.0	1.6	0.7	0.5
Imports of goods and services	5.5	2.5	2.1	1.9	1.4	0.8	0.6
Balance of payments current account							
% of GDP	-4.3	-4.4	-3.5	-3.2	-2.6	-2.2	-2.0

Inflation							
CPI	0.0	0.7	2.4	2.3	2.0	2.0	2.0
RPI	1.0	1.7	3.7	3.6	3.1	3.1	3.2
GDP deflator at market prices	0.6	1.7	1.8	1.6	1.6	1.9	1.9
Labour market							
Employment (millions)	31.3	31.7	31.9	32.1	32.2	32.3	32.5
Productivity per hour	0.8	0.5	1.6	1.5	1.7	1.8	1.9
Wages and salaries	3.9	3.2	3.0	3.0	3.3	3.7	3.9
Average earnings ⁴	1.9	2.2	2.6	2.7	3.0	3.4	3.6
LFS unemployment (% rate)	5.4	4.9	4.9	5.1	5.2	5.2	5.1
Claimant count (millions)	0.80	0.78	0.83	0.86	0.87	0.88	0.88
Household sector							
Real household disposable income	3.6	1.6	0.0	0.8	1.0	1.6	1.8
Saving ratio (level, %)	6.5	5.6	4.6	5.2	5.4	5.8	5.9
House prices	6.0	7.6	6.5	4.0	4.4	4.5	4.6
World economy							
World GDP at purchasing power parity	3.3	3.1	3.4	3.5	3.6	3.7	3.7
Euro area GDP	1.9	1.7	1.6	1.6	1.5	1.5	1.5
World trade in goods and services	2.6	1.9	3.1	3.6	4.0	4.1	4.1
UK export markets ⁵	4.1	2.2	3.1	3.8	4.2	4.3	4.3
<ol style="list-style-type: none"> 1. Includes households and non-profit institutions serving households. 2. Includes transfer costs of non-produced assets. 3. Contribution to GDP growth, percentage points. 4. Wages and salaries divided by employees. 5. Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports. 							

Outlook for the public finances

2.5 Since 2010, the government has made good progress in restoring the public finances to health. The deficit is now forecast to have been cut by almost three-quarters from its post-war peak of 9.9% of GDP in 2009-10 to 2.6% in 2016-17, a level not seen since before the 2008 financial crisis.⁴ Nevertheless, both borrowing and debt remain too high. And the combination of the need to improve productivity and an ageing population poses a challenge for the public finances in the long run.

⁴ 'Public sector finances', ONS, January 2017, and 'Economic and fiscal outlook', OBR, March 2017.

UK country-specific recommendations

3

3.1 The country-specific recommendations (CSRs), addressed to the UK by the Council of the European Union in July 2016, are to:

- Endeavour to correct the excessive deficit in a durable manner by 2016-17. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0.6% of GDP in 2017-18 towards the minimum medium-term budgetary objective.
- Address shortfalls in network infrastructure investment, including by delivering the priorities of the National Infrastructure Plan. Take further steps to boost housing supply, including by implementing the reforms of the national planning policy framework.
- Address skills mismatches and provide for skills progression, including by strengthening the quality of apprenticeships. Further improve the availability of affordable, high-quality, fulltime childcare.

Fiscal policy

Recommendation 1

Endeavour to correct the excessive deficit in a durable manner by 2016-17. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0.6% of GDP in 2017-18 towards the minimum medium-term budgetary objective.

Fiscal responsibility

3.2 The government is committed to the 3.0% deficit target set out in the EU's Stability and Growth Pact. The OBR's latest forecast indicates that this target will be met in 2016-17, for the first time since 2007-08, and in every forecast year thereafter.

3.3 In light of the economic outlook, the government's decision to live within its means, while investing in the future, will enhance the UK's economic resilience. Reducing the government's indebtedness will also reduce the burden placed on future generations, who would otherwise need to service higher debt interest payments, paid for by lower public spending or higher taxation.

3.4 Since 2010, the government has made good progress in restoring the public finances to health. The deficit is now forecast to have been cut by almost three-quarters from its post-war peak of 9.9% of GDP in 2009-10 to 2.6% in 2016-17, a level not seen since before the 2008 financial crisis. Nevertheless, both borrowing and debt remain too high. And the combination of the need to improve productivity and an ageing population poses a challenge for the public finances in the long run.

3.5 The government's new fiscal rules, approved by Parliament in January, commit to returning the public finances to balance at the earliest possible date in the next Parliament. In the interim, the government is committed to reducing the cyclically-adjusted deficit below 2% of GDP and

putting debt on a downward path by 2020-21. These rules take a balanced approach, combining the flexibility to support the economy, if necessary, in the near term, with the commitment to return the public finances to a sustainable position in the long term.

3.6 The OBR judges that the government remains on track to meet its interim targets two years early.¹

The fiscal outlook

3.7 The OBR's borrowing forecast is lower in the near-term than at Autumn Statement 2016 but essentially unchanged from 2019-20 onwards. Public sector net borrowing is predicted to fall from 3.8% of GDP or £71.7 billion in 2015-16 to 2.6% of GDP or £51.7 billion in 2016-17 and continue falling across the remainder of the Parliament. By 2021-22, borrowing is predicted to have fallen to £16.8 billion or 0.7% of GDP by 2021-22. This is forecast to be the lowest deficit as a share of GDP in two decades.

3.8 The OBR expects cyclically-adjusted public sector net borrowing to be 0.9% in 2020-2021. As a result, the government therefore remains on track to meet its fiscal mandate, for cyclically-adjusted public sector net borrowing to be under 2.0% of GDP in 2020-21, with 1.1% of GDP or £26 billion headroom.

3.9 The OBR now forecast that public sector net debt will rise to 86.6% in 2016-17, before peaking at 88.8% in 2017-18: 1.4 percentage points lower than forecast at Autumn Statement 2016. It is then predicted to fall in 2018-19, for the first time since 2001-02, to 88.5%. It is then forecast to continue to decline, reaching 79.8% by 2021-22. Consequently, the OBR also judges the government to be on track to meet its supplementary debt target for public sector net debt to be falling as a share of GDP in 2020-21.

The long-term fiscal outlook

3.10 Over the next Parliament and beyond, the public finances will continue to be influenced by demographic trends, such as the retirement of the large baby-boomer cohort and increasing life-expectancy. The OBR's recent 'Fiscal sustainability report' projects that these demographic trends will drive increased spending in age-related areas such as health, long-term care and the state pension, if policy remains unchanged. The OBR projects that factors such as the rising prevalence of chronic health conditions and technological advancements will place further upward pressure on health spending. Spending on the State Pension will rise from 5.0% of GDP in 2021-22 to 7.1% of GDP by 2066-67. However, the same demographic and economic trends will leave revenues broadly stable. Without changes to policy, these pressures would therefore put public sector debt on an unsustainable upward trajectory, almost tripling as a share of GDP over the next 50 years.

3.11 The government's capacity to meet the needs of an ageing population depends crucially on the productive potential of the economy. Productivity is currently 30% higher in the United States and 35% higher in Germany than in the UK. At Autumn Statement 2016 the government took further action to address the longstanding need to improve productivity, including through a new National Productivity Investment Fund (NPIF) to support high value investment in innovation, infrastructure, and housing. The Budget focuses on improving skills, in order to boost productivity and living standards over the long term.

¹ 'Economic and fiscal outlook', OBR, March 2017

Infrastructure

Recommendation 2

Address shortfalls in network infrastructure investment, including by delivering the priorities of the National Infrastructure Plan. Take further steps to boost housing supply, including by implementing the reforms of the national planning policy framework.

Increasing capital spending

3.12 Improving productivity requires targeted and sustained investment. The government prioritised capital spending at Spending Review 2015 and set out plans to go further at Autumn Statement 2016. The Autumn Statement announced a new National Productivity Investment Fund (NPIF) which will add £23 billion in high-value investment from 2017-18 to 2021-22.

3.13 The NPIF builds on existing plans for major investment over this Parliament, including the biggest affordable house building programme since the 1970s, resurfacing 80% of the strategic road network, the largest investment in the railways since Victorian times, and prioritising science and innovation spending. The government will target NPIF spending at areas that are critical for productivity: housing, research and development (R&D) and economic infrastructure. The NPIF will take total spending in these areas to £170 billion over the period from 2017-18 to 2021-22. This new investment will fund projects that demonstrate a clear and strong contribution to economic growth.

3.14 As a result of measures taken at Spending Review 2015 and Autumn Statement 2016, Public Sector Gross Investment is forecast to be at least 4% of GDP in each year of this Parliament and higher than in every year from 1993-94, until the financial crash.

3.15 The NPIF will provide additional support in order to:

- accelerate new housing supply
- tackle congestion on the roads and ensure the UK's transport networks are fit for the future
- support the market to roll out full-fibre connections and future 5G communications, delivering a step change in broadband speed, security, and reliability
- enhance the UK's position as a world leader in science and innovation

3.16 For example, the NPIF will provide an additional £1.1 billion by 2020-21 in new funding to relieve congestion and deliver much-needed upgrades on local roads and public transport networks. On strategic roads, an extra £220 million will be invested to tackle key pinch-points.

3.17 The 2017 Spring Budget set out further detail of how NPIF funds will be invested in priority transport, digital communications and R&D programmes. For example:

- the Budget announced the first steps towards the ambition announced at the Autumn Statement, for the NPIF to invest £740 million in digital infrastructure by 2020-21, to support the next generation of fast and reliable mobile and broadband communications for consumers and businesses

- starting in 2017, the government will invest £200 million to fund a programme of local projects to test ways to accelerate market delivery of new full-fibre broadband networks
- the government's 5G Strategy, published alongside the Spring Budget, set out steps for the UK to become a world leader in the next wave of mobile technology and services

3.18 Complementing the NPIF programmes, a new Digital Infrastructure Investment Fund will launch in spring 2017. Government investment of £400 million will be at least matched by private sector investors, and will accelerate the deployment of full-fibre networks by providing developers with greater access to commercial finance.

Governance and delivery

3.19 The government has put infrastructure at the heart of its economic strategy and has set up the National Infrastructure Commission (NIC) to provide expert advice on the country's strategic infrastructure needs and independent recommendations on how to meet them. The government also set up the Infrastructure and Projects Authority (IPA) as its centre of expertise for infrastructure and major projects. The NIC will hold the government to account for taking forward the plans that result from its work. The IPA thus enables this long term planning to be translated into successful project delivery. Together, this establishes the right framework for infrastructure.

3.20 The Autumn Statement also set out measures for infrastructure financing and delivery, including recommitting to the UK Guarantees Scheme (UKGS) and extending it beyond the life of this Parliament, to at least 2026. The UKGS has to date issued nine guarantees that have delivered £1.8 billion of Treasury-backed infrastructure bonds and loans, supporting over £4 billion worth of investment. The government is working with industry to understand the demand for construction-only guarantees.

3.21 The government will develop a new pipeline of projects that are suitable for delivery through the Private Finance 2 Public Private Partnership scheme. A list of projects to make up the initial pipeline, covering both economic and social infrastructure, will be set out in early 2017.

3.22 The IPA, which reports to HM Treasury and the Cabinet Office, will lead a review to identify ways government, working with industry, can improve the quality, cost and performance of UK infrastructure. The review will report in summer 2017.

3.23 The National Infrastructure Commission remains on track to publish their National Vision and Priorities document this summer.

3.24 These announcements build on the government's delivery record. Since 2010, there has been more than a quarter of a trillion pounds of public and private investment in infrastructure² and around 3,000 individual projects have been completed. Crossrail, the largest engineering project in Europe, is more than 80% complete and construction of High Speed 2 will begin on schedule in spring 2017 after the Bill for Phase One received Royal Assent in February.

Housing

3.25 The government recognises the challenges in the housing market and the importance of making progress to increase the supply of new homes. To meet this challenge, in February 2017 it set out a broad range of new initiatives in a Housing White Paper³ aiming to help reform the

² <https://www.gov.uk/government/publications/national-infrastructure-delivery-plan-2016-to-2021>

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

housing market through improved planning processes and support for construction businesses, communities, not-for profit developers, utilities, lenders and investors. These initiatives are further outlined in the following sections.

3.26 Prior to this, in Autumn Statement 2016 the government announced:

- **A new Housing Infrastructure Fund** of £2.3 billion by 2020-21, funded by the NPIF and allocated to local government on a competitive basis. This will provide infrastructure targeted to unlock new private house building in areas where housing need is greatest and will deliver up to 100,000 new homes. The government will also examine options to ensure that its transport funding better supports housing growth
- **Affordable homes** – the government will relax tenure restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership, to meet the housing needs of people in different circumstances and at different stages of their lives. The affordable homes programme will provide an additional £1.4 billion to deliver an additional 40,000 affordable housing starts by 2020-21

3.27 In October 2016, the government announced an Accelerated Construction programme to deliver up to 15,000 housing starts on public sector land by the end of the Parliament. It will partner with low and medium volume developers, contractors, offsite manufacturers and others to get homes built more quickly. Autumn Statement 2016 allocated £1.7 billion in funding for the programme. The devolved administrations will receive their additional funding through the Barnett formula in the usual way

Increasing housing supply

3.28 There has been a significant supply response to housing market activity with housing starts in England in the year to December 2016 at their highest annual level for nine years. Housing construction is also improving with new housing construction orders doubling since 2009.

3.29 At Autumn Statement 2016, the government took its total investment in the Affordable Homes Programme to £7.1 billion across the Spending Review period. In addition, the Programme's funding was made fully flexible, allowing providers to deliver a mix of affordable homes across a range of tenures: affordable rent, rent to buy, and shared ownership. The 2017 Housing White Paper, announced that the government will broaden in scope the £1.2 billion Starter Homes Land Fund to deliver different affordable housing tenures and will amend planning policy to ensure that at least 10% of all homes on individual sites of more than 0.5ha (or 10 units) are affordable home ownership products (including starter homes). This will help achieve the ambition of delivering 400,000 affordable housing starts by 2020/21.

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

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

3.32 In recognition of high start-up costs and a lack of commercial investment in specialist house building projects, the government announced a £3 billion Home Building Fund in October

2016 which will provide loans to support smaller house builders, custom build, and infrastructure to deliver homes on brownfield sites. 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.

3.33 The government has made good progress on its commitment to build a garden city at Ebbsfleet. £275 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.

3.34 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. Over 201,000 households have been helped to buy a property using the Help to Buy Schemes.

Planning and the National Planning Policy Framework

3.35 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 and a series of legislative changes.⁴ Further legislative reforms including the ability to grant a new "permission in principle" for sites identified in plans and on new registers of brownfield land, are being taken forward through the Housing and Planning Act 2016 and the Neighbourhood Planning Bill which is currently before Parliament.

3.36 The Housing White Paper proposes a number of additional reforms to ensure more complete and up-to-date plan coverage, bring more land forward and speed up building on sites that have planning permission. The proposals include:

- a consultation on a new standardised approach for calculating housing requirements in each area; greater transparency over land ownership and interests;
- policy changes to bring forward more small and medium sites, increase densities and improve design; more resources for the planning system;
- additional tools that local authorities can use to encourage sites to be developed quickly; and
- a new 'delivery test' to ensure that action is taken where development rates fall below what has been planned

Macroprudential regulation

3.37 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.

3.38 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.

⁴ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

Reforms to taxation of land and property

3.39 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 three 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

3.40 The Northern Ireland Executive has demonstrated its commitment to the improvement and expansion of the roads and public transport networks in Northern Ireland through the future funding of the A5⁵ and A6⁶ strategic roads schemes, alongside the Belfast Transport Hub⁷ and the Belfast Rapid Transit System.⁸ These schemes will improve connectivity across the region and provide a balance of investment in roads and public transport investment.

3.41 The Northern Ireland Executive is committed to delivering social and affordable housing and has set out a comprehensive package of measures aimed at creating the right conditions for a stable and sustainable housing market as well as increasing access to affordable housing for those seeking to enter home ownership.

3.42 Land availability is frequently cited as a barrier to increasing the supply of housing. To help address this issue, surplus public land sites are being provided to housing associations for affordable housing. In addition, the Executive is undertaking a 'Public Land for Housing' (PLfH) project to produce a digital spatial catalogue of public sector land assets that may be suitable for re-use as housing.

3.43 In tandem, a Housing Market Symposium of independent experts is developing an evidence-base for policy interventions with the aim of stimulating housing supply within Northern Ireland.

3.44 Over £100 million in Financial Transactions Capital (FTC) has been accessed to support the delivery of over 2,800 shared ownership homes across Northern Ireland over four financial years, starting from 2015-16, through the Northern Ireland Co-Ownership Housing Association.

3.45 Over £30 million in FTC monies has been secured to provide roughly 690 new homes through two pilot initiatives to widen access to home-ownership; the Affordable Home Loans Fund and the Rent-to-Own initiative, and £9.2 million FTC has been provided to bring 309 empty properties back into use.

3.46 Over the last five years 7,669 new social homes have been delivered against a target of 7,500. The target for 2016 to 2021 is to deliver another 9,600 social homes.

Scotland

3.47 Scotland's Economic Strategy identifies investment as a priority for delivering sustainable economic growth and the Scottish Government is taking a number of actions to prioritise capital

⁵ <https://www.infrastructure-ni.gov.uk/news/hazzard-confirms-a5-commitment-cross-border-councils>

⁶ <https://www.infrastructure-ni.gov.uk/news/hazzard-delivers-ps160-million-investment-a6-randalstown-castledawson-dualling-scheme>

⁷ <https://www.infrastructure-ni.gov.uk/news/belfast-transport-hub-planning-application-be-called>

⁸ <https://www.infrastructure-ni.gov.uk/topics/transport-initiatives/brt>

investment. In August 2016, the First Minister announced measures to support and stimulate the economy in the wake of the EU referendum including acceleration of Capital spending on projects to support and create employment, starting with an additional £100 million of funding during the financial year 2016-17.

3.48 The Scottish Government set out in its budget 2017-18, its plans to support infrastructure investment of £4 billion through the traditional capital budget, new borrowing powers, the Non Profit Distributing (NPD) pipeline, rail investment through Network Rail's Regulatory Asset Base (RAB), capital receipts and allocating some resource funding to capital assets. It is pursuing a range of innovative financing approaches, including the £3.5 billion NPD programme (extended in 2014, with a further £1 billion of support for infrastructure investment announced) which takes the current NPD programme through to 2019-20.

3.49 The Scottish Government's Infrastructure Investment Plan 2015 (IIP),⁹ which builds on the achievements of previous infrastructure plans, was published on 16 December 2015. It sets out why and how the Scottish Government will invest, and the strategic, large scale investments it will take forward within each sector over the next 20 years. A progress report on the IIP was published in April 2016.¹⁰

3.50 In addition to completing the Queensferry Crossing in 2017 with investment of £1.325-£1.35 billion, over £1.9 billion will be invested in roads and transport projects, including the M8 M73 M74 Motorway Improvements Project, the Aberdeen Western Peripheral Route, and continuation of the Edinburgh-Glasgow Rail Improvement Programme.

3.51 The Digital Scotland Superfast Broadband programme is delivering over £400 million investment to drive broadband coverage across Scotland and will extend fibre access to at least 95% of premises by the end of 2017. Without this investment, only 66% of premises would have been reached, with as little as 21% coverage across the Highlands and no coverage at all in Orkney, Shetland and the Western Isles. The Scottish Government is also committed to delivering 100% superfast broadband access by 2021 and developing options for a 4G mobile infill programme, to help fill in coverage gaps when commercial rollout is complete.

3.52 The Scottish Government and its partners are taking a range of actions to ensure that all people in Scotland live in high-quality, sustainable homes that they can afford and that meet their needs.

3.53 The Scottish Government is reviewing Scotland's devolved planning system in four key areas: simplifying and strengthening development plans; improving the way it involves people; building more homes and infrastructure; and stronger leadership and smarter resourcing.

3.54 The Scottish Government's housing strategy, Homes Fit for the 21st Century,¹¹ aimed to provide at least 30,000 affordable homes over 2011-16, including 20,000 homes for social rent of which at least 5,000 would be Local Authority homes. This target was exceeded, with a total of 33,490 affordable homes being delivered by end March 2016. This included 22,523 homes for social rent and within that, 5,992 Local Authority homes. Scottish Ministers have announced a target over 2016-21 to deliver at least 50,000 affordable homes, including 35,000 homes for social rent. This ambitious plan has been backed up with investment of at least £3 billion.

3.55 The Scottish Government also announced an increase in housing subsidies by up to £14,000 for social and affordable homes for rent being delivered by councils and Registered

⁹ <http://www.gov.scot/Resource/0049/00491180.pdf>

¹⁰ <http://www.gov.scot/Topics/Government/Finance/18232/IIP>

¹¹ <http://www.gov.scot/Publications/2016/03/3111/10>

Social Landlords, to help towards the target of delivering at least 50,000 affordable homes by the end of this Parliament.

3.56 A range of schemes support private sector housing activity, including the £195 million Affordable New Build and Smaller Developers Help to Buy (Scotland) shared equity schemes, which offer support to homebuyers from 2016. These schemes offer equity support of up to 15% on more affordable new build homes, with progressively reduced threshold prices targeting support to those most needing assistance to buy a home and adapting to improved market lending conditions. The new schemes build on the popularity of the previous Help to Buy (Scotland) scheme which assisted 8,000 homes to be purchased with funding of over £305 million and helped stimulate the home building industry with a total sales value of over £1.4 billion.

3.57 In addition, the Open Market Shared Equity Scheme (OMSE) continues to assist first time buyers on low to moderate incomes and priority access groups to purchase a property on the open market by offering equity support of between 10-40%. OMSE is part of the Scottish Government's commitment to deliver 50,000 affordable homes by 2021.

3.58 The Scottish Government is maintaining Scotland's leadership in financial innovation and continuing to work creatively with its partners and use innovative ways to deliver more for less public investment – there is a substantial and growing contribution from innovative financing approaches using government guarantees, loans, grant-recycling and new sources of private funding. Almost 5,000 new affordable homes have been approved through a range of innovative financing mechanisms – unlocking around £650 million of housing investment in addition to conventional funding routes.

3.59 The Local Affordable Rented Housing Trust (LAR) is a pioneering affordable housing model that will deliver 1,000 homes for mid-market rent (MMR) offering tenants high quality, affordable homes across Scotland. LAR is supported by a £55 million Scottish Government loan to be matched by private investment lifting overall funding to more than £100 million.

3.60 The Mid-Market Rent (MMR) Invitation, launched in February 2016 seeks proposals that can deliver affordable MMR homes at scale by 2021 backed by SG financial support and attracting significant private investment. The window for MMR invitations is now closed and we are carrying out robust assessment of proposals.

3.61 The Scottish Government has supported pension fund investors, delivery partners and local authorities to work together to boost the supply of affordable housing – Falkirk Local Government Pension Scheme Fund has invested £30 million into affordable housing across Scotland (supplemented with Scottish Government grant assistance).

3.62 The Scottish Government has invested a further £32 million in Charitable Bonds - an ethical investment instrument - in 2016-17 and the total investments of £70 million across twelve Bonds by April 2017 (supporting housing associations in providing 935 new affordable homes across Scotland) will have generated charitable donations - for the construction of new social housing - of over £17 million.

Wales

3.63 The Welsh Government has set an overall target for the number of additional affordable homes in Wales of 20,000, including 6,000 through the 'Help to Buy – Wales' scheme during the term of this government (2016 – 2021). In the last five years (2011 to 2016), 11,508 additional affordable homes were built. The Welsh Government is allocating over £1.3 billion to support the achievement of the 2016-2021 target and a substantial proportion of these homes will continue to be supported through the Social Housing Grant programme.

3.64 To help achieve this target, the Welsh Government also provides a long-term revenue stream, the Housing Finance Grant (HFG). The initial target of 1,000 new affordable homes to be built through the first phase of HFG will be delivered. In this administration the second phase of HFG will go on to deliver a further 1,500 affordable homes. It is also anticipated that 1,000 of the 20,000 homes will be built utilising new, innovative design models, and a £20 million programme in the next two years has been established to support their delivery.

3.65 The Land for Housing Scheme, piloted in 2014-2015 by the Welsh Government, provides loan funding to Registered Social Landlords (RSLs) to purchase land for housing development. The scheme helps to tackle the problem of the limited supply of housing by increasing the funding options available to RSLs to acquire land sites for affordable and/or market housing development. In addition to supporting the development of new homes, the investment also provides jobs and training opportunities, boosts the local economy, and regenerates brownfield sites and neglected land. A total of £22 million has been invested to date with a further £10 million in 2016-2017.

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

Skills and childcare

Recommendation 3

Address skills mismatches and provide for skills progression, including by strengthening the quality of apprenticeships. Further improve the availability of affordable, high-quality, fulltime childcare.

3.67 The government is committed to:

- building a world-class technical education system to generate the skills and productivity that are the foundations of a strong economy
- spreading opportunity and increasing social mobility – helping to break the link between a person’s background and where they get to in life
- 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

3.68 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.

Apprenticeships

3.69 The government wants young people to see apprenticeships as a high quality alternative for the more than half of young people who don’t choose to do A Levels or go to university. A path that prepares them for future career success, irrespective of their background. The government is committed to reaching three million apprenticeship starts in England by 2020,

with a target to increase the proportion of apprenticeships started by people from Black, Asian, and Minority Ethnic (BAME) backgrounds by 20% by 2020.

3.70 The government is doubling funding for apprenticeships to £2.5 billion by 2019-20 - twice what was spent in 2010-11 - and giving employers more power than ever before to design training standards that meet their needs. 'English Apprenticeships: Our 2020 Vision'¹² outlines our plans. More than 2600 employers are involved with over 517 standards currently published or in development, with 159 ready for delivery. Standards are being developed in a broad range of sectors from nuclear to fashion, law, banking and defence, and range from Butcher at Level 2 to Solicitor at Level 7.

3.71 New Higher and Degree Apprenticeships standards are being co-designed by employers and universities. These apprenticeships lead to high quality degrees, widening access to professions and providing the technical skills employers need to improve their productivity. They provide an attractive alternative for young people to direct university entry. The government is committed to rolling out many more Higher and Degree Apprenticeships, in response to a strong demand for Science, Technology, Engineering, and Mathematics (STEM) apprenticeships.

3.72 Established on 1 April 2017, the new Institute for Apprenticeships (the Institute) is charged with improving the quality of apprenticeships, regulating the quality of apprenticeship standards and assessment plans, and working with partners to drive quality improvements across the apprenticeship system. Consultation on the Institute draft operational plan ended on 27 February 2017 and the government has now announced the board members, the majority of whom are employers, business leaders, and their representatives.

3.73 The government is also reforming apprenticeship funding. From May 2017, it will be easier for employers of all sizes to find the apprenticeship training they want to purchase. Providers will have to be responsive to what employers need as funding will follow employer choice.

3.74 A UK-wide levy was introduced on 6 April 2017 for all employers with an annual pay bill of £3 million or more, to fund apprenticeship training. Employers who must pay the levy can choose and pay for any apprenticeship training and assessment they want through the apprenticeship service. Employers will receive a 10% top-up to the funds entering their account every month and this will be available for them to spend on apprenticeship training. Employers that are not required to pay the levy will be asked to pay 10% towards the cost of any training and assessment purchased and government will pay 90%.

3.75 Levied employers will be able to choose an apprenticeship provider from a new register – the Register of Apprenticeship Training Providers (RoATP). The new register will encourage diversity and competition in the provider market, supporting quality and employer choice.

3.76 Additional financial support will be provided for all employers taking on 16-18 year-old apprentices or 19-24 year old disadvantaged individuals (those who are care leavers and those who have an Education and Healthcare Plan). This will be a £1,000 payment to both the employer and the provider (£2,000 in total) in recognition of the training and workplace support they require. For small firms, training for these apprentices will be fully funded by the government.

3.77 The UK government has accepted the recommendation of the Independent Panel on Technical Education that it should expand the remit of the Institute beyond apprenticeships to include all 'technical' education. This change will be introduced from April 2018.

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482754/BIS-15-604-english-apprenticeships-our-2020-vision.pdf

Technical education

3.78 Work is underway to build an effective technical education system. Reforms will remove thousands of qualifications and replace them with 15 straightforward occupational routes into skilled employment. Each of the routes will lead to a new certificate – the “T Level.” The routes will include areas such as engineering and manufacturing, health and science, construction, and digital and will stretch to the highest levels of skilled employment. This approach is consistent with best practices seen in Germany, Australia and Norway.

3.79 The budget announced investment in skills, rising to over half a billion pounds a year for the new technical education routes to skilled employment. This investment will increase hours of learning by over 50% for young people on technical education routes, from 600 hours per year to over 900 hours per year, including a high-quality technical work placement.

3.80 Adult learners can also progress and upskill through the new technical qualifications. The budget announced maintenance loans for adults undertaking higher-level technical education at level 4+ at National Colleges and Institutes of Technology from the 2019/20 academic year.

3.81 At key stage 4 (age 16), since summer 2014, the school performance tables have reported only those non-GCSE / practical qualifications that are of demonstrably high quality and promote progression. Approved technical qualifications taught from September 2015 will be reported for the first time in the Technical Award category of the 2017 key stage 4 performance tables. With a focus on practical and technical subjects, they offer an opportunity to gain skills and knowledge not usually acquired through GCSEs.

3.82 A post 16 maths review chaired by Professor Sir Adrian Smith is focusing on steps that could be taken to improve teaching of maths to over 16s.

School leaver skills

3.83 The UK has delivered a raft of school level changes in recent years, including an “English Baccalaureate” (EBacc)¹³ indicator based on the percentage of students in a school who achieve 7+ A*-C grades in traditional academic subjects, alongside reforms to the school curriculum. These initiatives take time to translate into measurable results and changes to the school curriculum are phased in over several years. Since the EBacc performance measure was first introduced in 2010:

- the proportion of pupils entering and achieving the EBacc continues to increase with 36.6% of pupils in all schools entering the EBacc in 2016 and 22.8% achieving the qualification - entries to EBacc English, maths and languages are stable, while entries to EBacc science and humanities have increased¹⁴
- analysis suggests that this year most EBacc subjects saw an increase in the number of entries from less-able 16-year-old students, decreasing the proportion of A*-C grades in these subjects

3.84 Since 2014, 17 year olds must continue to study English and Mathematics if they fail to attain a grade ‘C’ at GCSE. Many more young people are securing GCSEs in maths and English at C and above as a result of this policy but there is still more to do. The government is carefully considering issues raised by teachers and stakeholders and awaits the conclusions of a review into the teaching of maths at 16-19.

¹³ An “EBacc requires a grade ‘C’ or better at GCSE in English, maths, two sciences, history or geography, and a language.

¹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/559919/SFR48_2016.pdf

Childcare places

3.85 The childcare sector is healthy and growing. More parents than ever are accessing high-quality funded early education and thanks to the Government's plan to double the offer for working parents, this trend is expected to continue.

3.86 Currently, 97% of four-year-olds and 93% of three-year-olds in England are accessing 15 hours of funded early education. Around 70% of disadvantaged two-year-olds are also taking up funded provision.

3.87 The quality of childcare providers continues to improve: 93% of Early Years Registered private and voluntary sector providers were judged 'good' or 'outstanding' in March 2016, up from 85% in August 2015 and 69% in August 2010

3.88 The government has taken action to drive up the supply of high quality, flexible childcare provision by simplifying the regulatory framework. In particular, relaxing planning rules allows nurseries to expand more easily, while legislating for child minder agencies makes it simpler for people to become child-minders and for parents to access home-based care.

3.89 The government is also encouraging more primary schools to open new nurseries and expand existing nurseries to take two-year olds, and will invest at least £50 million in capital funding this year to create almost 9,000 additional places for eligible children to help meet demand from hardworking parents. Going even further, it is making additional investment through the same capital bid round to support even more providers to deliver 30 hours.

3.90 To further support three and four-year-old entitlements, the government is also introducing a new early-years national funding formula from April 2017 that will increase government funding rates in 80% of local authorities, with a minimum funding rate of at least £4.30 per hour for every local authority. This will give local authorities the scope to pay providers an average rate of at least £4 per hour as local authorities are required to pass 95% of their funding to providers.

3.91 A new Disability Access Fund is being introduced, worth £615 per child per year to support disabled three- and four-year-olds to access their early-years entitlement. There is also a requirement for all local authorities to have Inclusion Funds to channel additional support to children with Special Educational Needs.

Financial support for parents

3.92 A new package of government support worth over £6 billion per year by 2019-2020 will make childcare more affordable and more accessible. This will include an additional 15 hours' free childcare for nearly 400,000 working parents of three- and four-year-olds, saving families using the full 30 hours around £5,000 per year in total.

3.93 The government started delivering 30 hours' free childcare in eight Early Implementer areas (from September 2016). This has been a success, with over 4400 eligible children already allocated an extended entitlement place, and a number of innovative collaborations established between councils and local employers. Lessons learned are being shared amongst Local Authorities to support them in preparation of the full roll-out from September 2017.

3.94 Tax-Free Childcare will be available in 2017 to help around 2 million households pay for childcare costs. For every £8 parents pay into an online account, the government will pay £2, up to a maximum contribution of £2,000 per child each year for children aged up to 12. Parents of disabled children will receive extra support (worth up to £4,000 per child, each year until their child is 17).

Childcare and Universal Credit

3.95 Universal Credit (UC) provides support to households on a low income and to people who are out of work. A Childcare Costs Element aims to ensure that childcare is not a barrier to parents moving into or progressing in work. The childcare element is subject to the 63% earnings taper, but is exempt from the Benefit Cap. This helps to mitigate the impact of the cap for parents, whilst maintaining the incentive of supporting eligible childcare costs for those in employment.

3.96 A 'Childcare Choices' communications campaign has launched. The website helps parents understand what government childcare offers are available, and they can use the childcare calculator to understand which schemes they may be eligible for. Parents can also sign up to receive an email alert which will notify them when they can apply for both Tax-Free Childcare and the 30 hours offer.

3.97 From April 2016, UC reimburses 85% of eligible childcare costs, up to a cap of £646.35 for one child or £1,108.04 for two or more children (in Great Britain). Childcare support through UC is simpler and more generous than that for Child Tax Credits. This change will benefit up to 500,000 working families by around £60 a month once UC has fully rolled out. It is estimated that around 100,000 more working families will receive childcare support than in the legacy tax credits system.

3.98 UC claimants can be eligible for the Childcare Costs element regardless of the hours that they work, so parents working fewer than 16 hours per week can receive support for the first time. Those who have accepted an offer of paid work due to start before the end of their next UC Assessment Period can also receive support, as can households where only one partner is working and the other is unable to care for the children due to disability, caring responsibilities, or absence from the home. In addition, claimants can be reimbursed childcare costs for one month following the end of a period of employment.

Devolved administrations

Northern Ireland

Skills

3.99 To meet the Commission's recommendations, the Northern Ireland Executive is implementing major reforms of Northern Ireland's professional and technical education and training. A new system of apprenticeships, from Level 3 through to Level 8, and youth traineeships at Level 2, will encourage progression and transform the 'Apprenticeships NI' model to a more employer-led system. Details of the reforms are set out in 'Securing our Success,'¹⁵ the Northern Ireland apprenticeship strategy published in June 2014, and 'Generating our Success,'¹⁶ a strategy for youth training published in June 2015. Both strategies are strongly evidence based, informed by consultation, and widely endorsed.

3.100 The Work Experience Programme, introduced in August 2015 and planned to run until at least 2020, offers high quality work experience placement opportunities to job ready unemployed 18-24 year olds. During 2016, 330 young people started a work experience placement, of these roughly a third found work within 13 weeks of completing their placement.

3.101 The Northern Ireland Executive in partnership with the Irish Government has secured EU PEACE IV (2014-20) funding to deliver a programme that will closely align with the vision and

¹⁵ <https://www.economy-ni.gov.uk/publications/securing-our-success-northern-ireland-strategy-apprenticeships>

¹⁶ <https://www.economy-ni.gov.uk/publications/generating-our-success-northern-ireland-strategy-youth-training>

objectives of “Together: Building a United Community” United Youth in Northern Ireland. The programme will target approximately 7,500 14–24 olds (6,000 in Northern Ireland) who are disadvantaged, excluded or marginalised, have deep social and emotional needs, and are at risk of becoming involved in anti-social behaviour, violence or dissident activity. The programme opened for applications in late 2016 and delivery is expected to commence from autumn 2017.

3.102 A key priority for the Northern Ireland Executive is the implementation of the Count, Read: Succeed Strategy¹⁷ to ensure that children and young people in Northern Ireland have the knowledge, skills and attitudes to succeed and do well in work and in life. It has a specific focus on improving outcomes in the key skills of literacy and numeracy.

3.103 The Pathway Fund¹⁸ introduced on 1 April 2016 aims to improve development of children who are at risk of not reaching their full potential within the school system and provides for an enhanced and sustainable Early Years sector. The Fund is open to all providers or facilitators of registered early years education or learning services focused on children aged 0-4. The 78 groups evaluated as currently most in need against the eight Fund criteria, were awarded £2.4 million funding in 2016/17.

3.104 As part of the Early Intervention Transformation Programme,¹⁹ Getting Ready to Learn,²⁰ launched on 18 March 2016, provides 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.

3.105 Implementation is underway for “Learning to Learn²¹ – A Framework for Early Years Education and Learning” published in October 2013. The policy aim is that all children have opportunities to achieve their potential through high quality early years education and learning experiences.

3.106 The Northern Ireland Executive invests £25 million annually in the Sure Start Programme.²² Of the £25 million invested in Sure Start in 2016/17, approximately £4 million supports the Sure Start Development Programme for 2 to 3 year olds. There are currently 144 programmes offering a service for 12 children per programme, for approximately 1,726 children in total. In all 39 Sure Start projects there is provision for at least 1 development programme for 2 to 3 year olds. 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.

3.107 The Toybox²³ project is delivered in partnership with Traveller children and parents. The project aims are to significantly reduce social and educational inequalities experienced by Traveller children aged 0-4 years across Northern Ireland. The project received funding of £356,000 in 2016/17 to provide support to Traveller children and their parents before, during and after pre-school. It works to address parental attitudes towards education in particular to help them to understand the importance and value of supporting their children’s education.

¹⁷ <https://www.education-ni.gov.uk/publications/count-read-succeed-strategy-improve-outcomes-literacy-and-numeracy>

¹⁸ <http://www.early-years.org/pathway-fund/>

¹⁹ <https://www.health-ni.gov.uk/articles/early-intervention-transformation-programme>

²⁰ <https://www.education-ni.gov.uk/articles/getting-ready-learn-early-intervention-transformation-programme>

²¹ <https://www.education-ni.gov.uk/sites/default/files/publications/de/a-framework-for-ey-education-and-learning-2013.pdf>

²² <http://www.nidirect.gov.uk/sure-start-services>

²³ <http://www.early-years.org/toybox/>

Childcare

3.108 The first phase of the Northern Ireland Executive's Childcare Strategy²⁴ was launched in September 2013. It identified school age childcare services (breakfast clubs, after school clubs and summer schemes) as a principal area of need, particularly in disadvantaged areas. The Bright Start School Age Childcare Grant Scheme²⁵ launched in March 2014 addressed this. At the end of January 2017, some £6 million has been allocated to approximately 100 childcare projects to create or sustain almost 3,000 childcare places, mainly in, or accessible to, disadvantaged areas.

3.109 The Northern Ireland Executive's full ten-year Childcare Strategy which aims to promote child development and parental employment is at an advanced stage of development.

Scotland

Skills

3.110 The Scottish Government's vision is to have a world class vocational education system in Scotland. Its approach to improving Scottish education, training and employer engagement with young people is set out in Developing the Young Workforce (DYW),²⁶ Scotland's Youth Employment Strategy. DYW is a 7 year programme which aims for young people to 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

3.111 The second DYW annual report published in December 2016²⁷ set out progress over the first two years of the programme. 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.

3.112 The Scottish Government's Modern Apprenticeship (MA) programme is designed to be responsive to employer needs. 25,818 MA starts were delivered in 2015-16, and the target to deliver over 25,500 MAs in 2015/16 was exceeded. The Scottish Government delivered over 128,000 new opportunities in the last parliamentary term. Employers are satisfied, with 84% 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.

3.113 In May 2016, Scotland's First Minister announced a review of enterprise and skills support in Scotland to help make further progress on productivity, equality, sustainability and wellbeing. In response to recommendations from the first phase report, work continues to ensure the best model of business support for Scotland with a focus on the best way to take forward operational delivery of information, advice and assistance. A range of actions aim to optimise an enterprise support system designed around, and able to adapt and grow with, the needs of businesses, supporting start-ups through to high growth and international firms – as well as community and social enterprises – to scale-up and grow.

²⁴ <https://www.education-ni.gov.uk/articles/childcare-strategy>

²⁵ <https://www.northernireland.gov.uk/publications/bright-start-ni-executives-programme-affordable-and-integrated-childcare>

²⁶ <http://www.gov.scot/Resource/0046/00466386.pdf>

²⁷ <http://www.gov.scot/Resource/0051/00511602.pdf>

Childcare

3.114 The Scottish Government is taking action to improve the provision of affordable early learning and childcare in Scotland. The Children and Young People (Scotland) Act 2014 entitlement to funded early learning and childcare increased to 600 hours for all 3 and 4 year olds and to eligible 2 year olds. The Act also made it a legal requirement for local authorities to consult parents in order to increase flexibility and choice over how the funded hours are accessed. Since 2014, the Scottish Government has provided local authorities with £500 million to fully fund these changes.

3.115 The Scottish Government is committed to further expanding the entitlement and will nearly double free early learning and childcare entitlement to 1140 hours per year by 2020. This will require substantial increases in the workforce and investment in infrastructure. The Scottish Government has allocated over £60 million in the 2017-18 Scottish Budget to support the first phase of developing the capacity to support the delivery of 1140 hours by 2020.

3.116 The total benefit to families from 1140 hours of funded entitlement is estimated to be worth around £4,500 a year per child, enabling more families to keep more of their income. This will make a vital contribution to the Scottish Government's priorities to grow Scotland's economy, tackle inequality, and close the attainment gap.

Wales

Skills

3.117 Taking Wales Forward, the Welsh Government's Programme for Government, sets out key measures to prevent young people from disengaging from learning and to help to support their entry into the labour market.

3.118 Jobs Growth Wales II, launched in April 2015, is a project which aims to create 9,000 job opportunities across Wales over three years. The programme is aimed at young people aged 16 to 24, giving them valuable work experience for a six month period, paid at or above the national minimum wage between 25 and 40 hours per week. It aims for job opportunities to be sustained by employers after the six month work experience period. Employers are reimbursed for wages and National Insurance contributions. As of January 2016, 2,206 job opportunities had been filled.

3.119 Jobs Growth Wales is part of wider Welsh Government-funded employability support that includes a traineeship programme (for 16 to 18 year olds), employability skills for older adults and apprenticeship opportunities. Participants in traineeships can progress directly into a Jobs Growth Wales opportunity where appropriate. Additionally, after six months a young person, if eligible, can progress on to a direct Apprenticeship opportunity.

3.120 To allow Wales to compete globally with workers trained in high level technical and professional skills, in February 2017, the Welsh Government published its 'Apprenticeships Skills Policy' aligning apprenticeships with the needs of the Welsh economy. The Welsh Government is investing in training across growth sectors and growth occupations, addressing skill shortages that hold back productivity and growth, that will provide economic and social returns.

3.121 The Welsh Government is already working with employers to expand and strengthen apprenticeship routes in STEM, the digital industries, information technology, construction and financial services. It is committed to deliver a minimum of 100,000 quality all-age apprenticeships over the current term of the National Assembly for Wales (2016 - 2021), and will prioritise investment in:

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

3.122 Regional Skills Partnerships (RSPs) are at the centre of the Welsh Government's Skills Policy. Over the next five years, the Welsh Government plans to deliver a post-16 learning environment which remains fit for purpose. RSPs have a key role in producing regional intelligence informed by employers. They have developed robust employer engagement strategies to capture skills needs across Welsh regions, in particular, those needs associated with regional infrastructure projects and priority sectors. The care sector has been identified as a priority sector by RSPs and care related skills intelligence is being captured in annual regional employment and skills plans, which in turn will inform the prioritisation of funding.

3.123 Skills competitions help to raise standards, esteem and levels of expertise in further education and apprenticeships. The Welsh Government will benchmark Wales against the best skills systems in the UK and the rest of the world to strengthen its vocational system for apprentices and young people leaving education.

3.124 The Traineeships Programme (for 16 to 18 year olds) commenced in August 2011 and supports young people to gain sustained employment. It helps them with their confidence and motivation, and looks to address barriers to learning that 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 that can progress young people into employment, or learning at a higher level. Progression statistics for the third year of the scheme (2013-2014), show that 68% of leavers from the Traineeship programme had a positive progression into employment or learning at a higher level.

3.125 The Welsh Government's 2017 adult employability programme, the Employability Skills Programme (ESP) focuses on essential skills training and provides access to employability skills training in conjunction with a work placement employer. It ensures that there is provision available for unemployed individuals aged 18 or over who have been unemployed for less than 12 months, and before the Job Centre Work Programme starts.

Early Learning and Childcare

3.126 High quality childcare that enables parents to access training and employment, improves children's life chances and can lift them out of poverty. The Welsh Government's Programme for Government seeks to improve the flexibility, affordability and availability of childcare and early-years education. It sets out its vision in the "Building a Brighter Future: Early Years and Childcare Plan." The Welsh government is continually reviewing how to support parents further with childcare costs.

3.127 The Welsh Government is committed to providing 30 hours of government-funded childcare and early education to working parents of three and four year olds for 48 weeks a

year. It will be working with six local authorities to become early implementers of the Childcare Offer from September 2017. The 30 hour offer will include the current minimum 10 hours of the early education Foundation Phase. This will support working parents and may allow some to increase the hours they are able to work, leading towards a reduction in income inequalities and allowing parents greater choices around in-work training opportunities.

3.128 The Welsh Government is currently working on a 10-Year Plan for the Early Years, Childcare and Playwork Workforce in Wales, for publication in 2017. Over the next 10 years, this workforce will move towards a profession which is highly regarded, able to recruit and retain high quality skilled personnel that are actively engaged in continuous professional development. The Welsh Government is currently working with the Care Council for Wales and Qualifications Wales to introduce, from September 2019, a new set of childcare qualifications.

3.129 Progress for Success, aligns with this 10-Year Plan. It is a £6.3 million programme jointly funded by the EU's European Social Fund (ESF) and the Welsh Government. It launched on 1 August 2016 and will support over 2,000 practitioners over the age of 25, who currently work within the sector, to gain recognised childcare or play qualifications.

3.130 Local authorities have a statutory duty to assess and, where practical, ensure sufficiency of childcare and play opportunities that meet the needs of families in their area. The Welsh Government supports this through the Out of School Childcare Grant Support, including start-up and sustainability funding for childcare and play provision.

3.131 The Welsh Government has awarded funding of over £5 million to Cwlwm (Childcare Wales Learning and Working Mutually), the childcare consortium under the Children and Families Delivery Grant. Cwlwm offers business support, guidance and advice to all childcare and play settings, with the aim of sustaining provision.

3.132 Free, high quality, part-time childcare for two to three year olds is also provided through 'Flying Start.' The programme delivers support for families with children under four 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 in tackling poverty and is beginning to have a positive impact on families. In 2015-2016 more than 38,000 children benefited from Flying Start services in Wales; this was 6% above the Welsh Government's target of 36,000.

3.133 The Foundation Phase curriculum (for three to seven year olds), a key component of the Welsh Government's education policy, is based on international evidence of the most effective approaches to early education and care. It aims to meet the needs of all children through developmental, experiential and active learning, marking a departure from more formal, competency-based approaches to learning and teaching. In catering for the needs of individual children it aims to reduce inequalities linked to parental background and socio-economic status. Local authorities are required to 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). An independent evaluation, published in 2015, showed that the Foundation Phase was being effective in raising attainment levels.

3.134 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 most recent Child Poverty Strategy, published in 2015 reaffirms the Welsh Government's commitment to eradicate child poverty by 2020. It also restates a commitment to deliver the three strategic objectives of the 2011 Strategy and sets two new objectives. The objectives are based on children's rights (as set

out in the United Nations Convention on the Rights of the Child) and reducing inequalities, and are set out in detail in the Wales section on social exclusion and poverty reduction in Chapter 4.

3.135 Using £13.5 million of Welsh Government and ESF funding, a Parents Childcare and Employment (PaCE) programme helps out of work parents to access training or employment opportunities where childcare is their main barrier. Working in partnership with the UK Government's Department for Work and Pensions, the Welsh Government leads the programme, which builds on services already delivered in local authority areas, including Families First and Flying Start.

Performance and 4 transparency

Introduction

Performance framework

4.1 The government aims to be a world leader in performance management, and the most open and transparent government in the world. In February 2016, the government launched a new performance framework, with each department producing a departmental plan. The plans are published online,¹ and updated regularly as new performance information becomes available.

4.2 Each departmental plan is written with the support of HM Treasury, the Cabinet Office, and the Prime Minister's Office. They lay out the 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. Plans are aligned with the outcomes of the Spending Review 2015.

4.3 Departmental plans are also supported by a clear set of output and outcome indicators that will be used by government and the public to track how the department is performing. Where targets already exist, they have been clearly described. However, no new targets have been designed as part of the planning process.

4.4 Accountability for delivering services and policies is clear and transparent. Within each published plan, every departmental objective has a stated minister and lead official, who are accountable for delivering that area of policy.

4.5 The government continues to develop tools to make data more transparent, such as the data.gov.uk portal.² Detailed data on transactional spend is also made available through Spend Reports.³

Europe 2020 Strategy

4.6 Europe 2020 is the European Union's growth strategy for 2010 to 2020 for a smart, sustainable and inclusive economy.⁴ 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.

4.7 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.

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 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>

4.8 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 2010:⁵

- aiming to raise to 75% the employment rate for women and men aged 20 to 64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants
- improving education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%
- promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion
- improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 3% of GDP; the Commission will elaborate an indicator reflecting R&D and innovation intensity
- reducing greenhouse gas emissions by 20% compared to 1990 levels; increasing the share of renewables in final energy consumption to 20%; and moving towards a 20% increase in energy efficiency

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

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

4.10 Levels of performance, against the objectives for each target, are indicated in Annex A.

Devolved administrations

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

Northern Ireland

4.12 The Northern Ireland Executive's 2011-15 Programme for Government⁶ was managed through a multi-layered delivery framework, supporting effective management of specific activities and projects, and strategic management of the overall programme. A new Programme for Government Framework developed following the Assembly election in May 2016 was consulted on prior to the dissolution of the Assembly on 26th January 2017.

Scotland

4.13 Scotland's National Performance Framework (NPF) incorporates a range of social, economic and environmental indicators and targets including issues such as mental wellbeing, income

⁵ 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

⁶ <https://www.northernireland.gov.uk/publications/programme-government-2011-2015>

distribution and carbon emissions, as well as economic growth. 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 Performs⁷ – the Scottish Government's online reporting tool.

Wales

4.14 Following elections to the National Assembly in May 2016, progress against the Welsh Government's Programme for Government, Taking Wales Forward, will be reported in the context of four cross-cutting strategies currently in development, and in line with the Welsh Government's priorities. Namely, a Wales which is prosperous and secure, healthy and active, ambitious and learning, united and connected.

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

4.15 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 by having the highest employment rate in the G7.

4.16 Responsibilities in this area are shared across several departments. The Department for Business, Energy & Industrial Strategy works to promote growth and ensure the UK is a business-friendly and internationally competitive environment working with business and the devolved administrations to strengthen the skills base. Her Majesty's Treasury maintains control over public spending, sets the direction of the UK's economic policy and works to achieve strong and sustainable economic growth. The Department for Work and Pensions' role is to increase the number of people in employment and improve the functioning of the labour market, providing extra support to disadvantaged individuals who are less able to help themselves.

4.17 Under the devolution settlements, the National Minimum Wage and National Living Wage, are reserved across the whole of the UK. Other employment legislation is reserved for Great Britain, but devolved for Northern Ireland. Some related policy areas, such as skills, are the responsibility of the devolved administrations. Details of the policies being implemented in Northern Ireland, Scotland and Wales are included in this section.

Policy context

4.18 The UK labour market is flexible and dynamic, with over 13 million moves in and out of employment, unemployment and inactivity each year. There are currently around 7 million job

⁷ <http://www.gov.scot/About/Performance/scotPerforms>

starts each year, and over 3.5 million job exits. Even in recessions most of these movements into and out of work are for reasons other than redundancy.

4.19 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

4.20 Labour market interventions to achieve these objectives include:

- passive use of the design of working age benefits to avoid distorting the labour market
- activation strategies to maximise labour supply by drawing people closer to the labour market as a condition of benefit -this may involve work-availability and work-search requirements, backed up by sanctions for non-compliance
- interventions to raise employment levels among specific groups
- the Public Employment Service (Job Centre Plus) offer of job-matching with employers and a personally tailored regime for claimants

4.21 The UK economy has grown 14.7% since Q1 2010 and is now 8.6% bigger than its pre-crisis peak. As of January 2017, unemployment was at 1.58 million, down 106,000 on the year. Inactivity fell 0.2 percentage points on the year to 21.6%.

4.22 The latest national data show the UK is now above its pre-recession employment rate at a record 74.6% (for age group 16-64 for November 2016 to January 2017), having increased employment by 2.8 million since Feb-Apr 2010, to a record level of employment of over 31.8 million, and by 315,000 between the 3 months to January 2016 and the 3 months to January 2017, alone.

4.23 The female employment rate (69.8% for age group 16-64) is also at an historic high, as is the female employment level at 14.9 million – up over 1,250,000 since 2010.

4.24 Latest Eurostat data (as of March 2017) for the UK in Q3 2016 show an employment rate of 77.7% for age group 20-64, above the EU-wide target of 75%. This is 6.2 percentage points above the EU-28 average, and the 3rd highest employment rate in the EU.

Actions to achieve objectives

4.25 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.

Universal Credit and progression

4.26 Universal Credit, the new benefit to support people who are on a low income or out of work, is being implemented as planned, with national roll-out to be achieved by September 2018. Universal Credit strengthens the effectiveness of the government's labour market policies and removes the distinctions between benefit types, in and out of work benefits, and the worst dis-incentives to progression of the former system, so that work clearly pays.

4.27 To further enhance incentives for work, the Universal Credit earnings taper is being reduced from 65 to 63%. In addition, working parents of pre-school children are incentivised by an increase in free childcare, while working families can avail themselves of tax-free childcare.

4.28 All Universal Credit claimants must agree on a 'Claimant Commitment' as a condition of entitlement. This agreement clarifies and records what they are expected to do in return for benefits and support, and what will happen if they do not comply. For those with work-related requirements the Claimant Commitment comprises of realistic and achievable work related objectives, tailored to individual needs, experience and circumstances.

4.29 The government intends that Universal Credit not only supports people into work, but helps them to remain in work and to earn more. To this end, it is developing an evidence base to establish how best to support claimants in low paid work to increase their earnings and progress in their careers. Research includes:

- a large scale randomised control trial (RCT) launched in 2015 running till 2018, with an interim update published in March 2017
- a number of external trials looking at alternative approaches to progression, including a range of employer led projects, with some focusing on women

Work Programmes

4.30 The Work Programme, launched in 2011, succeeded in helping people furthest from the labour market and getting people into sustained jobs. By September 2016, 550,000 participants had left long term unemployment and found sustained work. The Work Programme is closed to new entrants in 2017, but experience gained from the programme has been used to develop the new Work and Health Programme.

4.31 The Work and Health Programme will give specialised support to both the long-term unemployed (over two years) and to those with health conditions or disabilities (on a voluntary basis). The Programme will focus on people who are likely to be able to find work within 12 months, with the support adapted to present labour market conditions of high levels of employment and lower unemployment.

4.32 Through the Access to Work programme, the government provides support to help employers recruit and retain disabled people and people with health conditions. Spending Review 2015 provided a real terms increase in funding for Access to Work to promote this demand led scheme more widely.

Halving the disability employment gap

4.33 To support progress toward the 2015 manifesto commitment of halving the disability employment gap, the government published the Green Paper 'Improving Lives' in October 2016 setting out proposed solutions intended to bring about change.

4.34 Good progress has been made in recent years. Between Q4 2013 and Q4 2016, the number of working age disabled people in employment in the UK increased by almost 600,000 to 3.57 million. Over the same time the disability employment rate increased by over 5 percentage points to 50%, while the disability employment gap was 31 percentage points. The UK government is aware that more needs to be done, so that everyone who can work is given the right support and opportunities to do so.

4.35 The government is committed to building on the momentum of its work and health agenda, and to taking early action where it is right to do so. A consultation on work, health and disability, seeking views on what it will take to transform employment prospects for disabled

people and people with long-term health conditions, closed on 17 February 2017. The government engaged with a wide range of stakeholders; receiving a great response and is considering all views before deciding how to move forward.

4.36 The consultation set out a government commitment to support promising initiatives that can drive integration across the health, social care, and employment systems. The government has provided seed funding to test approaches through the Work and Health Innovation Fund for two local authorities to develop health-led trials, with further funding available if designs prove viable.

Tackling youth unemployment

4.37 The UK government continues to help young people to find work, making progress towards its ambition to abolish long term youth unemployment. In the three months to December 2016, the number of people aged 16 to 24 who were unemployed under the International Labour Organisation (ILO) measure had fallen to 568,000, down 57,000 on the previous year.

4.38 Against this backdrop of improving youth employment, the government is increasing its support for young people who are harder to reach. From April 2017 the 'Youth Obligation' will provide intensive support and work-readiness preparation to all 18 to 21 year olds who receive Universal Credit. Those still out of work after 6 months are expected to apply for an apprenticeship, a traineeship, gain work-base skills, or take up a work placement.

4.39 The government extended a successful "pathfinder" trial introducing Jobcentre Plus support into schools in England to the whole country in November 2016. This programme supplements careers advice and provides routes into apprenticeships, work experience and sector-based work academy places.

Action for full employment

4.40 To ensure labour market opportunities for all, the Welfare Reform and Work Act 2016 outlines a statutory obligation to report annually to Parliament on the government's progress towards achieving full employment.

4.41 The government's wider action to support employment in the UK includes:

- generous childcare support with new package of government support worth over £6 billion per year by 2019-2020 to make childcare more affordable and more accessible
- an additional 15 hours' free childcare for nearly 400,000 working parents of three- and four-year-olds
- tax-Free Childcare available to around 2 million households to help pay for childcare costs in 2017
- a Childcare Costs Element within Universal Credit that is exempt from the Benefit Cap,⁸ to help ensure that childcare is not a barrier to parents moving into or progressing in work⁹

⁸ The Childcare Element will still be subject to the 63% taper allowance

⁹ See Chapter Three

Devolved administrations

Northern Ireland

4.42 The main return to work programme in Northern Ireland, 'Steps 2 Success,' introduced in October 2014, builds on the success of previous return to work programmes with an increased emphasis on sustaining employment. At the end of December 2016 a total of 38,913 people had started the programme. Of those participating in its first 12 months of operation (from October 2014 to September 2015), 28% (7,458) moved into employment.

4.43 In addition, the Social Investment Fund¹⁰ (SIF) is an Executive Fund which aims to make life better for people living in targeted areas by reducing poverty, unemployment and physical deterioration. Running until 2019-20, funding is being spent on community based initiatives designed to bring the maximum benefit to local people and their communities. A key objective of the fund is to increase employment opportunities by addressing educational underachievement, lack of skills, and access to jobs. All Social Investment funding has now been committed to projects across Northern Ireland, including £18.6 million to employment / training projects.

Scotland

Labour Market Strategy

4.44 Scotland's Economic Strategy¹¹ sets out an overarching framework of how the Scottish Government aims to achieve a more productive, cohesive and fairer Scotland. It prioritises investment and innovation, supporting inclusive growth and maintains Scotland's focus on increasing internationalisation. Throughout the Strategy, there is a clear focus on the mutually reinforcing objectives of increasing competitiveness and tackling inequality. The Scottish Government has adopted this approach, not just because it ensures better social outcomes, but because there is growing international evidence that countries with more equal societies typically enjoy stronger, more sustainable growth over the long run.

4.45 Building on the Economic Strategy, the "Labour Market Strategy," published in August 2016¹² demonstrates how a labour market that is fair and inclusive, and that provides sustainable and well-paid jobs, is key to tackling income inequality and addressing wider issues, including health, crime, deprivation and social mobility. The Strategy sets out steps the Scottish Government is taking to persuade businesses of the benefits of fair and inclusive work. It aims that every person, regardless of background, has the opportunity to participate successfully in the labour market and in turn, that Scotland's workforce has the right skills and attributes to meet the needs of the evolving labour market.

4.46 From April 2018 the Scottish Government will introduce a fully devolved, distinctly Scottish employability service, creating a strong platform for future services, focussing support on those furthest from the labour market for whom work is a realistic prospect. Its present focus is continuity support for those who are unemployed and facing significant barriers to work, while it builds a Scottish programme of support from April 2018.

¹⁰ <https://www.executiveoffice-ni.gov.uk/articles/social-investment-fund>

¹¹ <http://www.gov.scot/Publications/2015/03/5984>

¹² <http://www.gov.scot/Publications/2016/08/2505/downloads>

Box 4.A: The Scottish Business Pledge

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

The Pledge has nine components:

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

By making a Pledge, companies demonstrate their commitment to deliver shared values through their actions and future plans.

Up to March 2017, over 340 companies across a range of sectors from banking to hospitality have signed up to the Scottish Business Pledge.

The Scottish Government's Programme for Scotland 2015-16, commits to:

- continue raising awareness of the Pledge
- encouraging more businesses to choose this route to productivity and business growth;
- 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 how sectoral challenges might be addressed

Youth Unemployment

4.47 The Scottish Government's approach to tackling youth unemployment includes expanding Modern Apprenticeship opportunities to 30,000 start 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.

4.48 Working with Local Employability Partners, Skills Development Scotland will provide up to 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 nearly 60,000 training places, with 69% of those participating reporting a positive outcome in 2015-16.

Women's employment

4.49 The Scottish Government is working with the Equality and Human Rights Commission (EHRC) to tackle pregnancy and maternity discrimination. The Minister for Employability and Training is chairing a working group whose remit includes: improving employers' access to advice to ensure best practice; developing an industry-specific communications strategy around the benefits of positive pregnancy and maternity policies; and strengthening health and safety advice.

4.50 The Scottish Government will work with large employers to help women who have had career breaks back into the workplace. Equate Scotland has been awarded funding of up to £50,000 to deliver the first stage of activity to support women to return to work. This 12-month project will provide at least 40 women with support to re-enter the STEM (science, technology, engineering and maths) sector by offering one to one guidance, career clinics and access to webinars and three month paid placements with a STEM employer. The placements will focus on life sciences, digital skills and engineering. However, STEM is not the only sector where women experience barriers to re-entry, and the Scottish Government will look to develop returner programmes in other sectors where a need is identified. These projects will both help women update skills and knowledge and smooth the transition back into the workplace for both women and employers.

Disabled people's employment

4.51 The Scottish Government is committed to reducing by at least half the employment gap between disabled people and the rest of the working age population, and will work with disabled people's organisations and partners to develop a timetable to achieve that aim. While disabled people account for 20% of Scotland's population, they make up just 11% of the private sector workforce and 11.7% of the public sector workforce. The Scottish Government will work with all sectors to look at target setting, how it can redress the employment imbalance, and how it can further address barriers to work. The new disability delivery plan – "A Fairer Scotland for Disabled People"¹³ published in December 2016 aims to ensure that disabled people have access to decent incomes and fairer working lives.

4.52 The Scottish Government wants to give young disabled people the opportunity to reach their full potential and recognise the challenges they can face entering the workforce. It will pilot a new work experience scheme to help with this transition into permanent employment, and will offer the highest level of Modern Apprenticeship funding to disabled young people up to the age of 30. It will also build on SCVO and Inclusion Scotland's pilot programme by providing disabled people with 120 employment opportunities in the third and public sectors and in politics between 2017 and 2021.

4.53 New devolved powers on employment support will be exercised from 1 April 2017, when a one-year transition arrangement for those with greater need will be put in place. This decision will allow the transfer of devolved powers to be efficiently and seamlessly transferred. Existing national Work Choice providers will transfer to Work First, which will deliver employment support for up to 3,300 disabled Scottish people. At the same time, Skills Development Scotland will begin to deliver Work Able Scotland, a service for up to 1,500 clients with a health condition and at risk of long term unemployment who want to enter work.

¹³ <http://www.gov.scot/Resource/0051/00510948.pdf>

Wales

4.54 The Welsh Government launched a Skills Implementation Plan in July 2014 setting out the policy actions and the delivery timeline for its goals,¹⁴ as part of longer-term reform to secure a resilient and sustainable skills system for Wales. The statement and supporting plan focus exclusively on post-19 skills interventions, underpinned by Skills Performance Measures which focus on jobs and growth, financial sustainability, equality and equity as well as international skills benchmarking. There are additional measures in place 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 fully in Chapter 3 of this report.

4.55 The Welsh Government is working with internal and external stakeholders including the National Training Federation Wales, Job Centre Plus and the Department for Work and Pensions (DWP) to ensure better alignment of policies and activities.

4.56 The Employment Routes map, published in November 2015, shows all funded provision to avoid duplication across the skills delivery landscape. Employment Routes sits within the Skills Gateway, the Welsh Government's mechanism for delivering an engagement, assessment and referral system to businesses and individuals seeking skills support in Wales.

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

4.57 The government is working to deliver generational change - and that means looking right across people's lives, from early years through to adulthood. Its overarching objective is to ensure all children can access high-quality education at every stage, more specifically by:

- spreading social mobility
- strengthening the teaching profession
- building a world-class skills system

4.58 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.

¹⁴ First outlined in the Policy Statement on Skills, published in January 2014

Policy context

4.59 Driving social mobility for those from disadvantaged backgrounds is a priority for the government. Around 40% of the gap between disadvantaged children and their peers is already there by the age of five.

4.60 Nearly 1.8 million more children are now in good or outstanding schools than in 2010 but one million children are still in schools that Ofsted has rated less than good and they are disproportionately located in areas of disadvantage.

4.61 There is a productivity gap between the UK and other advanced economies, in part caused by skills shortages, particularly in science, technology, engineering and mathematics. Only 10% of adults hold a technical qualification as their highest educational achievement.

4.62 In 2014/15 94% of pupils in England were in sustained education, employment or training in the year after key stage 4 (age 16), and 91% of pupils were in sustained education, up by 5 percentage points since 2010/11.

4.63 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.

4.64 The UK tertiary education attainment rate (the proportion of the population aged 30 to 34 having completed tertiary or equivalent education) has been increasing continually since 2000, reaching 47.8% in 2015, which is one of the highest rates in Europe and well above the EU average (38.7% in 2015).

Actions to achieve objectives

Spreading social mobility

4.65 The government's plan for education commits to extend opportunity and ensure that every child receives the best possible start in life. To this end, the Pupil Premium is available to schools to raise the attainment of disadvantaged pupils. This has been successful as England's attainment gap measure shows that the gap between disadvantaged pupils and their peers has narrowed by 6.6% between 2011 (the year the pupil premium was introduced), and 2015.

4.66 New opportunity areas are being created across England to help local children get the best start in life by building young people's knowledge and skills and providing them with the best advice and opportunities, including working with organisations such as the Careers and Enterprise Company, the Confederation of British Industry, the Federation of Small Businesses, and the National Citizen Service. These areas will receive £72 million of funding. Opportunity areas will also have prioritised access to a wider support package helping young people from nursery right through to starting work, with local partnerships formed across early years providers, schools, colleges, universities, businesses, charities and local authorities to ensure all children have the opportunity to reach their full potential.

4.67 In October 2016, six opportunity areas were announced, followed by a further six areas in January 2017. These areas have been identified as the most challenged for social mobility. The government will be working with key partners in each area to agree and fund credible evidence-based plans of activity that are responsive to local need. For example to support high quality professional development for teachers and school leaders, and/or careers and enterprise Investment.

4.68 In September 2016 the government launched a 'Schools that work for everyone' consultation, setting out proposals to create more choice, and more good school places in

England, by lifting the ban that stops communities choosing to create new selective school places, and harnessing the resources and expertise of universities, faith schools and independent schools. The government is now analysing responses to that consultation process.

4.69 The number of good or outstanding places in schools had risen by 420,000 in the last year but in order to continue that upward trend, £140 million will be set aside to create a new Strategic School Improvement Fund. This will support school improvement, and build school-led capacity in parts of the country where it is needed. Maintained schools and academies will be able to apply for this funding with the backing of a teaching school, local authority or Regional School Commissioner for school improvement activity.

4.70 Within the school system the government will introduce reform to use resources fairly. At present the average amount of per pupil school funding that individual local authorities in England receive from the government varies considerably. Funding is distributed onwards to schools under local funding formulas, which give different weights to different factors, meaning that different schools, even within the same area, receive different levels of per pupil funding. From 2018-19 the government will introduce a National Funding Formula. This will change the way schools across England are funded to ensure it is fairer.

4.71 The UK government is also working with Ofsted to review how we can ensure that school inspection can best support social mobility.

Strengthening the teaching profession

4.72 The government has provided £5 million over four years to establish the Chartered College of Teaching, an autonomous, member-driven professional body for teachers. The College will work in partnership with associations, unions and learned societies, building on best teaching practice and emerging research evidence, to provide a professional development pathway that supports teachers at every stage of their career.

4.73 In October 2016 the government introduced a Teaching and Leadership Innovation Fund worth £75 million over 3 years which will support high-quality professional development for teachers and school leaders, especially in challenging areas. The first bidding round was held in February 2017.

4.74 £10 million from the Teaching and Leadership Innovation Fund is earmarked specifically to support the take-up of improved national professional qualifications (NPQs) that will be delivered from September 2017, in schools where they can make the biggest difference. The new NPQs will focus on evidence and an emphasis on the role of school leaders helping their own staff to develop.

4.75 The government is addressing teacher shortages. Since 2013, it has funded training for thousands of teachers to help them improve the teaching of English and maths, and provided bursaries to support over 870 graduates to train to teach English or maths in the further education sector. In April 2016, it confirmed bursaries will be available for a further two years.

4.76 Recruitment and retention of teachers is a challenge in certain areas of the country. The government plans to invest a substantial portion of £70 million funding for the northern powerhouse schools strategy in piloting new approaches to attracting and retaining teachers in the North of England.

Lifetime learning

4.77 Lifelong learning was highlighted as an important issue in the government's Industrial Strategy, where it committed to explore ambitious new methods to encourage greater adult re-training throughout the lifetime. At Budget 2017, the government allocated funding for lifelong

learning pilots. Potential pilots could include innovative course delivery, such as using digital technology, as well as using contact points with the government to encourage learning (e.g. Jobcentre Plus).

4.78 From 2018/19, part-time students studying at full degree-level (L6) can receive a means-tested maintenance loan towards the cost of living during their studies. Many part-time learners are mature students, or those with dependents. Supporting part-time learning also means supporting lifelong learning, enabling people to gain new skills or change career paths. This will tackle the decline in part-time study and supporting re-training through people's lives. Part-time higher education numbers have decreased by more than 50% since 2008-09 to 110,000.

4.79 The government is extending the availability of Advanced Learner Loans, previously only open to those aged 24 or above, to those aged 19 or above. Advanced learner loans are available for individuals to undertake approved qualifications at Levels 3 to Level 6, at an approved provider in England, and give individuals access to financial support for tuition costs similar to that available in higher education. They are administered by Student Finance England.

Tertiary education

4.80 The government has ensured that there are no upfront costs to higher education, and successive reforms to the student finance system now mean that government support will be available to adults wishing to study at any qualification level, from basic skills to PhD. The government is committed to maintaining the UK's world class higher education system while ensuring an affordable and sustainable student finance system.

Devolved administrations

Northern Ireland

4.81 The Northern Ireland Executive's key policy for raising standards is "Every School a Good School,"¹⁵ a policy for school improvement which aims to ensure that every young person fulfils his or her full potential at each stage of their development. The policy aims to ensure that every school through self-evaluation and targeted support, encompasses the characteristics of a successful school, namely one that is effectively led and child-centred, provides high quality teaching and learning and is connected to its local community.

Scotland

4.82 The Scottish Government recognises the importance of a skilled, educated and healthy workforce, and believes that investing in education and skills is key to driving long-term improvements in competitiveness and in creating opportunities for everyone in society to benefit from these improvements. In May 2016, the First Minister announced a review of enterprise and skills support in Scotland to help make further progress on productivity, equality, sustainability and wellbeing. In response to recommendations from the first phase report, work continues to ensure the best model of business support for Scotland.

4.83 The Scottish Government works with local authorities, schools, pupils and parents to highlight the potential risks of disrupting learning by absence from school. Its 2007 publication 'Included, Engaged and Involved Part 1: attendance in Scottish schools' in 2007 provides guidance on how to promote engagement and motivation, including among those who may be at risk of poor attendance. It has also produced guidance for parents which reinforces the message that they should do all they can to support children to attend schools. The vast majority of parents are aware of these risks and the number of unauthorised absences is reducing. The

¹⁵ <https://www.education-ni.gov.uk/publications/every-school-good-school-policy-school-improvement>

attendance rate has remained steady at just over 93% in recent years. It has increased from 93.6% in 2012/13 to 93.7% in 2014/15.

Scottish Attainment Challenge

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

Education Maintenance Allowance

4.85 The Scottish Government has retained the Education Maintenance Allowance (EMA) in Scotland to provide financial support to eligible 16 to 19 year olds from the lowest income families, enabling them to stay in education and learning beyond the school leaving age. In academic year 2014-15, £26.5 million of funding was provided to support 33,180 young people in schools and colleges. Of all 16-19 year old school pupils in Scotland, 31% (22,530) received EMA payments in 2014-15. In January 2016, the programme was expanded to include part-time non-advanced college courses and the income thresholds were increased.

Tertiary Education

4.86 Scottish Ministers have commissioned an independent review of the higher and further education student support systems in Scotland, due to report in autumn 2017.

4.87 The Scottish Government is committed to keeping access to higher education free for Scottish-domiciled students, and is investing over £1 billion in Scotland's higher education sector in 2017-18 to support this. The Scottish Government's Budget for 2017-18 confirmed that college and universities will receive cash terms increases in funding on the previous year.

4.88 The Scottish Government is committed to providing student support. The current higher education funding package, introduced in 2013, includes annual minimum income of £7,625, through a combination of bursaries and loans, for students with a family income of less than £19,000, and a student loan of £4,750 a year for all students. Part-time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition fee costs. In the academic year 2015-16, the Student Awards Agency for Scotland (SAAS) awarded £805.8 million of student support as tuition fees, grants, bursaries or authorised loans, to 141,000 full-time higher education students.

4.89 In further education, full-time students are currently able to receive a non-repayable bursary of up to £95.94 per week. The 2016-17 student support budget is at a record high of £106.2 million in college bursaries, childcare and discretionary funds. In 2014-15, 43,779 students enrolled in further education courses received student support.

4.90 The Scottish Funding Council's Outcome Agreements ask Scottish colleges to remove barriers and support full participation and successful outcomes for all groups of local learners. Older learners in Further Education are well represented amongst all college students. Full-time students aged 25 and over have increased by over 33% since 2006/07, and in 2015/16, 28.7%

of all learning hours were delivered to students aged 25 and over. They are also benefitting from record levels of support. The 2016/17 budget of over £106 million in college bursaries, childcare and discretionary funds is a real-terms increase of 34% since 2006/07.

Wales

4.91 The Welsh Government's Youth Engagement and Progression Framework, published in October 2013, requires an integrated approach from all organisations involved in delivering activity for young people, focusing on the needs of the individual. Local authorities are charged with providing the support young people need to progress 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 the tracking of young persons' progress.

4.92 As part of the Framework, the Common Area Prospectus (the CAP) was introduced across all schools in Wales from November 2015 and gives young people access to an online search facility for all post-16 courses and training provided locally. Vocational courses and work based provision is available alongside other general education curriculum at schools and colleges.

4.93 The Welsh Government wrote to schools and Further Education providers in September 2016 asking for their continued support in delivering the CAP and ensuring that it realises its potential to provide up to date information on post-16 options.

4.94 Provisional figures from the Welsh Government reveal that 23,225 learning programmes were started by apprentices in Wales (at levels 2 to 4 and above) in 2015-2016, compared with 19,505 in 2014-2015.

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

4.95 The Prime Minister has set out clearly that she is committed to building a country that works for everyone, not just the privileged few. Tackling child poverty and disadvantage is a priority for this government. This requires a focus on the root causes of poverty and disadvantage. The government has therefore introduced two statutory measures of parental worklessness and children's educational attainment, to drive action on the two areas that can make the biggest difference to children's outcomes.

4.96 As part of the government's ambition to tackle child poverty and disadvantage it recently published the white paper 'Improving Lives: Helping Workless Families,' which sets out four new policies that will transform local services so that they can better support workless families.

4.97 The UK government is responsible for policies in this area in England as well as in cases when policy areas are the responsibility of the UK Parliament in the devolution settlements; for instance, the welfare system is not devolved, except in Northern Ireland, although there is a commitment in the legislation to maintain parity in the systems as far as possible.

Policy context

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

4.99 The Welfare Reform and Work Act received Royal Assent on 16 March 2016. This changed the name of the Child Poverty Act 2010 to the Life Chances Act 2010, and introduced a new statutory duty to report on worklessness and educational attainment in England.

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

Actions to achieve objective

Welfare reform

4.101 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 will continue to get support to increase their earnings whether they are in work or out of work.

4.102 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 in 2016 has reached the highest rate since comparable records began in 1996, and increased from 56% in Q4 2010 to 68% in Q4 2016.

Troubled Families

4.103 The first Troubled Families Programme (2012-2015) focused on families with multiple high-cost problems. By May 2015, over 116,000 families in the programme had seen significant improvements, with children back into school, reduced youth crime and anti-social behaviour, and for over 18,000 of those families, adults into work. Evaluation of the first programme found

that it played a key role in boosting local capacity for family intervention; encouraged local partnerships; broke down 'silo working'; and helped identify families who would have otherwise 'slipped through the net'.

4.104 The current Troubled Families Programme (2015-2020) aims to achieve significant and sustained improvement for up to 400,000 families with multiple, high-cost problems. The eligibility criteria for the programme has been broadened out to include supporting families with younger children and those with a wider range of problems, including parental conflict and serious personal debt. This will enable local areas to get to families of most concern and greatest cost to them. The programme is a catalyst for local services to transform the way they support families who place a disproportionate burden on them. By helping to reduce demand and the dependency of troubled families on costly reactive public services the programme will deliver better value for the taxpayer.

Youth Engagement Fund

4.105 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 are 'Not in Education, Employment or Training' (NEET)
- to test the extent to which a payment by results approach involving social investors can drive improved outcomes for young people and generate benefit savings, as well as other wider fiscal and social benefits
- to support the development of the social investment market, build the capacity of social sector organisations and contribute to the evidence base for social impact bonds

Devolved administrations

Northern Ireland

4.106 The Northern Ireland's Executive Child Poverty Strategy¹⁶ was published on 25 March 2016. The Strategy aims to reduce the number of children in poverty and to reduce the impact of poverty on children. An Annual Report¹⁷ on the Child Poverty Strategy setting out the measures taken across departments was published in November 2016.

4.107 The UK government has introduced a series of reforms to the welfare state in recent years. In introducing the equivalent changes in Northern Ireland the Executive has committed to

¹⁶ <https://www.communities-ni.gov.uk/publications/child-poverty-strategy>

¹⁷ <https://www.communities-ni.gov.uk/publications/child-poverty-annual-report-201516>

mitigating the worst impact of the reforms. An independent Working Group was commissioned to make recommendations on the proposed welfare reform mitigations.

4.108 The Executive committed to providing funding of £501 million to fund the welfare mitigation schemes over a four year period from 2016/17 to 2019/20. This will provide direct financial support, for up to four years, for claimants that experience a financial loss. Support is available for the following groups: carers, people unable to work due to ill health, people with a disability, people affected by the cap on benefits, those under occupying social rented properties, and people in working poverty. With the exception of support for people in working poverty which has yet to be implemented, all of the mitigation schemes are now being delivered successfully.

4.109 The Northern Ireland Executive has committed to using EU PEACE IV Victims and Survivors funding to provide health and wellbeing support to address the complex needs of victims and survivors. The 2014-2020 PEACE IV Programme was formally adopted by the European Commission in November 2015, with up to €17.6 million allocated for a cross-border Programme. It will contribute to the delivery of an integrated regional Health and Wellbeing service for victims and survivors as well as building capacity to deliver evidence based interventions and improved standards of delivery. A programme level target of supporting up to 17,650 victims and survivors, or members of their families has been set.

Scotland

4.110 The Scottish Government is committed to ensuring that economic growth is inclusive and is shared across all of the people and parts of Scotland. This approach – which includes investing in the early years, promoting fair work and protecting households from current economic pressures – is embedded in the foundations of Scotland’s Economic Strategy.

4.111 Tackling poverty and inequality is central to the Scottish Government’s ambition. In October 2016, it published the Fairer Scotland Action Plan,¹⁸ setting out 50 selected actions over this Parliamentary term under five themes of: A Fairer Scotland for All, An End to Child Poverty, A Strong Start for All Young People, Fairer Working Lives and a Thriving Third Age. Key commitments within the Fairer Scotland Action Plan include:

- a significant increase in the level of funded early learning and childcare provision by 2020
- introduction of a new Best Start Grant for low income families in the early years
- a new socio-economic duty on public authorities, which will ensure that public bodies are all working consistently towards the same anti-poverty goals
- commitments to promote good flexible working to help families maximise their incomes and achieve a better work-life balance

4.112 The Fairer Scotland Action Plan is underpinned by a new £29 million programme, including £12.5 million from the European Social Fund, to tackle poverty across Scotland.

4.113 A Child Poverty Bill was introduced to the Scottish Parliament on 9 February 2017. This sets ambitious statutory income-based targets for 2030, underpinned by a robust framework for measuring and reporting on child poverty.

¹⁸ <http://www.gov.scot/Resource/0050/00506841.pdf>

4.114 A number of social security powers are being devolved through the Scotland Act 2016 that will allow the Scottish Government to help people on low incomes, in particular the ability to deliver Universal Credit flexibilities and a Job Grant. Making Universal Credit payments more flexible will give people on a low income in Scotland more choice in how they manage their household budget, for example by offering choice on the frequency of payments and on the ability to pay the housing element of Universal Credit direct to landlords.

4.115 The Scottish Government will also use its new powers to provide young people aged 16 to 24, who have been unemployed for six months or more, with a Job Grant to help them with the costs of getting into or back into work. This will be a payment of £100 for young people without children and £250 for young parents. In addition it will provide those eligible for the Job Grant free bus travel for three months.

Living Wage

4.116 The Scottish Government has long championed the payment of the Living Wage and the real benefits to Scotland's economy of treating people who work more fairly. It has demonstrated its commitment by itself becoming an Accredited Living Wage Employer, and by increasing funding for the Scottish Living Wage Accreditation Initiative to £300,000 to reach the target of 1,000 accredited Living Wage employers by autumn 2017. It is using all the powers at its disposal to promote fair pay and conditions. In 2016 Scotland had the highest proportion of employees - around 80% - paid the Living Wage of all the four countries of the United Kingdom.

4.117 The Scottish Government is also providing resources to enable local authorities to commission care services that pay care workers supporting adults the full Living Wage. This will give up to 40,000 people, mainly women, doing some of the most valuable work in Scotland, a pay rise.

Fair Work Convention

4.118 The Fair Work Convention provides independent advice to the Scottish Government on matters relating to innovative and productive workplaces, industrial relations, fair work and the Living Wage in Scotland. The Fair Work Framework¹⁹ defines fair work as work that offers effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers; and that can generate benefits for individuals, organisations and society.

Wales

4.119 The Welsh Government has made important progress in relation to key poverty indicators. The employment level in Wales in Oct-Dec 2016 was 1.44 million, close to the record high of 1.46 million in Jul-Sep 2016. The employment rate in Oct-Dec 2016 was 72.7%. The record high is 73.5% in Jun-Aug 2016.

4.120 In addition, the number of children living in workless households is at an all-time low. The Labour Force Survey data shows that the proportion of children living in workless households in Wales fell from 20.7% in 1996-1998 to 12.3% in 2014-2016; the lowest rate since the data series began. The gap in educational attainment for pupils eligible for free school meals has reduced across all Key Stages, exceeding the target set for pupils at Foundation Phase. However, the Welsh Government recognises the need to do more, given that there are still nearly 72,000 children living in workless households and in-work poverty is a growing issue.

¹⁹ <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf>

4.121 Taking Wales Forward sets out the Welsh Government's programme to drive improvement in the Welsh economy and public services, delivering a Wales which is prosperous and secure, healthy and active, ambitious and learning, united and connected. This approach is underpinned by four overarching strategies which will drive delivery across Government. The First Minister has made it clear that addressing poverty and inequality and creating an economy which delivers prosperity for all is a priority. Tackling poverty is the shared responsibility of every Cabinet Secretary and every Minister.

4.122 The statutory framework for tackling child poverty in Wales is provided by the Children and Families (Wales) Measure 2010 which places a duty on Welsh Ministers to produce a Child Poverty Strategy. The 2015 Child Poverty Strategy reaffirmed objectives first outlined in the Welsh Government's 2011 Child Poverty Strategy: to reduce the number of children living in workless households; do more to support families to increase their skills, so they can secure well paid employment; and to reduce those inequalities which currently exist in the health, education and economic outcomes of children and families living in poverty. The 2015 Strategy set two additional objectives: to use all available levers to create a strong economy and a labour market which supports the poverty agenda, and to support households to both increase their income and to address the poverty premium, where low income households pay disproportionately more for goods and services.

4.123 A 2014 evaluation of the Welsh Government's approach to tackling child poverty suggested that existing policies and programmes would make an important contribution to tackling poverty, but that this was likely to be in the longer term. As a result, the 2015 Child Poverty Strategy identified five new priority areas that could do more to help improve the circumstances and outcomes of low income families in the "here and now." These priorities are: addressing food poverty, improving access to affordable childcare, housing and regeneration, reducing in-work poverty and mitigating the impacts of welfare reform.

4.124 On 13 December 2016, the Welsh Government published its statutory report on progress towards achieving its child poverty objectives. This demonstrated positive progress across a range of indicators. The report restated the commitment to the ambition of eradicating child poverty but recognised for the first time that it may not be possible to deliver on this by 2020, as the ambition (defined in terms of the relative income measure) depended heavily on wider UK economic circumstances.

4.125 Going forward, the Welsh Government and named public bodies in Wales will use the 'Wellbeing of Future Generations' Act to support a national, all-Wales approach to tackling poverty and reducing inequalities, maximising the collective impact in uncertain times. Under the Act there are seven well-being goals which set out the kind of place the Welsh Government wants Wales to be – prosperous; resilient; healthier; more equal; a Wales of cohesive communities; with a vibrant culture and thriving Welsh language; and a globally responsible Wales. A set of 46 National Indicators for Wales will measure national progress towards achieving these seven well-being goals. Progress in tackling child poverty will be assessed using the National Indicators on which the Welsh Government can have most effect. These include, for example, indicators of differences in healthy life expectancy between the least and most deprived, people in households in material deprivation and the educational attainment gap between those eligible and not eligible for free school meals.

4.126 To support low income households, the Welsh Government has a range of different policies and programmes, including 'Flying Start,' 'Families First,' 'Supporting People' and 'Vibrant and Viable Places.'

4.127 The Welsh Government has additionally established a Ministerial Taskforce for the Valleys, to advise on how it can develop a new approach to investing in the future of the most

economically deprived areas of the South Wales Valleys, ensuring every individual has the opportunity to fulfil their potential. The taskforce will work with people living in the Valleys, businesses, local government, the third sector and civic organisations to maximise opportunities for inward investment and economic growth. A key role of the taskforce will be to improve mainstream services, in particular health, education and housing and provide a focus for community engagement to promote the Valleys as a good place to live, work and invest. The taskforce will provide a test bed for informing action to address disadvantage across the whole of Wales.

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

4.128 The government's objective is for the UK to be the best place in Europe to innovate. It intends to maintain a world-leading research and science base to drive growth and productivity, while reforming research support systems to maximise value from government investments.

Policy context

4.129 Although we do not have a target for R&D intensity, the government monitors and analyses changes to this statistic and other relevant data to understand the implications for public policy. The UK's R&D intensity is calculated and reported annually by Office of National Statistics with related figures each March – the figures reported in March 2017²⁰ for 2015 showed the UK's R&D intensity at 1.68% of GDP, slightly higher than the 2014 figure.

4.130 "Building our Industrial Strategy"²¹ published on 23 January 2017 sets out the government's approach to developing a modern industrial strategy based on science, research and innovation. Its aim is to improve living standards and economic growth by increasing productivity across the whole country. The Strategy consults on how to prioritise spending for the significant increase in R&D funding announced in the 2016 Autumn Statement,²² which will aggregate to an additional £4.7 billion over the course of this Parliament. Options include:

- challenges to be addressed through a new Industrial Strategy Challenge Fund
- ways to support science and innovation strengths across the country
- opportunities to build the pipeline of skills and talent needed to deliver our ambition in science
- research and innovation

²⁰<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/bulletins/ukgrossdomesticexpenditureonresearchanddevelopment/2015>

²¹ <https://www.gov.uk/government/consultations/building-our-industrial-strategy>

²² <https://www.gov.uk/government/publications/autumn-statement-2016-documents/autumn-statement-2016>

- ensuring the infrastructure and institutions for a world-leading innovation base

4.131 This new investment is additional to decisions made in the Spending Review 2015.

4.132 The government is implementing the recommendations of the Nurse Review²³ and establishing a single strategic research and innovation funding body, UK Research and Innovation (UKRI), to effect a more strategic, agile and interdisciplinary approach to research and innovation funding.

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

- the Global Innovation Index 2016²⁴ placed the UK as the third most innovative nation in the world, behind Switzerland and Sweden
- while the UK represented just 1% of global population, 3% of R&D spending and 4% of researchers, in 2013 it accounted for 6% of global journal articles, 12% of citations, and 16% of the world's most cited articles²⁵

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

Actions to achieve objective

The National Productivity Investment Fund

4.135 At Autumn Statement 2016 the government established the National Productivity Investment Fund and announced £4.7 billion from the NPIF would be allocated for R&D, to support the UK's world-leading research and ensure that the next generation of discoveries are made, developed and commercialised in Britain.

4.136 Spring Budget 2017 announced the first investments NPIF in talent funding. The government will invest £250 million over the next four years to continue to build the pipeline of high-skilled research talent necessary for a growing and innovative economy:

- £90 million will provide an additional 1,000 PhD places in areas aligned with the Industrial Strategy. Around 85% will be in STEM disciplines, and 40% will directly help strengthen collaboration between business and academia through industrial partnerships
- a further £160 million will support new fellowships for early and mid-career researchers in areas aligned to the Industrial Strategy

4.137 The NPIF will also support global research talent. The government will invest over £100 million over the next 4 years to attract the brightest minds to the UK, to help maintain the UK's position as a world-leader in science and research. This includes:

²³ <https://www.gov.uk/government/publications/nurse-review-of-research-councils-recommendations>

²⁴ <https://www.globalinnovationindex.org/gii-2016-report#>

²⁵ 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

- £50 million of NPIF funding specifically ring-fenced for fellowship programmes to attract global talent
- over £50 million from existing international funds will support fellowships that attract researchers to the UK from emerging research powerhouses like India, China, Brazil and Mexico

Establishing UK Research and Innovation

4.138 In December 2015, Sir Paul Nurse published his review of the UK Research Councils, considering how they could evolve to support research more effectively. His recommendations are being taken forward by the government, with primary legislation to create a new integrated body, UK Research and Innovation (UKRI) is undergoing Parliamentary scrutiny.

4.139 UKRI will integrate the seven Research Councils, Innovate UK, and the research and knowledge exchange functions of the Higher Education Council for England (HEFCE). It will have a strategic vision for research and innovation in the UK and better enable multi- and inter-disciplinary research. It will maximise the impact of over £6 billion annual investment in research and innovation, while building on and protecting the strengths of the current system.

4.140 In response to the Nurse review the government is also providing legal protections for a dual support system in England for the first time (whereby it provides annual funding for English Institutions in the form of competitively allocated core funding for research and the UK Research Councils provide funding for specific research projects and programmes). The government has also incorporated the Haldane Principle into draft legislation which states that decisions on individual research proposals are best taken following an evaluation of the quality and likely impact of the proposals (such as a peer review process).

Dowling Review

4.141 In December 2016, the government published its response to Professor Dame Ann Dowling's Review on business-university collaboration. The review concluded that the UK has a good record in university-business research collaboration but it is not reaping its full potential. It found that UK public support for innovation is too complex and acts as a barrier to collaboration, particularly with smaller businesses.

4.142 The government welcomed Dame Ann Dowling's Review and fully endorses its analysis and conclusions, which will significantly influence government policy. In particular, UKRI will simplify the sources of funding and build more collaborative partnerships and stronger business links with publicly funded research. A range of activity is underway to improve conditions for university-business collaboration. In particular:

- the government is investing an extra £4.72 billion over the period 2017/18 - 2020/21 - this equates to an extra £2 billion a year by 2020/21 and is an increase of around 20% to total government R&D spending
- the award of £220 million for the life science and university sectors to help technology breakthroughs translate into commercial success, comprising funding of up to £100 million to extend and enhance the Biomedical Catalyst, which supports innovative UK life science companies to translate cutting-edge medical technologies into commercial success; and £120 million to incentivise university collaboration in tech transfer and engaging with business, helping

transform research at universities and institutions into viable business ventures²⁶

- plans for UKRI to use its strategic oversight of the research and innovation funding system to simplify access and help businesses and others find the right information and support, and to consider how to introduce greater uniformity across funding programmes and awards managed by different funding councils

Industrial Strategy Challenge Fund

4.143 A new Industrial Strategy Challenge Fund (ISCF) will support collaborations between business and the UK's science base. At Spring Budget 2017 the government announced the first wave of investments which will include: clean and flexible energy; robotics and artificial intelligence and leading edge healthcare and medicine. An initial investment of £270 million in 2017-18 will kick start the development of disruptive technologies which have the potential to transform the UK economy. Full details of specific investments and other programmes within the challenge areas will be announced later in 2017 and beyond. The work is currently led by Innovate UK and the Research Councils but will transfer to UKRI when it is established.

Catapults

4.144 Through Innovate UK, the government has currently established a network of eleven Catapult Centres to commercialise new and emerging technologies in areas where there are large global market opportunities and a critical mass of UK capability. Catapults will attract total public and private investment exceeding £1.6 billion over their first five years of operation.

4.145 Ten Catapults are currently operating from established facilities (High Value Manufacturing; Cell and Gene Therapy; Offshore Renewable Energy; Satellite Applications; Digital; Future Cities; Transport Systems; Energy Systems; and Precision Medicine; and Medicines Discovery). The network will expand further with the establishment of a Compound Semi-Conductor Applications Catapult in Wales due to open for business in 2017.

Innovation and taxation

4.146 R&D tax credits incentivise businesses to invest more in R&D, and to remain competitive and grow. There are separate schemes for SMEs and large companies. In the financial year ending 31 March 2015, 20,900 companies used the R&D tax credit scheme to claim tax relief or tax credit, claiming a total of £2.4 billion. R&D expenditure used to make supporting these claims totalled £21.8 billion. The government review of the R&D tax regime (reported Spring Budget 2017) has found that the UK's R&D tax credits scheme is an effective and internationally competitive element of the government's support for innovation. The government will make administrative changes to the R&D Expenditure Credit to increase the certainty and simplicity around claims and will take action to improve awareness of R&D tax credits among SMEs.

4.147 A Patent Box introduced in April 2013, applies an effective corporation tax rate of 10% to profits attributable to patents and equivalent forms of intellectual property. It is being phased in with the full benefit being available in 2017-18. In the first year of the scheme, 700 companies claimed relief totalling £343 million. Further to an international agreement, the Patent Box rules were changed 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.

²⁶ <https://www.gov.uk/government/news/220-million-for-cutting-edge-new-technology>

4.148 Capital equipment expenditure for R&D activities attracts 100% tax relief.

4.149 The government encourages private individuals to make early stage investments in growth companies, which might otherwise struggle to access finance. The incentives, which include upfront income tax relief and capital gains tax reliefs are offered through the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT). In the year ending March 2015, 3,265 companies raised a total of £1,816 million of funds under the EIS scheme and 2,290 companies received investment totalling £175 million through the SEIS Scheme. In 2015-16, VCTs issued shares to the value of £435 million and currently invest in over 1,000 companies. Both the EIS and VCT schemes provide additional support for knowledge intensive firms, recognising the more acute challenges faced by innovative companies.

Public procurement and innovation

4.150 The Small Business Research Initiative (SBRI) is a competition-based pre-commercial procurement programme managed by Innovate UK, the UK's innovation agency. The programme enables companies to compete for R&D contracts to develop new products and services for the public sector. Businesses retain the intellectual property rights of products developed with SBRI support and can go on to commercialise them more widely. SBRI has two aims:

- to stimulate innovation in the economy by supporting firms to develop and commercialise new technology-based products and solutions, and
- to provide government departments and their agencies with new, cost-effective, technical and scientific solutions to meet their needs

4.151 Since 2009, when SBRI was re-launched in its current form, the programme has provided business with just over £350 million of contracts through 325 competitions. This has led to the development of a range of solutions for areas such as non-invasive detection of lung-cancer, tackling diabetes-related sight loss, and autonomous long-endurance marine vessels. The Prime Minister announced in November 2016 a review of SBRI, examining how to maximise the impact of the programme. The review will report in spring 2017.

Science and Innovation Audits

4.152 Science and Innovation Audits (SIAs) were launched in November 2015²⁷ as a new way to explore and encourage links between research excellence, innovation, and productivity in an area. The government invited universities, research and innovation organisations, Local Enterprise Partnerships (LEPs) and businesses to form consortia with a geographical locus and apply to undertake an SIA.

4.153 The government intends the SIAs to identify and validate clusters with potential for global competitive advantage across the UK, to provide evidence to help underpin future investment decisions and to catalyse collaboration and leadership across groups that are often incentivised to compete. In November 2016,²⁸ the first wave SIA reports were published, and the 2nd wave SIA areas selected. The 2nd wave reports are due to be published in summer 2017. The areas undertaking their SIAs in the third wave will be announced in spring 2017 and will publish their reports in the autumn.

²⁷ <https://www.gov.uk/government/publications/science-and-innovation-audits-submit-an-expression-of-interest>

²⁸ <https://www.gov.uk/government/publications/science-and-innovation-audits-first-wave-reports>

University Enterprise Zones

4.154 A University Enterprise Zones (UEZs) pilot in England is supporting the commercialisation of high tech innovation. The pilot is testing how support for university-led local collaboration can drive productivity growth. The government is making a capital investment of £15 million over three years from 2014/15 to 2016/17 to enable four universities to establish pilot UEZs. The universities have leveraged over £47 million of co-investment from private and public sector sources to support their projects.

4.155 The pilot's objectives are to:

- increase university interaction with the business-led LEPs in the local context, enabling universities to strengthen their role in local growth and innovation
- provide physical space/facilities for small business, addressing the issue that there is little appetite in the private sector to invest in buildings on science parks providing incubator and grow-on space
- help businesses to access wraparound business support packages, specialist facilities and expert knowledge, including support from UKTI, now the Department for International Trade (DIT)

4.156 Each pilot focuses on an innovative sector that draws upon the academic strengths of the universities. Through their partnership arrangements, the projects are set within the local economic context and endorsed by the LEPs.

4.157 The first centre/ Digi-Exchange at Bradford UEZ opened in spring 2016. Future Space UEZ at UWE Bristol opened on 23 March 2017, with other centres due to officially open throughout spring and summer 2017. Together, the centres are expected to create nearly 2,300 jobs in high-tech small businesses by 2027. The pilot scheme will be evaluated in 2017/18 and 2023.

Regional Smart Specialisation Strategy

4.158 England published its Smart Specialisation Strategy²⁹ in April 2015. The Strategy is kept under review to ensure it remains current and reflects the evolving priorities of Smart Specialisation at national and local level. England's developing Industrial Strategy will be a key driver in shaping the Smart Specialisation approach.

4.159 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:

- helping Local Enterprise Partnerships (LEPs) to review their Innovation strategies in the context of smart specialisation
- 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

²⁹ <https://www.gov.uk/government/publications/smart-specialisation-in-england>

- developing a network of smart specialisation experts able to provide advice at a local and national level

4.160 The Smart Specialisation Hub published its first Annual Report in December 2016,³⁰ providing examples of Smart Specialisation at every stage, from a range of LEP areas and from the Hub's partners and collaborators.

European science and innovation

4.161 The UK research and innovation community continues to be a source of active participants in Horizon 2020 proposals and projects. Last year the UK ranked 2nd in overall funding won, 2nd in the share won by businesses and 1st in the share won by Universities.³¹ UK research and innovation organisations have a leading role in Horizon 2020, they were 1st in participation in its Fast Track to Innovation (up to October 2016) and 1st in participation in the recent European Research Council proof-of-concept call.³²

4.162 In August, following the referendum to leave the EU the Chancellor of the Exchequer reassured UK stakeholders that they should continue to bid for competitive EU research funding such as Horizon 2020 while the UK remains an EU member state. The government will work with the European Commission to ensure payment of funds awarded, and HM Treasury will underwrite payment of such awards, even when specific projects continue beyond the UK's departure from the EU.

4.163 The House of Lords Select Committee on Science and Technology³³ and the House of Commons Science and Technology Committee³⁵ have published reports on the implications of EU exit for UK science to which the UK government has responded.³⁶

Global science and innovation

4.164 The government recognises that being open and welcoming to the best international talent in science and research is vital to maintaining and improving the UK's world-class research base.

4.165 In the academic year 2015/16, there were a total of 48,900 overseas (non-UK domiciled) postgraduate research enrolments at UK HE Institutions (43% of the total). In the same year, there were a total of 58,300 overseas (non-UK national) academic staff employed at UK HE Institutions (29% of the total).³⁸

4.166 Research published in 2016 by Universities UK³⁹ found that the UK was number one for student satisfaction at postgraduate research level, and the most recommended major English-speaking higher education destination in the world, by international students.

4.167 The government also seeks to support research capacity within developing economies and to support research that will improve development and welfare in those countries.

³⁰ <http://smartspecialisationhub.org/category/annual-report-2016/>

³¹ <https://www.gov.uk/government/publications/uk-participation-in-horizon-2020-and-framework-programme-7>

³² https://erc.europa.eu/sites/default/files/press_release/files/erc_pr_poc_2016_third_results.pdf

³³ <https://www.publications.parliament.uk/pa/ld201516/ldselect/ldstech/127/127.pdf>

³⁴ <https://www.publications.parliament.uk/pa/ld201617/ldselect/ldstech/85/85.pdf>

³⁵ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmstech/502/502.pdf>

³⁶ <http://www.parliament.uk/documents/lords-committees/science-technology/EU-membership-follow-up/HMG-response-EU-Membership-and-follow-up-report.pdf>

³⁷ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmstech/1015/1015.pdf>

³⁸ HESA, Student and Staff statistical first releases, 2015/16

³⁹ <http://www.universitiesuk.ac.uk/International/Pages/uk-competitive-advantage.aspx>

4.168 The Newton Fund is key to delivering our global innovation policy. This assistance aims to build science and innovation partnerships that promote economic development and welfare in developing countries. The Newton Fund will double between 2015/16 and 2020/21 from £75 million per year to £150 million per year. The fund is supporting sixteen science and innovation partnerships between the UK and developing countries, including Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Kenya, Malaysia, Mexico, Philippines, South Africa, Thailand, Turkey and Vietnam. Each partnership is unique, but includes a mix of joint research programmes (e.g. improving rice productivity), innovation programmes (new machinery), fellowships and other programmes to address partner countries' development challenges.

4.169 The Global Challenges Research Fund⁴⁰ is ensuring that UK research takes a leading role in addressing the problems faced by developing countries. This fund is addressing key challenges through supporting disciplinary and interdisciplinary challenge-led research, which strengthens capacity for research and innovation within developing countries and the UK, and provides agile response to emergencies, where there is an urgent research need. The fund is responding to the recent £1 million Rapid Response call for research grant applications to tackle the Zika virus.⁴¹

Devolved administrations

Northern Ireland

4.170 Innovation is recognised as central to transforming the Northern Ireland economy into one that is truly knowledge based. The Northern Ireland Executive has therefore placed Innovation and Research and Development at the heart of its plans to drive economic growth.

4.171 Northern Ireland's overall innovation performance⁴² continues to improve with;

- record Expenditure on R&D – £750 million (Up 24.5%) and R&D expenditure as a percentage of GVA increasing to 1.5% from 1.2%
- record Number of companies investing in R&D, now 749 (Up 14.0%) and record numbers employed within the Knowledge Economy (39,499)
- improving levels of company innovation – up by 12.5% and a significant increase (33%) in the number of innovative companies collaborating

4.172 The Northern Ireland Executive has also increased its focus on its use of innovation within and by the public sector as a driver of economic growth. A new £50k Open Data challenge fund has been established to encourage increased exploitation of open public sector data for educational apps which will be free to use for Northern Ireland schools.

4.173 Similarly, a new £1.1 million Small Business Research Initiative (SBRI) challenge fund is using government procurement to accelerate technology development and drive innovation. Projects supported include the effective cleansing of an illegal landfill site; the development of technologies to help domiciliary care service users gain the optimal benefit from their prescribed medication; three "micro" SBRI digital projects on the application of data analytics to assist in maximizing non-domestic rates collection within Belfast; the development of real time tourist information to enhance and prolong visitor stay and spend; and the application of predictive analytics to improve rostering of pharmacy staff within hospitals.

⁴⁰ <http://www.rcuk.ac.uk/funding/gcrf/>

⁴¹ <https://www.gov.uk/government/news/uk-trebles-funding-to-tackle-zika-virus>

⁴² More information on Northern Ireland innovation performance can be accessed at the new Northern Ireland Innovation dashboard at <http://matrixni.org/about/innovation-dashboard/>

4.174 There has been continued increased investment in the innovation infrastructure with the £6.4 million expansion of Catalyst Inc. (formerly the Northern Ireland Science Park) as well as the strengthening of the wider innovation eco system through a new £6.9 million Collaborative Growth Programme.

4.175 To move to a more open innovation system and increase productivity and growth, the Northern Ireland Executive has prioritised participation in collaborative R&D programmes such as Horizon 2020, and has set a target to draw down €145 million of Horizon 2020 funding by 2020. The most recent data, covering up to June 2016, shows that Northern Ireland has secured €70.7 million of Horizon 2020 funding. This includes €23.5 million in a Horizon 2020-related project won by Queen’s University Belfast for the development of new Cystic Fibrosis drugs.

Scotland

4.176 Through Scotland’s ‘Economic Strategy,’ and the ‘Programme for Government,’ the Scottish Government is fostering a culture of innovation and research and development. ‘Scotland CAN DO’⁴³ is a framework which sets out the priority areas for Scotland to become a world-leader in innovation and entrepreneurship. While Scotland’s innovation performance has improved in recent years there is more to do and it is the Scottish Government’s long term ambition to boost Scotland’s innovation performance to match the levels of the best performing countries in the OECD. The ‘CAN DO Innovation Action Plan,’⁴⁴ published on 11 January 2017 focuses on the steps the Scottish Government can take now to improve Scotland’s innovation.

4.177 The Key priorities of the ‘CAN DO’ Plan are to directly encourage more business innovation; use public sector needs and spend to catalyse innovation; support innovation across sectors and places; and to make best use of University research knowledge and talent to drive growth and equip Scotland’s people with the tools and skills needed to innovate.

4.178 The action plan key policies include:

- encouraging more businesses in Scotland to increase their level of innovation commitment
- utilising public sector needs and spend to catalyse innovation through public sector challenges such as the Innovation Centre Challenge Fund and CivTech
- developing a more innovative and entrepreneurial culture and driving increased business demand for innovation
- simplifying and streamlining innovation support, finance and bureaucracy

4.179 ‘Scotland CAN DO’ sets out some immediate steps to improve Scotland’s innovation performance in advance of a wider review of innovation which will report in spring 2017. The plan aims to create a culture in Scotland that supports ambitious businesses to use innovation to grow, underpinned by a clear, easy to navigate, well connected system of information, advice and support. The plan includes the use of public sector investment to catalyse innovation, with projects such as CivTech, the world’s first cross-public-sector technology accelerator.

4.180 The Scottish Government is additionally supporting innovation by:

- developing an innovation prize to reward, and invest in, innovation in Scottish companies

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

⁴⁴ <http://www.gov.scot/Resource/0043/00438045.pdf>

- supporting digital innovation through CivTech, the world's first cross public sector technology accelerator
- increased investment in Interface, Scotland's hub to connect business and academia
- encouraging public sector and large and small firms to collaborate through Scottish Enterprise's £2.9 million Open Innovation programme
- Scotland CAN DO SCALE – an education programme aimed at developing entrepreneurial skills and innovative ideas
- continuing to support its network of eight Innovation Centres which use academic expertise to address real world business issues - the Scottish Funding Council has committed up to £120 million over six years (2013-2019)
- developing a plan for establishing a National Manufacturing Institute for Scotland that will act as a hub for continuous innovation to ensure Scotland remains a sustainable and competitive place to do business
- committing further funding to establish and embed Innovation and Investment Hubs in London, Brussels, Dublin, and Berlin

4.181 Scotland's universities are a key asset in the drive to increase Scotland's productivity and inclusive growth as demonstrated by their active and valued participation in a range of international research and innovation programmes including Horizon 2020 - the European Union's programme for Research and Innovation. Data to September 2016 indicates that Scottish organisations secured almost €296 million, representing around 11.2% of total funding awarded to UK organisations. Scottish Higher Education organisations and research institutes have secured almost 80% (€235.5 million) of all funding awarded to Scottish organisations.

4.182 Scotland's network of Innovation Centres bring together university staff, research institutes, businesses and others to enhance innovation and entrepreneurship across key sectors. There are currently eight Centres, collectively spanning Stratified Medicine, Sensors and Imaging Systems, Digital Health, Industrial Biotechnology, Oil and Gas, Big Data, Construction and Aquaculture. The Centres are being supported by up to £120 million of funding from the Scottish Government over 2013-19, administered by the Scottish Funding Council.

Wales

4.183 The Sêr Cymru (Stars of Wales) programme, supported by the Welsh Government and the Higher Education Funding Council for Wales, has the aim of attracting world class academic researchers to Wales. It has appointed four 'Star' research chairs, two in Swansea University and two 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, 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. The networks share funding of £21.3 million over a period of 5 years. This programme is in its fourth year of operation and is proving to be a success with additional funding, secured through competition, far exceeding the costs of the programme so far.

4.184 A follow-on programme, known as Sêr Cymru 2, has been developed and the first call awards were made in late 2016. Further awards are due to be made in early 2017 and the third call will close in March 2017. This is aimed at recruiting more research chairs, recruiting mid-career 'Rising Stars', appointing more research fellows and a special programme aimed at encouraging researchers who have left for family reasons to return to research. Sêr Cymru 2 is

funded by the Welsh European Funding Office, the Welsh Government and the Welsh HEI Sector and has made awards for over 30 research chairs and fellows so far with more in the pipeline.

4.185 The wider Sêr Cymru programme has been developed further by the launch of a scheme to attract research fellows to Wales. This is co funded by the Horizon 2020 Marie Skłodowska-Curie Actions (MSCA) COFUND, the Welsh Government and the HEI Sector, and aims to appoint up to 90 research fellows in Welsh universities. So far, this programme and the Sêr Cymru 2 programme have shown strong demand and take-up from overseas.

4.186 It is intended that the Sêr Cymru suite of programmes will be reviewed along with the parallel innovation programmes being managed by the Welsh Government. This review will consider whether programmes could be brought within one overarching body to achieve improved coordination and alignment between different funding streams, in light of the recent review of further and higher education in Wales. In this way, best practice can be identified, quantified and used to inform future research capacity programmes.

4.187 The £63 million European Regional Development Fund (ERDF) funded SMARTCymru operation, approved in 2016, is now operational. As Wales' R&D&I 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.

4.188 SMARTExpertise has replaced Academia for Business (A4B) as Wales' programme for academic-business collaboration. This six-year operation funds research organisations, including universities, to undertake industry-led collaborative R&D projects. Over the life of the programme, it will provide support for 120 projects having a total value of £51 million involving 320 collaborative partners, providing £21 million of private sector investment. This will deliver 132 new-to-market or company products, processes or services. The programme aims for projects to compete for additional funding from sources such as Innovate UK or Horizon 2020.

4.189 The Innovation Advisory Council for Wales continues to assist the Welsh Government with delivery of the Innovation Strategy for Wales, 'Innovation Wales.'⁴⁵ In the past year the Council has supported development of a dashboard for innovation monitoring, 'Arloesiadur', and explored the feasibility of a National Innovation Body for Wales. It has also supported Wales' involvement in transnational groupings such as the Vanguard Initiative (for European regions).

4.190 The success of the Innovation Catalyst and Accelerator Programme (part of the Welsh Government's Small Business Research Initiative (SBRI)) has boosted adoption of new procurement mechanisms and novel technology solutions for the public sector. Wales now has 14 active challenges (which seek to solve a problem) either underway or completed. Public sector bodies benefiting from these innovations include law enforcement, health boards, local government and Natural Resources Wales. New challenges are expected to launch later in 2017.

4.191 SMART Innovation has replaced the Business Innovation service. This £21 million, ERDF-funded, eight-year programme aims to increase the innovation awareness and capability of Welsh businesses, and to help them to access financial support to grow investment in R&D&I. The operation provides impartial innovation advice and diagnostics, advice on intellectual property, non-financial support for acquisition and implementation of new technologies, and support for commercialisation and licensing. It also helps companies to access a wide range of financial support including from SMARTCymru, SMARTExpertise, Innovate UK and Horizon 2020.

⁴⁵ <http://gov.wales/topics/science-and-technology/innovation/innovation-wales-strategy?lang=en>

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

4.192 In line with the EU Climate and Energy Package adopted in June 2009, the UK will reduce greenhouse gas (GHG) emissions by at least 34% by 2020 compared with 1990 levels. The UK's Effort Share Decision (ESD) target is a reduction of 16% compared to 2005 GHG emissions levels by 2020. Projections submitted under the EU Monitoring Mechanism in 2015 show that the UK is on track to meet this 2020 target.

4.193 The EU Renewables Energy Directive (RED) set a target for the UK to increase the share of final energy consumption from renewable sources across heat, electricity and transport to 15% by 2020. The UK is currently progressing in line with the trajectory set out in the Directive, having met its interim targets. It is making good progress towards the next interim target of an average of 7.47% of energy from renewables across 2015 and 2016.⁴⁶

4.194 Formal compliance reporting for the first two years of the ESD (2013-14) is under way and will be completed in 2017. Based on the inventory review that precedes this process, it is expected that the UK will report ESD emissions for 2013-14 around 50 MtCO₂e below the annual targets for this period.

4.195 Overall, energy consumption in the UK is on a downward trend. Primary energy consumption in 2014 was 7% lower than in 2013, and final energy consumption was 5% lower. Compared with 2007, consumption was 15% and 12% lower respectively.⁴⁷ To maintain this trend the government will continue to act to enhance the energy efficiency of homes, business and transport.

4.196 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

4.197 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.

4.198 The Climate Change Act 2008 established legally binding carbon budgets, putting the UK on a cost effective pathway to reduce emissions by at least 80% from 1990 levels by 2050. The

⁴⁶ Third progress report on the promotion and use of energy from renewable sources for the United Kingdom at <https://www.gov.uk/government/publications/third-progress-report-on-the-promotion-and-use-of-energy-from-renewable-sources-for-the-united-kingdom>

⁴⁷ UK Annual Report against Article 24(1) of the Energy Efficiency Directive 2012: April 2016 at https://ec.europa.eu/energy/sites/ener/files/documents/UK%202016%20Energy%20Efficiency%20Annual%20Report_en.pdf

UK overachieved on its first carbon budget (2008 to 2012) and latest projections suggest it is on track to meet the second (2013 to 2017) and third (2018 to 2022) carbon budgets.

Actions to achieve objective

Renewable energy

4.199 The Electricity Market Reform (EMR), published in 2012, 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.

4.200 As part of the ambitious EMR, a Contracts for Difference (CfDs) scheme aimed to reduce the risk barriers to investment in low carbon technologies, while competition in the CfD auctions reduced costs for consumers. Twenty-five contracts worth over £300 million per year have now been 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 CO₂ emissions. At Budget 2016, the government announced that it will auction CfDs of up to £730 million this Parliament for up to 4 GW of offshore wind and other less established renewables, with the first auction of £290 million in 2017.

4.201 Existing support for renewable energy includes:

- **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 22.6GW at the end of 2014/15.⁴⁸ On an international definition basis, the proportion of electricity generation from renewables in the UK has increased from 1.8% in 2002 to 26.1% in 2015.⁴⁹ 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, and introduced quarterly deployment caps and new tariffs. The current scheme closes to new applications in March 2019. 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

⁴⁸ Ofgem RO Annual Report 2014/15, https://www.ofgem.gov.uk/system/files/docs/2016/03/renewables_obligation_annual_report_2014-15.pdf

⁴⁹ BEIS DUKES, Table 6A, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/547977/Chapter_6_web.pdf

community generators of renewable heat for a 20-year period. As of end of January 2017, there have been 16,317 accreditations to the scheme with 3,070 megawatts (MW) of installed capacity.

- **The domestic RHI scheme** was introduced in April 2014, offering a financial incentive to home-owners, private and social landlords and people who build their own homes to install an eligible renewable heat system. As of the end of January 2017, there had been 53,546 accreditations to the scheme, of which 27,082 were from new installations (applicants who had systems installed on or after the domestic RHI scheme launch date). At the 2015 Spending Review, the government committed to continuing the RHI scheme, up to a budget of £1.15 billion in 2020-21.
- **Renewable Transport Fuel Obligation (RTFO):** 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.

4.202 Further progress was made in the area of renewable energy deployment. During 2016, renewables generated 25.0% of electricity in the third quarter, up 1.3% from the same quarter in 2015. For the whole of 2015, the share of electricity generation from renewable sources was an annual record of 24.7%. Total renewable electricity generation was 79.6TWh in 2015, an increase of 29.6% from 2014. This generation increase coincided with a capacity increase of 22.5%, reaching 14.7GW at the end of 2015. Total solar PV capacity grew by 0.64GW between December 2014 and December 2015, representing a 69% increase and bringing total installed capacity to 1.56GW.

Nuclear

4.203 The signing of 'Hinkley' in Autumn 2016 reflects the government's ongoing commitment to the nuclear sector. Three consortia – EDF and CGN, Horizon Nuclear Power, and NuGen – have set out proposals to develop a further pipeline of projects that could become operational in the 2020s and 2030s. The government is in discussions with the developers of those projects regarding potential options for financing.

Energy efficiency

4.204 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 2016 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.

4.205 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 UK 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%

4.206 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 BEIS 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).

4.207 The current Energy Company Obligation⁵⁰ 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”

4.208 ECO places an obligation on energy suppliers to deliver carbon and notional bill savings by promoting and installing energy efficiency measures in residential properties. Energy suppliers are obligated where they have more than 250,000 domestic customer accounts and supply more than certain specified amounts of electricity or gas.

4.209 There have been two phases of ECO so far – Jan 13 to Mar 15 (‘ECO1’), and Apr 15-Mar 17 (‘ECO2’). The 2015 Spending Review announced that ECO would be replaced with a new, cheaper obligation from April 2018, which would tackle the root causes of fuel poverty. The new supplier obligation will be implemented in two phases:

- the **Energy Company Obligation** will be extended by 18 months (to September 2018), with a greater focus on fuel poverty. This extension will act as a bridge between the existing ECO and the new supplier obligation (‘Help to Heat’)
- from October 2018 – March 2022 the new fuel poverty supplier obligation (‘Help to Heat’) will come into force

4.210 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

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

- **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

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

Devolved administrations

Northern Ireland

4.212 In 2011, the Northern Ireland Executive approved a Northern Ireland Greenhouse Gas Emissions Reduction Action Plan, which examined relevant policies and actions across the Executive, identified their projected impact on emissions and the economy and provided an estimate for Northern Ireland's future emissions. A Cross Departmental Working Group on Climate Change,⁵¹ established at the same time, reviews the action plan and provides an annual report on progress towards greenhouse gas emission reductions. The fifth Annual Progress report was presented to the Executive in March 2016.⁵²

4.213 The latest emission figures available for Northern Ireland, set out in the Greenhouse Gas Inventories for England, Scotland, Wales and Northern Ireland: 1990 – 2014, estimates 2014 Northern Ireland emissions at 20.3 million tonnes of carbon dioxide equivalent (Mt CO₂e); with 28% from agriculture, 21% from transport, 19% from energy supply and 13% from the residential sector. Across all sectors, 2014 emissions levels show a longer term decrease of 17.4% since the base year. Using this data, the latest greenhouse gas emissions reduction projection (produced in December 2016) forecast a 31.2% reduction in emissions by 2030 against the 1990 baseline.

4.214 The aim of the Northern Ireland Executive's Strategic Energy Framework 2010⁵³ is to achieve secure, competitively priced and sustainable energy supplies for all in Northern Ireland and includes objectives for 40% renewable electricity consumption and 10% renewable heat by 2020.

4.215 The Executive's Programme for Government for the period 2011 to 2015 set renewables targets of 20% consumption from renewable electricity and 4% from renewable heat by 2015. Both targets were achieved. As of 31 December 2016, 25.4% of electricity consumption in Northern Ireland was from renewable sources.

4.216 Additional interconnection is essential to support reform of the Single Electricity Market (SEM) to meet EU plans for an integrated European electricity market by 2017. The new market arrangements - the Integrated Single Electricity Market - will go live in May 2018. This work is being led by the Northern Ireland Authority for Utility Regulation working with its counterpart in the Republic of Ireland.

4.217 Work has started to extend the natural gas network to the main towns in the west of Northern Ireland, with a new pipeline provided to Strabane. Construction works to connect other towns in the West are expected to commence later in 2017, subject to planning approval. Work is also ongoing to provide gas networks to some 13 towns and villages in East Down.

4.218 Energy 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 progressed, and

⁵¹ <https://www.daera-ni.gov.uk/articles/cross-departmental-working-group-climate-change>

⁵² <https://www.daera-ni.gov.uk/publications/cross-departmental-working-group-climate-change-annual-report-2016>

⁵³ <https://www.economy-ni.gov.uk/sites/default/files/publications/deti/sef%202010.pdf>

the promoters of the gas and compressed air energy storage projects have accessed EU Connecting Europe Facility funding for completion of important pre-construction studies and engineering design works.

4.219 The proposed second North-South electricity Interconnector between Northern Ireland and the Republic of Ireland has also seen important progress and the completion in Northern Ireland of the Planning Appeals Commission public inquiry. Recommendations will now be made to the Minister for infrastructure, potentially in quarter 3 of 2017.

4.220 These and other measures such as the commercial development of battery storage can help enhance security and diversity of supply for Northern Ireland.

Scotland

4.221 Scotland's Economic Strategy prioritises 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.

4.222 Scotland has set ambitious targets in legislation⁵⁴ to reduce emissions of greenhouse gases by at least 42% by 2020, and move towards an 80% reduction by 2050. Between 1990 and 2014, Scotland cut adjusted greenhouse gas emissions⁵⁵ by 45.8% exceeding the 2020 target six years early. Scotland was second only to Sweden among Western European countries in cutting emissions over this period, with only a very narrow gap now between Scotland's per capita emissions and the EU generally.

4.223 In January 2017, the Scottish Government set out proposals in a draft 'Climate Change Plan'⁵⁶ for meeting greenhouse gas emission reduction targets out to 2032 that represent a 66% reduction below 1990 levels.⁵⁷ It also published a full statement of its ambitious long-term vision of energy supply and use in Scotland, aligned with greenhouse gas emissions reduction, in a draft 'Energy Strategy'.⁵⁸

4.224 The Scottish Government's 'Climate Change Plan' and 'Energy Strategy' are designed to boost productivity and secure competitive advantage, protect and preserve Scotland's environment and deliver inclusive growth. The approach set out in these documents sets out transformational proposals for transport, heat, electricity generation, and energy efficiency along with increased natural carbon sinks and more efficient agricultural practices. They will shape action to deliver a modern, integrated, clean energy system, delivering reliable energy supplies at an affordable price, in a market that treats all consumers fairly; and a strong, low carbon economy – sharing the benefits across communities, reducing social inequalities and creating a vibrant climate for innovation, investment and high value jobs.

4.225 The Scottish Government will be outlining proposals in 2017 for a new Climate Change Bill that responds to the UNFCCC Paris Agreement with new, evidence-based, statutory emission reduction targets.

⁵⁴ Climate Change (Scotland) Act 2009 (2009 asp 12).

⁵⁵ Adjusted emissions account for Scotland's participation in EU-wide emissions trading.

⁵⁶ <http://www.gov.scot/Resource/0051/00513102.pdf>

⁵⁷ Based on the most recent Scottish greenhouse gas inventory (2014).

⁵⁸ <http://www.gov.scot/Publications/2017/01/3414>

Maximising the Social and Economic Opportunities of Energy and Resource Efficiency

4.226 In June 2015, Scottish Ministers announced that improving the energy efficiency of all of Scotland's buildings will be a national infrastructure priority. To facilitate this, Scotland's Energy Efficiency Programme (SEEP) will provide an offer of support to buildings across Scotland – domestic and non-domestic – to improve their energy efficiency rating over a 15-20 year period. This integrated programme of support will deliver through partners in local government, housing associations, communities and the private sector, building on Scotland's existing successful area-based energy efficiency programmes.⁵⁹

4.227 The SEEP programme is a key part of Scotland's draft Energy Strategy, and Scotland's efforts to tackle Climate Change and Fuel Poverty. Its aim is to make Scotland's buildings warmer and easier to heat, as well as reducing their impact on the environment. It aims for Scotland's buildings to be near zero carbon by 2050; reducing the energy demand and decarbonising the heating of Scotland's built environment in a way that is socially and economically sustainable. It will continue to provide support to households suffering from fuel poverty, and will also seek to leverage further private investment into improving energy efficiency to support the development of loan schemes to enable households and businesses who can afford to pay, to spread the upfront costs of investing in energy efficiency.

4.228 The SEEP programme objectives are by 2032:

- 94% of non-domestic and 80% of domestic buildings' heat is supplied using low carbon heat technologies
- improvements to the fabric of non-domestic and domestic buildings results in a heat demand reduction of 10% and 6% respectively

4.229 Work on the programme is underway. During the first phase the focus is on delivering existing programmes more effectively and developing new pilot schemes to test integrated delivery mechanisms for the domestic and non-domestic sectors. The Scottish Government is providing over £9 million across 11 local authorities to support pilots in 2016-17 to test different approaches to improving the energy efficiency of Scotland's buildings. In February 2017, Scotland's First Minister announced a further £11 million to support phase 2 of pilot activity. The Scottish Government is listening to a wide range of stakeholders as the new programme is designed before launching the delivery phase in 2018, when powers over energy efficiency will have been devolved.

4.230 The Scottish Government has allocated over £650 million since 2009 and, as set out in the 2016 Programme for Government, will make available half a billion pounds over the next four years to tackle fuel poverty and improve energy efficiency. This means that by the end of 2021 the Scottish Government will have committed over £1 billion to making Scotland's homes and buildings warmer and cheaper to heat.

4.231 SEEP builds on a range of existing programmes which support households and organisations across Scotland to become more energy and resource efficient and to decarbonise heat. For example, the Scottish Government:

- has created the Resource Efficient Scotland (RES) advice and support programme, which has delivered one-to-one support to over 1,400 organisations, identifying a potential £28 million in annual cost savings and an

⁵⁹ See "Home Energy Efficiency Programmes for Scotland: Area Based Schemes."

estimated 2,300 GWh of lifetime energy savings through applied better resource efficiencies since April 2013

- continues to grant-fund the Energy Saving Trust (EST) to promote energy efficiency and renewable energy. EST works closely with RES to provide assistance and support for businesses in Scotland to be able to participate effectively in the supply chain for energy efficiency measures /installations
- helps to promote, develop and maintain a network of Green Businesses to promote low and zero carbon technologies
- established the £76 million Low Carbon Infrastructure Transition Programme (LCITP) - a Scotland wide, cross-sector project development unit, to develop and accelerate large scale low carbon infrastructure projects across Scotland in the next 3 years
- on 1 March 2016, put in place a non-domestic energy efficiency (NDEE) procurement framework for the Scottish public sector; NDEE projects will retrofit buildings with a range of energy efficient measures, creating savings in energy and maintenance costs, reducing carbon emissions and improving the environmental comfort of buildings
- is providing loans of up to £100,000 for the installation of resource efficiency measures, and renewable energy technologies through its Resource Efficient Scotland SME loans scheme; since inception in 2008, this scheme has successfully financed over 800 projects resulting in estimated heat and electricity energy savings of 304 GWh, carbon savings of over 118,000 tCO₂ and financial savings of over £33 million
- is encouraging market investment for new innovative technologies and approaches to resource efficiency through a £4 million revolving, interest free Salix Finance loans fund for public sector energy efficiency projects - this has produced >£68 million and 336,000 tCO₂ lifetime savings since 2008
- is supporting the uptake of the UK Renewable Heat Incentive (RHI) - by February 2017 over £203 million was paid to Scottish accredited installations for both the domestic and non-domestic schemes; accounting for around 20% of renewable heat capacity generated under the scheme
- launched the District Heating Loan Fund in 2011 which has offered a total of just over £10 million in loans to 41 projects - during 2015-16, £1.9 million of loans were awarded to nine projects across Scotland
- established the Home Energy Scotland Renewable Loans (HESRL) scheme to provide funding for the upfront costs of home renewable installations and supports the up-take of RHI and FIT technologies in Scotland ; in 2015-16 financial year the scheme supported 755 renewable systems with a value of £5.626 million for domestic customers
- continues to provide renewable and energy efficiency specialist advice to householders and promote all of the above schemes through its continued funding of the Scottish Government's Home Energy Scotland advice centres (HESac)

Wales

4.232 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.

4.233 In terms of the progress made against the 3% annual emissions target in devolved areas, the data for 2013 shows the target was exceeded with a reduction of 14.7%. In terms of progress against the 40% target, the latest data for 2014 shows that Wales has seen a reduction in emissions of 18% compared to base year emissions.

4.234 Progress in the resource efficiency and waste sector in particular demonstrates how emissions can be decreased while increasing growth and investment in the sector. With the fourth highest recycling rate in Europe, Wales now recycles over 60%.

4.235 Current data show that although some progress in Wales has been made to reduce emissions against the targets, further action is needed. The Environment (Wales) Act was granted Royal Assent in March 2016 and Part 2 of the Act focuses on action on climate change and provides the Welsh Ministers with powers to put in place statutory emission reduction targets (for 2020, 2030 and 2040) and five-yearly carbon budgets to support their delivery.

4.236 In setting statutory targets, the aim is to set out a clear pathway for decarbonisation within the context of wider UK and EU obligations for at least an 80% reduction in emissions by 2050. A clear pathway for decarbonisation will not only provide transparency but also certainty and clarity for investment. The Act also requires the Welsh Ministers to publish a plan of action and, in relation to final statements for carbon budgets, to include information on emissions from the consumption and use of goods and services.

4.237 In addition to the Environment (Wales) Act 2016, the Well-being of Future Generations (Wales) Act 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 that people want to see in the future and to report on progress regarding this, including action on tackling climate change.

Measuring progress against objectives: A indicators

Employment

United Kingdom

Indicator	Current level	Reference period
Employment rate UK	74.6%	Nov-Jan 17

England

Indicator	Current level	Reference period
Employment rate England	74.9%	Nov-Jan 17

Northern Ireland

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	69.3%	Sep-Nov 16

Scotland

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	73.7%	Nov-Jan 17

Wales

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	72.5%	Sep-Nov 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	91.0%	2014/15 ¹

¹ Source: SFR01/2017 Destinations of key stage 4 and key stage 5 pupils, 2014/15 REVISED

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)	65.0%	
Achievement of government-funded learners participating in Further Education (FE)	81.0% achieving at least upper secondary (English level 2) 42.0% at least tertiary (English level 4)	Q4 2015 ²
Number of government-funded learners participating in Further Education (FE), academic age 19 years and over.	2,324,700; of which 659,300 on a full level 2 course; 446,000 on a full level 3 course and 899,400 on an Apprenticeship	2015-16 ³

Northern Ireland

Indicator	Current Level	Reference period
% of school leavers achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and maths	66.0%	2014-15 ⁴
% of school leavers entitled to free school meals achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and maths	41.3%	2014-15 ⁵
Population aged 18-24 who are early leavers from education and training	11.9%	2015 ⁶

Scotland

Indicator	Current Level ⁷	Reference period
Highest qualification held by working age adults (19-64 years old)	77% achieving at least upper secondary (SCQF Level 5) and 46% at least tertiary (SCQF Level 7)	Q4 2015
Population aged 18-24 who are early leavers from education and training	10.6%	2015
Population aged 30-34 having completed tertiary education	58.2%	2015

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	60.3%	2015-16
Working age adults achieving NQF 2,3 and 4 +	NQF 2: 76% NQF 3: 57% NQF 4: 36%	2015

² Source: SFR01/2017 Destinations of key stage 4 and key stage 5 pupils, 2014/15 REVISED

³ Source: SFR: SFA/SFR36 Further Education & Skills in England 2016

⁴ Source: <https://www.education-ni.gov.uk/publications/school-leavers-201415-statistical-bulletin>

⁵ Source: <https://www.education-ni.gov.uk/publications/school-leavers-201415-statistical-bulletin>

⁶ Source: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00106&plugin=1>

⁷ 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.

Attainment at age 19 – percentage having achieved:	Level 2: 82%	2012-13
level 2	Level 3: 53%	
level 3		
International comparison (within the OECD) of the qualification levels of the working age population	78% achieving at least upper secondary (UK level 2) and 39% at least tertiary (UK Level 4)	2015
16-18 year olds who are not in employment, education or training	10.5%.	2015

Social exclusion and poverty reduction

England

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

Northern Ireland

Indicator	Current level	Reference period ⁸
Children in relative poverty (BHC) ⁹	25%	2014-15
Children in absolute poverty (BHC)	23%	2014-15

Scotland

Indicator	Current level	Reference period
Proportion of income earned by the 3 lowest income deciles (Solidarity target) ¹⁰	115	2014-15
Percentage of people living in relative poverty (below 60% of median income before housing costs)	15.2%	2014-15

⁸ The latest official poverty figures published on 28 June 2016 relate to the year 2014-15. See the Northern Ireland Poverty Bulletin 2014/15.

⁹ Poverty figures for Northern Ireland on a Before Housing Cost (BHC) basis are not directly comparable with the rest of the UK due to the way water charges are treated in the calculation of household income.

¹⁰ The solidarity target changed its calculation method in 2015. This is the current figure. Between 2013 and 2014, total income received by Scottish households increased. Over this period the ratio of income to the top 10% compared to the bottom 40% increased from 112 to 115

Wales

Indicator	Current level	Reference period
People living in households in relative income poverty	23%	2012-13 to 2014-15
Children living in households in relative income poverty	29%	2012-13 to 2014-15
Working age adults living in households in relative income poverty	22%	2012-13 to 2014-15
Pensioners living in households in relative income poverty	17%	2012-13 to 2014-15

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 ¹¹
Expenditure on research and development at HEIs	£7.6bn	2013 ¹²

Northern Ireland

Indicator	Current level	Reference period
Total R&D expenditure	£749.6m	2015
Percentage of firms that are innovation active	45%	2012-14 ¹³

Scotland

Indicator	Current level	Reference period
Gross R&D expenditure in percentage of Scottish GDP	1.56% (£2.2bn)	[2014 ¹⁴]
Percentage of firms that are innovation active	50.4%	2012-2014 ¹⁵

Wales

Indicator	Current level	Reference period
Gross R&D expenditure	£716m	2014
Higher education bodies' expenditure on R&D	£285m	2014

¹¹ 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

¹² http://www.ons.gov.uk/ons/dcp171778_398876.pdf

¹³ This information is the most up-to-date available. The survey on firms that are 'Innovation Active' is conducted every 2-3 years.

¹⁴ <http://www.gov.scot/About/Performance/scotPerforms/indicator/research>

¹⁵ <http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/UKIS>

Climate change and energy

United Kingdom

Indicator	Targets	Current level	Reference period
The UK's Effort Sharing Decision	16% reduction of GHG emission levels by 2020 on 2005 levels	On track	2005 ¹⁶
Energy consumed in the UK produced from renewable sources.	15% from renewable sources by 2020	7%	2014
Energy Efficiency Directive national indicative 2020 energy efficiency target	18% reduction in final energy consumption by 2020	20% reduction	2007 baseline projection for 2020

Northern Ireland

Indicator	Target	Current Level	Reference period
Greenhouse gas emissions	80% reduction of GHG emissions by 2050	17.4% reduction	2014
Indigenous renewable energy sources	40% renewable electricity consumption and 10% renewable heat by 2020	25.4%	March 2016
Energy Efficiency	Contribution to UK-wide target of 18% reduction in final energy consumption by 2020 – NI contribution is 200GWh energy savings by 2020	134 GWh	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	45.8%	2014 ¹⁷
Proportion of electricity consumption from indigenous renewable energy sources	Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020	59.4%	2015
Proportion of heat demand from renewables	11% of heat demand from renewables by 2020	3.8%	2014
Reduction of final energy end-use consumption (energy efficiency)	12% reduction of final energy end-use consumption by 2020 on a 2005-2007 baseline	15.2%	2014

¹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/496946/2014_Final_Emissions_Statistical_Summary_Infographic.pdf

¹⁷ 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 56.49 MtCO ₂ e)	17.9% reduction (46.40 MtCO ₂ e)	2014 ¹⁸
Greenhouse gas emissions	3% emissions reduction within areas of devolved competence each year from 2011, on a baseline of average emissions over the period 2006-10	14.7% reduction (29.46 MtCO ₂ e)	2013
Energy efficiency installations (Arbed 2 ERDF project)	5229 properties to receive energy efficiency improvements by March 2015	Over 4,860 properties provided with advice	Mar 2010 – Jun 2015
Energy efficiency installations (Nest)	15,000 households per annum to receive help between 2011 and 2017, with around 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
Renewable Energy Capacity		2280MW (2025MW electricity & 255MW thermal)	Up to end of 2014

¹⁸ http://naei.defra.gov.uk/reports/reports?report_id=894

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