HM Treasury

Europe 2020:
UK National Reform Programme 2019

April 2019

HM Treasury

Europe 2020:

UK National Reform Programme 2019

April 2019

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN 978-1-912809-60-8

PU2263

Contents

Foreword

The UK economy has grown continuously for the past eight years. With record levels of employment and a falling deficit, the UK has made further progress in restoring the public finances to health. Debt peaked in 2016-17 and has begun its first sustained fall in 18 years.

The UK economy grew by 1.4% in real terms in 2018. The Office for Budget Responsibility (OBR) expects the economy to grow in each year of its Spring Statement forecast. The UK is currently experiencing the longest unbroken quarterly growth streak of any G7 nation.

The employment rate is at a record high at 76.1% in the three months to January, with 473,000 more people in work over the last year. At 3.9%, the unemployment rate is at its lowest since 1975. The Spring Statement 2019 forecast expects employment to increase by 600,000 by 2023.

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

The NRP is presented to the European Commission as part of the Europe 2020 Strategy for smart, sustainable and inclusive growth. It is presented in parallel with the UK's 2018-19 Convergence Programme (CP), as part of the process for aligning reporting and surveillance of national fiscal, economic and employment policies. The CP sets out the UK government's medium term fiscal policies as required under the Stability and Growth Pact. The NRP reports in particular on the actions that the government is taking to address the country-specific recommendations (CSRs) addressed to the UK by the Council of the European Union in July 2017. The UK's current CSRs focus on:

- limiting the nominal growth rate of net primary government expenditure;
- boosting housing supply;
- addressing skills and progression needs.

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.

The publication of the Annual Growth Survey in the autumn kicks off the European Semester cycle. The 2019 Annual Growth Survey has a particular focus on the implementation of structural reforms to foster investment. The UK Government recognises the importance of raising investment levels to encourage sustainable growth. In the UK, public investment is set to reach levels not consistently sustained in 40 years in this parliament, including through the £37 billion National Productivity Investment Fund, which is focused on areas most crucial for productivity.

The 2019 Country Reports were published on 27 February 2019. The UK was found to have made progress on key long-term challenges including housing investment and skills and career progression, and was performing well with respect to its greenhouse gas emissions targets under the Europe 2020 strategy. The Report also found that the UK performs well on a number of indicators on the European Pillar of Social Rights, although some challenges remain.

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

Chapter 1
Introduction

Context

1.1 The government has worked to build a stronger, fairer economy, repairing the public finances in a way that is fair to UK taxpayers. The government has taken a balanced approach to managing the long-term health of the economy. It has continued to focus on reducing borrowing to manageable levels whilst investing in the future and tackling structural reform challenges.

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 significant progress in restoring the public finances to health, and is forecast to meet both of its interim fiscal targets early. However, debt remains too high. This means it is important to continue our balanced approach: reducing debt while supporting public services, investing in the economy and infrastructure, and keeping taxes low.

1.3 The government is also supporting people into work through our welfare reforms, increasing incomes for those on the lowest wages and spending billions supporting the most vulnerable. There are now record numbers of people in work and the number of workless households is at its lowest level since comparable records began in 1996.

1.4 Global growth has moderated since the period of particular strength over 2017 and the first half of 2018, and has become less synchronised across countries: momentum in the US remains strong, but growth in the euro area has moderated, and developments in Emerging Markets have become more mixed. The central outlook for the global economy remains relatively firm in the near term, although risks are weighted to the downside, as trade tensions have risen and financial conditions have become somewhat less accommodative.

Productivity and Investment

1.5 Improving productivity is the best way to raise living standards while delivering the high-skilled, high-wage jobs of the future. Since 2010, the government has put in place significant investment and reform programmes, all contributing towards building a modern and dynamic economy. These reforms include providing over half a trillion pounds in capital investment, reducing taxes to support business investment and improving skills through investment in apprenticeships. At Autumn Budget 2018, the government extended the National Productivity Investment Fund until 2023-24 and expanded it to a total of £37 billion. This fund supports investment in areas that are critical to boosting productivity such as transport, digital communication, Research & Development (R&D) and housing.

1.6 The NPIF includes:

- £740 million for digital infrastructure, to mobilise the market to develop full-fibre broadband networks and 5G capacity
- £5.9 billion for transport, including a £2.5 billion Transforming Cities Fund, designed to drive productivity by improving connectivity and reducing congestion
- £5.5 billion for a Housing Infrastructure Fund which will provide funding for new infrastructure that will unlock new homes in the areas of greatest housing demand

1.7 The government is increasing investment to support growth and jobs. The government's plans will see public investment, including infrastructure investment, reaching the highest consistently sustained levels for 40 years. Infrastructure investment will be £9 billion a year higher in 2021 than it was in 2015. The next decade will see an estimated £600bn of public and private infrastructure investment, including the largest ever strategic roads package, and investment of over £1bn in the next generation of digital infrastructure.

1.8 The government is committed to ensuring the UK has a modern and efficient network of infrastructure. The National Infrastructure Commission was established to provide impartial, expert advice, and in July 2018 made recommendations to the government on the UK's infrastructure needs over the next 30 years in the first-ever National Infrastructure Assessment (NIA). The government is already taking long-term decisions to make sure there is the infrastructure capacity to meet the needs of the future economy, and will respond fully to the recommendations in the NIA in a National Infrastructure Strategy in 2019. The government has approved the construction of Hinkley Point C, the first new nuclear power station in the UK for a generation, and work is underway on HS2, the new backbone of the UK rail network. The government remains committed to a system of strong, independent economic regulation of the privatised utilities, which facilitates investment in key infrastructure projects, while simultaneously ensuring that customer bills are affordable.

1.9 The UK's Industrial Strategy sets out a clear plan for how we can boost productivity and earning power of people throughout the UK, and ensure that our country can embrace and be empowered by the excitement of technological change. The 2017 Industrial Strategy White Paper set out the active role Government will take, working in partnership with the private sector, to encourage investment in the technologies of the future, and to ensure every part of the UK can share in the rewards. Since the publication of the white paper, we have made progress on the Industrial Strategy. To strengthen our skills base, we committed an additional £406m in maths and technical education at Autumn Budget 2017, and at Autumn Budget 2018, we announced a package of reforms to help businesses to create more apprenticeships, including committing to halve the co-investment rate for apprenticeship training to 5%. We have committed to invest an additional £7 billion in R&D by 2021-22, including through the National Productivity Investment Fund. This represents the biggest increase in 40 years, supporting our ambition to take R&D expenditure to 2.4% of GDP by 2027. We have also agreed Sector Deals with eight sectors, which aim to address sector-specific barriers to growth and build long-term strategic partnerships with industry. Finally, to measure the success of the Industrial Strategy, we have established an independent Industrial Strategy Council, which met for the first time in November 2018.

1.10 Following our departure from the European Union we will create the UK Shared Prosperity Fund (UKSPF), a domestic programme of investment to tackle inequalities between communities by raising productivity. The UKSPF will invest in line with the foundations of productivity as set out in our modern Industrial Strategy to support people to benefit from economic prosperity, especially in those parts of our country whose economies are furthest behind.

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

- In **Northern Ireland**, an outcomes-based approach is being taken to the work of government in line with the first recommendation of a review of Public Governance completed by the Organisation for Economic Co-operation and Development in 2016. The production of an evidence-based, generational Programme for Government was firmly supported by the Executive formed in 2016 and widely endorsed during subsequent consultation exercises. At its centre is a framework of outcomes designed to target those things that will make real improvement to people's lives. The latest version of the framework consists of 12 outcomes which together were used as the basis for an Outcomes Delivery Plan setting out the actions being taken forward in 2018/19 with the aim of "Improving wellbeing for all – by tackling disadvantage and driving economic growth". The outcomes-based approach provides a basis for identifying priority areas for investment and delivering progress in key areas, for example through the Together: Building a United Community Strategy and the Racial Equality Strategy, outlining the commitment to good community and race relations and continuing the journey towards a more united, shared and intercultural society.
- The priority of the **Scottish Government** is to support Scotland's economic resilience and to protect jobs, investment, and long-term prosperity and growth prospects across Scotland. Scotland's Economic Strategy sets out a vision to create a more cohesive and resilient economy that improves the opportunities, life chances and wellbeing of every citizen in Scotland. At the core of the Strategy is the Government's Purpose, which is underpinned by two key pillars – increasing competitiveness and tackling inequality. Within Scotland's Economic Strategy there are four priority areas which the Scottish Government continues to take action across to grow Scotland's economy, and ensure it remains resilient. The four priority areas are:
    - **Investing** in its people, infrastructure and assets in a sustainable way

- Fostering a culture of **innovation** and research and development
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion
- Promoting Scotland on the **international** stage to boost trade and investment, influence and networks.

- The Economic Action Plan, launched in October 2018, sets out the actions the Scottish Government is taking to achieve the vision set out in Scotland's Economic Strategy. This includes key interventions in place to increase sustainable and inclusive economic growth across Scotland. The Plan also responds to many of the recommendations made in Scotland's business-led Enterprise and Skills Board's first Strategic Plan as well as reflecting key themes from the National Council of Rural Advisors. The Plan also reflects ongoing engagement with business and will enhance Scotland's economic support to business, places and people across Scotland. The Economic Action Plan also sets out some key new measures:
  - Establishing an £18 million Advanced Manufacturing Challenge Fund to ensure all parts of Scotland benefit from developments in advanced manufacturing
  - Responding to the rapidly changing skills needs of business and employees, by enhancing the opportunities for upskilling and reskilling for those already in work
  - Working with business to pilot two 'Productivity Clubs' to support businesses to help each other to improve managerial capability and diffusion of technology and innovation
  - Expanding the role of the Can Do Business Innovation Forum to take action on the economic opportunities and challenges of new technologies.
- The **Welsh Government's** cross-cutting national strategy, 'Prosperity for All', sets out the priorities for this government's term, and lays the foundations for further action over the longer term. The strategy sets out the Welsh Government's objectives under four themes: prosperous and secure, healthy and active, ambitious and learning, and united and connected. The strategy also sets out five priority areas: early years, housing, mental health, skills and social care, as areas where a whole government approach could deliver the greatest contribution to people's long-term prosperity and well-being.

UK 2016 National Reform Programme

1.12 NRPs are submitted by Member States to the Commission to outline their structural reform plans to promote growth and employment. This is part of the Europe 2020 strategy for smart, sustainable and inclusive growth. In parallel, under the Stability and Growth Pact, Member States submit Stability Programmes (euro area Member States) or CP (non-euro area Member States) reporting on budgetary and fiscal policies. In this way, the European Semester aligns reporting cycles for Europe 2020 and the Stability and Growth Pact.

1.13 On 29 March 2017, the United Kingdom gave notice under Article 50 of the Treaty signalling the intention to withdraw from the European Union. The United Kingdom will continue to apply the acquis, including in matters relating to the European Semester and the Stability and Growth Pact, so long as it remains a Member State and, as set out in the Withdrawal Agreement, for the duration of the Implementation Period if the Withdrawal Agreement is ratified by both the UK and EU. Therefore, during this period the government will continue to participate in the Europe 2020: National Reform Programme, and report on its achievements.

1.14 The NRP is presented in accordance with Council recommendation 2010/410 on broad guidelines for economic policy. The parts of the NRP relating to country-specific recommendations (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.

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

- the macroeconomic context in the UK, consistent with the UK's 2018-19 Convergence Programme;
- actions taken to address the three CSRs addressed to the UK by the European Council in June 2018;
- 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.

1.16 The 2019 NRP draws on publicly available information, including the Autumn Budget 2018, the Spring Statement 2019, and other relevant documents and announcements. Further details are available in the original documents.

1.17 The 2019 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 8 the European Union (TFEU). They also follow the broad orientations for structural reforms provided by the European Commission's 2018 Annual Growth Survey (AGS).

1.18 The devolved administrations have contributed fully to the development of the 2019 UK NRP. This is in line with the devolved administrations' commitment to engage positively with the EU Institutions and represent regional interests.

Stakeholder engagement

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

1.20 The Government engages with Parliament on the European Semester more broadly. In particular, the House of Commons debated the UK's 2018-19 Convergence Programme on 26 March 2019 and the House of Lords on 9 April 2019.

1.21 The focus of the 2019 NRP is on implementation and delivery of existing reform commitments. Given the key role that non-governmental organisations play in delivering structural reforms, this document is illustrated with examples of how stakeholders are involved in translating policies into concrete outcomes.

Chapter 2

Macroeconomic context

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) Spring Statement 2019 economic forecasts for 2018 to 2023. This includes forecasts for aggregate gross domestic product (GDP) growth, the components of GDP, inflation and the labour market.

Table 2.A: Summary of the OBR's central economic forecast[1] (Percentage change on a year earlier, unless otherwise stated)

	Percentage change on a year earlier, unless otherwise stated						
		Forecast					
	2017	2018	2019	2020	2021	2022	2023
GDP growth	**1.8**	**1.4**	**1.2**	**1.4**	**1.6**	**1.6**	**1.6**
GDP growth per capita	**1.2**	**0.8**	**0.6**	**0.9**	**1.1**	**1.1**	**1.1**
Main components of GDP							
Household consumption[a]	2.1	1.7	1.1	1.5	1.6	1.6	1.6
General government consumption	-0.2	0.2	2.1	1.7	1.6	1.6	1.7
Fixed investment	3.5	0.0	0.6	1.8	1.9	1.9	2.1
Business	1.5	-0.9	-1.0	2.3	2.3	2.4	2.4
General government	3.7	0.5	5.9	1.8	2.2	0.9	2.0
Private dwellings[b]	8.2	5.6	1.1	0.4	0.4	1.5	1.6
Change in inventories[c]	-0.6	0.3	0.4	0.0	0.0	0.0	0.0
Net trade[4]	0.5	-0.2	-0.5	-0.2	-0.1	-0.1	-0.2
CPI inflation	**2.7**	**2.5**	**2.1**	**1.9**	**2.0**	**2.0**	**2.0**
Employment (millions)	**32.1**	**32.4**	**32.6**	**32.7**	**32.9**	**33.0**	**33.2**
LFS unemployment (% rate)[d]	**4.4**	**4.1**	**4.1**	**4.1**	**4.1**	**4.0**	**4.0**
Productivity per hour	**1.0**	**0.5**	**0.8**	**0.9**	**1.1**	**1.2**	**1.3**

Source: Office for National Statistics and Office for Budget Responsibility
[a] Includes households and non-profit institutions serving households
[b] Includes transfer costs of non-produced assets
[c] Contribution to GDP growth, percentage points
[d] Labour Force Survey

Growth forecast

2.2 The Office for National Statistics (ONS) estimates that the UK economy grew by 1.4% in real terms in 2018, 0.1% higher than the OBR expected in its

1

Autumn Budget 2018 forecast. The OBR forecasts that GDP will grow by 0.2% in Q1 2019 and 0.3% in Q2 2019, and expects annual GDP growth of 1.2% in 2019 and 1.4% in 2020. GDP growth then increases to 1.6% in 2021, 2022 and 2023.

Employment and wages forecast

2.3 Employment increased throughout 2018, breaking records multiple times. This strength continued into 2019, where employment increased to a new record high of 32.7 million in the three months to January 2019. The unemployment rate has fallen further and now stands at 3.9%, the lowest rate since 1975.

2.4 Total nominal wage growth (including bonuses) and regular nominal wage growth (excluding bonuses) were 3.4% in the three months to January 2019. Over the same period, real total pay growth and real regular pay growth increased by 1.3%; the tenth consecutive month in which it has been positive. The OBR forecasts average earnings to grow by 3.0% in 2018 and 3.1% in 2019, before rising to 3.3% over the forecast, by 2023

2.5 The OBR forecasts productivity growth of 0.8% in 2019 and 0.9% 2020. Over the medium term, productivity growth is expected to increase to 1.1% in 2021, 1.2% in 2022 and 1.3% in 2023.

Inflation and average earnings forecast

2.6 Consumer Prices Index (CPI) inflation stood at 1.9% in February, a slight increase from January's figure of 1.8%, and in line with the Bank of England's target rate. The ONS's headline measure of inflation, the Consumer Prices Index including owner occupiers' housing costs (CPIH) inflation, was 1.8% in February, the same as in January.

Table 2.B: Detailed summary of forecast

		Forecast					
	2017	2018	2019	2020	2021	2022	2023
UK economy							
Gros domestic product (GDP)	1.8	1.4	1.2	1.4	1.6	1.6	1.6
GDP level (2016 = 100)	100.0	101.4	102.7	104.1	105.8	107.5	109.2
Nominal GDP	4.1	3.2	3.2	3.3	3.6	3.6	3.6
Output gap (% of potential output)	0.0	0.2	-0.1	-0.2	-0.1	0.0	0.0
Expenditure components of GDP							
Domestic demand	1.4	1.5	1.7	1.6	1.7	1.7	1.7
Household consumption [a]	2.1	1.7	1.1	1.5	1.6	1.6	1.6
General government consumption	-0.2	0.2	2.1	1.7	1.6	1.6	1.7
Fixed investment	3.5	0.0	0.6	1.8	1.9	1.9	2.1
Business	1.5	-0.9	-1.0	2.3	2.3	2.4	2.4
General government	3.7	0.5	5.9	1.8	2.2	0.9	2.0
Private dwellings [b]	8.2	5.6	1.1	0.4	0.4	1.5	1.6

Change in inventories [c]	-0.6	0.3	0.4	0.0	0.0	0.0	0.0
Exports of goods and services	5.6	0.2	1.4	1.7	0.2	-0.3	-0.5
Imports of goods and services	3.5	0.8	3.0	2.1	0.6	0.0	0.1
Balance of payments current account							
% of GDP	-3.3	-4.3	-5.0	-5.1	-4.9	-4.8	-4.7
Inflation							
CPI	2.7	2.5	2.1	1.9	2.0	2.0	2.0
RPI	3.6	3.3	2.9	2.8	3.0	3.1	3.1
GDP inflator at market prices	2.2	1.7	2.0	1.8	1.9	2.0	2.0
Labour market							
Employment (millions)	32.1	32.4	32.6	32.7	32.9	33.0	33.2
Productivity per hour	1.0	0.5	0.8	0.9	1.1	1.2	1.3
Wages and salaries	3.9	4.5	3.3	3.3	3.5	3.4	3.5
Average earnings	2.8	3.0	3.1	3.0	3.1	3.1	3.3
LFS unemployment (% rate) [d]	4.4	4.1	4.1	4.1	4.1	4.0	4.0
Household sector							
Real household disposable income	0.5	1.6	0.7	1.1	1.6	1.7	1.8
Saving ratio (level, %)	4.2	4.3	4.2	4.2	4.2	4.3	4.4
House prices	4.5	3.3	0.8	1.3	3.7	4.1	4.2
World economy							
World GDP at purchasing power parity	3.7	3.7	3.5	3.6	3.6	3.6	3.6
Euro area GDP	2.5	1.8	1.6	1.7	1.6	1.5	1.4
World trade in goods and services	5.1	4.0	3.8	3.9	3.9	3.8	3.6
UK export markets [e]	4.8	3.9	3.3	3.5	3.5	3.5	3.3

Source: Office for National Statistics and Office for Budget Responsibility

[a] Includes households and non-profit institutions serving households

[b] Includes transfer costs of non-produced assets

[c] Contribution to GDP growth, percentage points

[d] Labour Force Survey

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

Outlook for the public finances

2.7 The government has made significant progress since 2010 in restoring the public finances to health. The deficit has been reduced by four-fifths - from a post-war high of 9.9% of GDP in 2009-10 to 2.0% in 2017-18, the lowest level since 2001-02. The government has met its near-term fiscal rules and debt has begun its first sustained fall in a generation. But the need for fiscal discipline continues, as despite the improvement, debt currently remains too high at over 80% of GDP, or around £65,000 per household. Continuing to reduce borrowing and debt is important to enhancing the UK's economic resilience, improving fiscal sustainability, and lessening the debt interest burden on future generations. The government takes a balanced approach to the public finances, focusing on getting debt falling, while supporting public services, investing in the economy and keeping taxes low.

Chapter 3

UK Country-specific Recommendations

3.1 The Country-specific Recommendations (CSRs), addressed to the UK by the Council of the European Union in July 2018, are to:

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.6 % in 2019-2020, corresponding to an annual structural adjustment of 0.6 % of GDP.
2. Boost housing supply, particularly in areas of highest demand, including through additional reforms to the planning system.
3. Address skills and progression needs by setting outcome targets for the quality and the effectiveness of apprenticeships and by investing more in upskilling those already in the labour force.

Fiscal Policy

Recommendation 1

Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.6 % in 2019-2020, corresponding to an annual structural adjustment of 0.6 % of GDP.

Fiscal responsibility

3.2 Since 2010, the Government has made considerable progress in restoring the public finances to health and Budget 2018 showed that we have reached a turning point as debt began its first sustained fall in a generation. Government spending as a share of GDP has been reduced from 44.9% in 2009/10 to 38.5% in 2017/18.

3.3 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 was met again in 2018-19, and will be met in subsequent forecast years.

3.4 The government's commitment to responsible fiscal management has reduced borrowing by four-fifths, from 9.9% of GDP in 2009-10 to 1.1% in 2018-19, the lowest since 2001-02. Despite these improvements, borrowing and debt remain too high.

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

The Fiscal Outlook

3.6 In the Spring Statement 2019 forecast, borrowing is lower in every year compared to the Autumn Budget 2018 forecast. Public sector net borrowing is forecast to fall from 1.1% of GDP (£22.8bn) in 2018-19 to 0.5% (£13.5bn) in 2023-24, the lowest level since 2001-02.

3.7 The OBR expects cyclically-adjusted public sector net borrowing to be 0.8% of GDP in 2020-21. The government 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 £26.6bn headroom.

3.8 Public sector net debt has now peaked at 85.1% GDP in 2016-17 and the OBR expect it to fall continuously as a share of GDP over the forecast period, to 73.0% of GDP in 2023-24. Consequently, the OBR also judges that the government is expected to meet its supplementary debt target.

Housing

Recommendation 2

Boost housing supply, particularly in areas of highest demand, including through additional reforms to the planning system.

Increasing housing supply

3.9 Over 222,000 new homes were delivered in 2017/18. This represents the highest level of new homes delivered across England in all but one of the last 31 years, and brings the total number of additional homes delivered since 2010 to 1.3 million - clear progress towards our ambition to deliver 300,000 homes a year on average in England by the mid-2020s.

3.10 To deliver on the Government's ambition and make the housing market work better, we are implementing the broad range of initiatives set out in the February 2017 Housing White Paper, and further significant reforms. Taken together, this includes more than £44 billion of financial support to 2022/23 and streamlined planning rules.

3.11 A key priority is delivering more affordable homes, including for social rent. To this end, the Government has made £9.1 billion available through the Affordable Homes Programme to March 2022 for housing associations and local authorities to deliver up to 250,000 new affordable homes of a wide range of tenures, including social rent.

3.12 Furthermore, at Autumn Budget 2018, Government confirmed the abolition of Housing Revenue Account borrowing caps. Local authorities can now borrow freely to build more homes in their area, in line with the Prudential

Code. This has freed up councils to deliver a new generation of council housing – up to an estimated 10,000 homes a year.

3.13 In September 2018, the Government announced an additional £2 billion of long term funding certainty for housing associations from 2022. This ten-year funding commitment marks the first time any government has invested such long-term funding in new homes through housing associations.

3.14 The Government has also announced further funding for Help to Buy: Equity Loan to increase home ownership and housing supply. It has committed over £22 billion Help to Buy Equity Loan funding to 2021 and announced at this year's Autumn Budget a new scheme with £7.2 billion funding to 2023. In total, the Government expects Help to Buy: Equity Loan to support up to 470,000 households into homeownership.

3.15 To provide the infrastructure to unlock new homes, Government has continued to make progress delivering the Housing Infrastructure Fund (HIF). At Autumn Budget 2018, an additional £500 million was announced for the fund, taking it to £5.5 billion in total.

Planning reform

3.16 The planning system is locally driven, applied by local government and communities in accordance with the local development plan unless material considerations indicate otherwise. In July 2018, the Government published the revised National Planning Policy Framework (NPPF) and planning guidance to provide greater support for increasing housing supply and delivery. The NPPF is intended to promote the effective use of land through policy and decision-making. It has been a material consideration in planning decisions since its publication in July 2018. It applies to Plans submitted after 24 January 2019.

3.17 The revised NPPF implemented around 80 planning reforms, including:

- a new standard methodology for calculating local housing need
- a new Housing Delivery Test which measures delivery of homes across England annually with consequences for under-delivery
- an exception site policy for housing suitable for first-time buyers
- policies to ensure viability is frontloaded to the plan making stage to reduce the delays caused by renegotiation of planning obligations
- placing key emphasis on design quality and encouraging local authorities that want to promote underutilised land and higher density development.

3.18 The NPPF is intended to improve the quantity, quality and speed of housing delivery whilst protecting the environment. It sets out the conditions where additional protections are in place for land, including Green Belt. It maintains strong protection for the Green Belt but did include revisions to ensure that suitable brownfield sites in Green Belt can be used for affordable homes, and that changes of land can be made if openness is not harmed and the development does not conflict with the purposes of Green Belt. Local authorities have the ability to redraw Green Belt boundaries where there is evidence of necessity, as part of their development plan.

3.19 The revised NPPF also promotes more effective use of land to boost housing supply in areas of high demand, including higher density developments in areas that can support them.

3.20 Permitted Development Rights continue to make a significant contribution to housing supply. These rights allow for a change from certain existing uses to residential. These continue to make a significant contribution to housing supply by providing more flexibility on how best to use existing buildings.

3.21 In January 2018 we increased planning application fees by 20%. All local planning authorities committed to ring-fence the increase in revenue for investment into resourcing their planning departments, which we would expect to improve the quality and speed of decisions.

3.22 The Planning Delivery Fund has helped to deliver quality housing at a faster pace by providing a total of £16.1m for local planning authorities and third sector organisations to take forward projects in joint working, design quality and digital innovation within 2017/18 and 2018/19. Additional funding allows local planning authorities and third sector organisations to improve the design quality of new developments, bring digital innovation into the planning process and provide additional capacity to plan strategically for housing growth and infrastructure.

3.23 The revised NPPF and planning guidance provide a new approach to viability assessment in planning – to reduce delays caused by negotiating section 106 planning obligations, and increase accountability so that developers know what they are expected to contribute and communities can hold them to account. Independent research found that, in 2016/17, Section 106 raised £4 billion for affordable housing, equivalent to 50,000 affordable homes.

Devolved administrators

Northern Ireland

3.24 There has been no Executive in Northern Ireland since early 2017. In line with the previous Executive's priorities, the Northern Ireland departments remain committed to delivering social and affordable housing and has set out a comprehensive package of measures aimed at creating the right conditions for a stable and sustainable housing market as well as increasing access to affordable housing for those seeking to enter home ownership. Further detail on those activities particularly pertinent to boosting housing supply is provided below:

- Invest funding of approximately £145 million in order to:
  - Provide an additional 1850 new social home starts subject to budget, of which it is intended 200 will be shared housing and 8% of the new build element will be wheelchair accessible.

    - Provide housing advice to 7,200 people and prevent homelessness in 450 cases through the Housing Rights Service.
    - Support people to live independently through the Supporting People Programme. The NI Housing Executive will provide £72.8 million of support to approximately 17,000 households.

- Land availability is frequently cited as a barrier to increasing the supply of housing. To help address this issue, surplus public land sites are being provided to housing associations for affordable housing. In addition, the Northern Ireland Civil Service is leading on a 'Public Land for Housing' (PLfH) project to produce a digital spatial catalogue of public sector land assets that have the potential to be suitable for re-use for housing. It is anticipated that this project will facilitate the release of 10 sites for housing by 2021.

- A Housing Market Symposium was established in early 2017 to take forward work to address the key data and evidence gaps in respect of housing supply and the housing market more generally in Northern Ireland. The final report on the Symposium's findings was presented to the Northern Ireland Administration in January 2018. The report details the Symposium's recommendations for seven research studies covering a range of issues including for example, establishing a comprehensive and consistent profile of Northern Ireland's housing stock and examining how the local housing market might respond to demographic changes such as the ageing population. Work is ongoing to progress each of the research recommendations.

- Over £100 million in Financial Transactions Capital (FTC) loan funding has been accessed to support the delivery of over 2,800 shared ownership homes across Northern Ireland over 4 financial years, ending in March 2019, through the Northern Ireland Co–Ownership Housing Association (NICHA). Work is underway to secure FTC funding for NICHA but further loan monies cannot be awarded until legislation to reverse the Office of National Statistics reclassification of NI housing associations is enacted.

- Approximately, £40 million in FTC/Get Britain Building monies has been secured to further widen access to homeownership and increase the volume of viable housing stock through three pilot initiatives (the Affordable Home Loans Fund, the Rent to Own scheme and the Empty Homes initiative). It is anticipated that collectively these schemes will deliver approximately 800 houses.

Scotland

3.25 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.

3.26 The Planning (Scotland) Bill was introduced to Parliament on 4 December 2017. The Bill is central to the package of measures intended to strengthen the planning system's contribution to inclusive growth and empowering communities. This includes proposals to strengthen the role of the National Planning Framework (NPF) and amend the development planning system so that it is better placed to support development delivery. Work on preparing the next NPF will start in 2019 following the Bill. The timescale and content will depend on the new arrangements for preparing NPF which are currently being debated as part of the Planning Bill.

3.27 The Scottish Government's target, over the current Parliamentary term, is to deliver at least 50,000 affordable homes, including 35,000 homes for social rent – a 75% increase on our previous social rent target. This ambitious plan has been backed up with investment of at least £3 billion – the single biggest investment in, and delivery of, affordable housing since devolution.

3.28 Over £756 million is available this year. £826 million will be available in 2019-20 – a £70 million increase on the equivalent figure for 2018-19. 83% of the Affordable Housing Supply Programme funding in 2019-20 (£685 million) is capital funding, primarily for social housing.

3.29 The Scottish Government has already given councils and housing associations the long-term certainty they need by allocating full resource planning assumptions to March 2021.

3.30 Scotland has a range of schemes providing support to private sector housing activity, including the £295 million Affordable New Build and Smaller Developers Help to Buy (Scotland) shared equity schemes, which offer support to homebuyers from 2016 19. These schemes offer equity support of up to 15% on more affordable new build homes, with a threshold price of £200k, targeting support to those most in need of assistance and adapting to improved market lending conditions.

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

3.32 The Scottish Government has introduced the £150m Building Scotland Fund (£70m in 2018/19 and £80m over the following two financial years). This Fund will offer loan or equity support, and is a precursor to the Scottish National Investment Bank. The cross-portfolio Fund is available to non-public sector organisations, to support the development of new housing across all tenures, develop modern industrial and commercial space, and support industry-led research and development.

3.33 The Scottish Government is also supporting alternative housing delivery models. £160,000 has been provided to develop case studies that demonstrate and promote the value of self and custom build housing as an alternative mainstream housing delivery model. The seven pilot projects have included exploring the potential for affordable rural self build, creating an online portal to support self-builders and researching the potential for custom build at scale.

Wales

3.34 The Welsh Government has set a target of 20,000 additional affordable homes in Wales, including 6,000 through the Help to Buy – Wales scheme during the term of this government (2016-2021). In the last 5-year administration (2011-2016), 11,508 additional affordable homes were delivered against a target of 10,000. The Welsh Government is allocating over £1.7 billion to support the achievement of the target and a substantial proportion of these homes will continue to be supported through the Social Housing Grant programme.

3.35 The Welsh Government is also providing a long-term revenue stream, the Housing Finance Grant (HFG) which is delivering 1,000 new affordable homes in its first phase.

3.36 Under the current administration, a second phase of HFG will deliver a further 1,500 affordable new homes. It is also anticipated that 1,000 of the 20,000 homes will be built utilising new innovative design models and a £20 million programme in the next two years has been established to support its delivery.

3.37 The Land for Housing Scheme, piloted in 2014-15 by the Welsh Government, provides loan funding to Registered Social Landlords (RSLs) to support housing delivery through securing land supply. The scheme helps to tackle the problem of limited supply of housing by increasing the funding options available to RSLs in respect of land sites for affordable and/or market housing development. In addition to supporting the development of new homes, the investment also provides jobs and training opportunities, boosts the local economy, and regenerates brownfield sites and neglected land. A total of £32 million has been made to date with a further £10 million being invested in 2017/18.

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

Skills and apprenticeships

Recommendation 3

Address skills and progression needs by setting outcome targets for the quality and the effectiveness of apprenticeships and by investing more in upskilling those already in the labour force.

Apprenticeships

3.39 The government is committed to ensuring that apprenticeships are high-quality. We are learning from the best international systems to make apprenticeships world-class; helping employers to create high quality apprenticeships that give them the skills they need.

3.40 Over 380 new standards are already approved, in all sectors of the economy. There have been 163,000 starts on apprenticeship standards reported in the 2017/18 academic year; more than 6 times higher than the 23,700 reported at the same point the previous year[1].

3.41 The Institute for Apprenticeships is working to accelerate the standards development progress whilst ensuring rigour and quality in the system. In February 2018, it published its Faster and Better programme to simplify aspects of the standards development process. In the final 6 months of 2017, 37 standards were approved for delivery; in the first six months of 2018, during which Faster and Better was introduced, there were 90 standards approved.

Quality measures in the last year

3.42 The government is committed to supporting smaller employers, and has awarded funding totalling more than £500 million to hundreds of providers across the country to deliver apprenticeship training for non-levy payers between January 2018 and April 2019.

3.43 In January 2018 the Government introduced a new legal requirement that schools must give providers the chance to talk to pupils about technical qualifications and apprenticeships, so young people hear about the alternatives to more academic routes.

3.44 In September, the ESFA launched a new digital service that allows employers to feedback on aspects of their training provider. In November 2018, the Government launched a separate feedback service for apprentices to provide feedback on their apprenticeship standards – the first iteration of this invites apprentices currently on digital standards, where they have opted into being contacted for survey and research purposes, to feedback on the experience via text message.

3.45 The Government will work with apprentices, employers and training providers and end-point assessment organisation and the Institute to develop a suite of surveys, via text message, to meet a variety of needs, allowing apprentices to share their views at different points of their apprenticeship experience. These two tools will give us early warning of trends in the quality of training providers.

3.46 In October 2018, a further £3.5 million was announced for the Institute for Apprenticeships to introduce new standards and updating existing ones so that more courses can be offered – meaning more choice for those considering their training options.

---

1 https://www.gov.uk/government/statistics/apprenticeship-and-levy-statistics-november-2018

3.47 All training providers must be in the Register of Apprenticeship Training Providers, meeting a clear set of stretching quality criteria. On 12 December 2018, we opened the Register and announced changes to the Register of Apprenticeship Training Providers (RoATP) [2] this will provide additional assurance to employers that training providers they choose have the capacity and capability to deliver good quality apprenticeship training, and are ready to start delivery, supporting an increase in the quality of training for apprentices.

Measuring outcomes

3.48 There is no headline quality measure which can robustly, and holistically, demonstrate the overall quality of apprenticeships. The government wants to avoid placing significant weight on any particular measure which can lead to perverse behavioural consequences. Instead, the Government consider a package of metrics to monitor the quality of the programme. To date, the main quality measures used for the quality assurance of apprenticeships include:

- Ofsted judgements
- Qualification achievement rates
- Outcome Based Success Measures (positive destinations and earnings data)
- Employer and Learning Satisfaction Survey response rates

3.49 We can also see the uptake of the reforms and the impact this is having on the quality of apprenticeships. In the 2017/18 academic year there were 163,700 starts on apprenticeship standards (43.6 per cent of total starts). This compares to 24,600 starts in the 2016/17 academic year when apprenticeship standards represented 5% of starts.

3.50 The uptake of standards has increased apprenticeship duration. The average expected duration of an apprenticeship increased from 406 days in 2011/12 to 581 days in 2017/18. Between 2016/17 and 2017/18, the apprenticeship expected duration increased 13.7 per cent from 511 days to 581 days. The average expected off-the-job training hours have increased from 560 to 700[3].

Funding

3.51 By 2020, the annual funding available for investment in apprenticeships in England will be over £2.5 billion. In cash terms, this is double what was spent in 2010-11.

3.52 The government is committed to supporting smaller employers, and has made available funding totalling more than £500 million to hundreds of providers across the country to deliver apprenticeship training for employers

---

2 https://www.gov.uk/guidance/register-of-apprenticeship-training-providers

3 https://www.gov.uk/government/statistics/apprenticeship-and-levy-statistics-november-2018

who do not pay the levy between January 2018 and April 2019. This includes more than £70 million growth funding.

3.53 At Budget 2018, we announced that we would halve the co-investment rate – the rate at which non-levy-paying employers contribute to the cost of apprenticeship training and assessment – from 10% to 5%.

3.54 We have introduced Transfers, to make the system as effective as possible. The transfer cap will rise from 10 per cent to 25 per cent from April 2019.

Upcoming work on quality of apprenticeships

3.55 The Quality Alliance is further developing the Quality Statement, setting out a strategy to demonstrate what a high-quality apprenticeship looks like which stakeholders can sign-up to. We anticipate that this will be in place in early 2019 and will include measures of success against the statements.

3.56 Frameworks will be withdrawn on 31 July 2020. After this, all apprenticeship starts will be on standards.

3.57 As part of the changes to the Register of Apprenticeship Training Providers, the ESFA is considering the introduction of provider earnings limits, and in the coming months will be seeking views from the sector on these. The limits will ensure control, not just for quality reasons but the potential size and expansion of providers

3.58 There will be ongoing work on a 'kitemark' for employers delivering high-quality apprenticeships. Using existing quality measures and working with stakeholders, criteria will be developed and, if met, employers will be able to highlight the kitemark, encouraging good practice amongst employers.

Upskilling

The National Retraining Scheme

3.59 The National Retraining Scheme (NRS) is an ambitious programme to drive adult retraining. It will support people to redirect their careers, to secure the higher-paid, higher-skilled jobs of the future and respond to the changes in the economy. It is being driven by a key partnership between the CBI, TUC and Government. This partnership provides guidance on how the Scheme will operate and oversees its strategic development and implementation.

3.60 In the 2018 Autumn Budget, the government announced £100 million of new Government funding to start the initial roll out of the NRS. This initial funding is for the continued testing and development of the Scheme, with initial launch to a controlled public in-take later this year.

3.61 The development of the Scheme is being informed by a range of Career Learning Pilots and user research. These are giving an insight into the real barriers some adults face when considering retraining and how best to overcome these, as well as the needs of employers.

Career Learning Pilots

3.62 The Flexible Learning Fund was launched on 31 October 2017. Through this fund, the Government have made £11.4 million available to support 31 projects across England, which will design and test flexible and accessible ways of delivering learning to working adults with low or intermediate skills.

3.63 A second set of pilots was launched in November 2017. These pilots are running in Leeds, Devon and Somerset, Lincolnshire, Stoke-on-Trent and Staffordshire and the West Midlands. Working with local colleges and training providers, the National Careers Service and a wide range of employers, the pilots are testing the best ways to reach working adults and incentivise them to train.

Construction Skills Fund and EdTech

3.64 The Construction Skills Fund, which was launched in June 2018 and will support and incentivise employer-led approaches to construction training over the next two years, focused on housing.

3.65 We will invest in EdTech and AI enabled learning for adults. We will work closely with industry, focussing on how the latest technology can be applied to improve learning and training outcomes for individuals likely to form part of the NRS target group.

3.66 What we learn will help us effectively target the National Retraining Scheme as it rolls out. These pilots will provide crucial evidence about what works, and what does not, in engaging adults about the opportunities and benefits of training, feeding directly into the development of the National Retraining Scheme.

Digital Skills Entitlement

3.67 Research suggests that those without basic digital skills are less likely to progress in their careers. It has been predicted that within 20 years, 90% of all jobs will require some element of digital skills. The Government's Digital Strategy commits to closing the digital skills gap for 1.2m digitally under-skilled people. It will ensure that adults who lack core digital skills can access specified basic digital skills training free of charge, where it is made available by providers as part of the publicly-funded adult education offer. This will mirror the approach taken for adult literacy and numeracy training.

3.68 The strategy will introduce improved basic digital skills qualifications at two levels:

- 'Beginner' designed for adults with little or no prior experience of using digital devices or the internet.
- 'Essential' designed for adults with some experience of using digital devices and the internet but lacking the full range of basic digital skills needed for life and work.

3.69 These will be delivered through the introduction of a national entitlement to basic digital skills courses from 2020, similar to the existing legal entitlements for English and maths.

3.70 A consultation on the initiative was launched in October 2018 and closed in January 2019[4]. Standards will be finalised later this year, with rollout scheduled for 2020.

Low wage pilot

3.71 For the 2018/19 academic year, the Department for Education is supporting those in work on low incomes to access Adult Education through the introduction of a new one-year pilot which allows providers to fully fund eligible learners on low incomes, where they previously would have had to contribute approximately 50% to the cost of their learning. This flexibility aims to lift a barrier to learning for those individuals that otherwise would not have engaged, helping them to develop new skills and in turn boosting their labour market prospects and productivity.

3.72 The pilot is targeted at adult learners aged 19 and above that have been motivated to move out of unemployment and into low paid employment and are wanting to further progress in work and in their chosen career. Adult Learners must be in receipt of a low wage which is less than £15,736.50 annual gross salary. The pilot gives eligible learners the opportunity to access education and training provision up to and including EQF Level 3.

3.73 The government is reviewing whether this will be extended to cover the 2019/20 academic year.

Devolved administrations

Northern Ireland

Skills

3.74 A key part of the implementation of the Northern Ireland Administration's Apprenticeships and Youth Training Strategies is placing local employers at the heart of curriculum development to ensure that apprenticeships and traineeships meet the skills needs of their industry.

3.75 To this end, Sectoral Partnerships (SPs) are being established across a number of economic sectors which will bring employers, qualification experts and policy advisors together with the aim of a comprehensive review of apprenticeship and traineeship qualifications from Level 2 to Level 8, including underpinning standards and assessment methods. Ten SPs have been established to date with a further seven currently planned over the next two years.

3.76 The Northern Ireland Administration is currently implementing major reforms of Northern Ireland's professional and technical education and training. The reformed system of Apprenticeships, from Level 3 through to Level 8, and youth training, in the form of Traineeships at Level 2, will encourage progression and build on the existing model of the Apprenticeships Northern Ireland Programme to that of a more employer-led system.

4 https://www.gov.uk/government/consultations/improving-adult-basic-digital-skills

3.77 Details of the reforms are set out in *Securing our Success*[5], the Northern Ireland Apprenticeship Strategy published in June 2014, and *Generating our Success*, Strategy[6] for Youth Training published in June 2015. Both of these strategies are strongly evidence based, informed by consultation and are widely endorsed.

3.78 The Northern Ireland Administration has introduced Higher Level Apprenticeships at Levels 4 and 5 from September 2017. Higher Level Apprenticeships at Level 6 and 7 have become mainstream from September 2018. The phased implementation plan is on schedule to deliver the reformed vision for Apprenticeships and Youth Training by 2021.

3.79 The Work Experience Programme, introduced in August 2015 and planned to run until at least 2020, offers high quality work experience placement opportunities to job-ready unemployed customers. From 1 April 2017– 30 September 2018, 127 young people participated in the Work Experience Programme. Of these, 52 (41%) found employment within 13 weeks of completing their placement.

3.80 The Northern Ireland Executive, in partnership with the Irish Government, has secured EU PEACE IV (2014-20) funding to deliver Peace4Youth - a programme that will closely align in Northern Ireland with the vision and objectives of "Together: Building a United Community" United Youth. The programme will target 7,400 14–24 olds (6,000 in Northern Ireland) who are disadvantaged, excluded or marginalised; have deep social and emotional needs; and are at risk of becoming involved in anti-social behaviour, violence or paramilitary activity. The objective is to enhance the capacity of children and young people to form positive and effective relationships with others of a different background and make a positive contribution to building a cohesive society. A total of 11 lead delivery organisations, along with a Quality & Impact Body to support the projects, have been appointed, and implementation commenced in late 2017. The independent evaluation of Phase 1 (October 2018) was highly positive with the majority of indicators under the main outcome areas (good relations, personal development and citizenship) showing clear progression for young people. Almost 80% of the young people surveyed indicated they were going to progress to education, training, employment or voluntary/community engagement, and almost 90% had gained a qualification in at least one area. Phase 1 of the Programme is due to conclude by early 2019, and Phase 2 will run sequentially until December 2021.

3.81 A key priority for the Northern Ireland Administration is the implementation of the Count, Read: Succeed Strategy[7] to ensure that children and young people in Northern Ireland have the knowledge, skills and attitudes to

---

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

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

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

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.

3.82 The implementation of the careers strategy Preparing for Success 2015-2020[8] articulates the vision that all young people and adults are supported to develop the skills and knowledge needed to realise their potential, enabling them to contribute to their community and to support economic and social prosperity.

3.83 Careers advisers provide impartial advice and guidance on progression routes and labour market information, particularly regarding growth employment sectors.

3.84 Launched in 2016, the Connect To Success online work experience portal enables school pupils in Northern Ireland to search from a range of work experience opportunities made available by local employers across different occupational areas. Preparing for Success recognises the role of meaningful work experience in enabling pupils to observe and learn about different occupational areas and their related daily tasks, while also developing enhanced employability skills. Apprenticeship opportunities are also advertised through the Portal.

Scotland

Enterprise and Skills Strategic Board

3.85 Following the conclusion of the Enterprise and Skills Review in 2017, the Scottish government has established an Enterprise and Skills Strategic Board. The Board will align and co-ordinate the activities of Scotland's enterprise and skills agencies, in order to maximise the impact of the collective investment that Scotland makes in enterprise and skills development, and to create the conditions that are conducive to delivering inclusive and sustainable growth.

3.86 The Board's membership reflects a wealth of business and public experience, encompassing a broad range of sectors, sizes and locations. In October 2018, the Board published its full strategic plan, outlining a series of actions for Scotland's enterprise and skills agencies aimed at driving productivity and inclusive growth.

Developing the Young Workforce – Scotland's Youth Employment Strategy

3.87 Developing the Young Workforce (DYW) is Scotland's youth employment strategy. Through DYW, we aim to reduce youth unemployment levels by 40% by 2021.

3.88 The strategy aims to create an enhanced curriculum offer for young people in schools, colleges and to increase opportunities for employment. It does this by bringing together schools, colleges, training providers and employers to promote the pathways young people need to participate in current and

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

future work opportunities. This includes creating new work-based learning options; enabling young people to learn in a range of settings in their senior phase of school; embedding employer engagement in education; offering careers advice at an earlier point in school; and introducing new standards for career education and work placements.

3.89 The DYW Programme's headline target, to reduce youth unemployment in Scotland, excluding those in full-time education, by 40% by 2021, continues to be met, having originally been achieved in May 2017.

Apprenticeships

3.90 The Scottish Government has substantially increased the number of new apprenticeships in Scotland from around 10,500 in 2008 to 28,000 in 2018-19 and remain on track to achieve 30,000 new apprenticeship starts by 2020.

3.91 To date, over the course of this administration, the Scottish Government has funded training for over a quarter of a million Modern Apprentices (250,033 from April 2007 – March 2018).]

3.92 27,145 Modern Apprenticeship starts were delivered in 2017/18, exceeding the target of 27,000 starts. Additionally, a further 278 people undertook Graduate Apprenticeships.

3.93 As well as growing the Modern Apprenticeship programme, the Scottish Government is committed to enhancing and widening our apprenticeship offering, ensuring that more people than ever before can benefit from work-based learning. The expansion of Foundation and Graduate Apprenticeships is key to delivering this vision, as is the additional support we're offering to rural areas, and to key sectors.

3.94 Our commitment to equality of opportunity in apprenticeships is set out in Skills Development Scotland's (SDS) Apprenticeship Equalities Action Plan (EAP), which was published in December 2015. This publication makes clear the interventions we will make to increase the numbers of underrepresented groups in apprenticeships and to tackle gender segregation where it exists. SDS published its EAP Year 2 update in August 2018.

Wales

Employability plan

3.95 'Skills and employability' is one of five priority areas identified in the Welsh Government's national strategy – Prosperity for All. In response to this, in March 2018, the government published a cross-Government employability plan[9] that set out a vision for making Wales a full-employment, high-tech, high-wage economy. The plan presented an ambitious strategy to create a highly trained and inclusive workforce, one that can respond effectively to national and regional skills needs, and adapt well to the future of work.

3.96 At the centre of this ambition, the government committed to helping everyone achieve their full potential through meaningful employment,

---

9 https://beta.gov.wales/employability-plan

regardless of their ability, background, gender or ethnicity. The plan also made it clear to employers that they have a responsibility to nurture, train and sustain their employees to ensure that the future of the Welsh workforce is a stable and forceful one. Aligned closely with the economic action plan, the government has ensured that, together, we are driving inclusive growth and improving productivity, and that we start to prepare to future proof our economy against those future challenges.

3.97 The Plan sets out a cross-government approach on employability which outlines actions under four key themes:

- *Providing an individualised approach to employability support*: rather than offering a wide range of specific programmes, we will instead provide bespoke solutions to those in greatest need of employability support, and tailored support of varying intensity to all people looking for work.
- *Underlining the responsibility of employers to up-skill their workers, support their staff and provide fair work*: we will encourage employers to play their part in promoting healthy and inclusive workplaces and prioritising skills development so those in employment can thrive in work.
- *Responding to current and projected skills gaps*: we will use the levers at our disposal to match supply and demand for today's local, regional and national labour market.
- *Preparing for a radical shift in the world of work*: mindful of the rapid developments in automation, artificial intelligence and digitalisation, we are developing an education and training system that will prepare our nation for the challenges and opportunities of tomorrow.

3.98 The Employability Plan outlines proposals to reduce complexity and create a more efficient and easily accessible support system. In response to this, in 2019 the Welsh Government will replace its current suite of employability skills programmes (ReAct, Jobs Growth Wales, the Employability Skills Programme, Access and Traineeships) with a new, single employability programme. This will consist of three strands:

- The Adult Strand.
- The Youth Engagement Strand, aimed at those furthest from the labour market.
- The Youth Training Strand, aimed at those closer to the labour market.

3.99 The government is also working with Careers Wales to provide a new, impartial employability advice and guidance service. This will deliver a national entry point to employability support, simplify access, tailor advice and interventions to meet the needs of individuals, and join up available support to help people reduce and overcome barriers to getting into work.

3.100 Welsh Government Skills Policy is aimed at aligning apprenticeships to the needs of the Welsh economy so that the skills system is responsive to industry changes that enable Wales to compete globally through having workers equipped with high level technical and professional skills. The Welsh Government's strategy is to invest in training which will provide economic and social returns; investing in growth sectors and occupations to address skill shortages and gaps that hold back productivity and growth. The Welsh Government is working with employers to expand and strengthen routes in STEM, the digital industries, information technology, construction and financial services.

3.101 In February 2017, the Welsh Government published its Apprenticeships Skills Policy, Aligning the Apprenticeship model with the needs of the Welsh economy, which responds to these challenges. Not only is the Welsh Government committed to delivering a minimum of 100,000 quality all age apprenticeships over the current Assembly term, but will prioritise investment in:

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

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

Chapter 4
Performance and transparency

Introduction

Planning and 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. After the 2015 Spending Review, the government launched a new planning and performance framework, with each department producing a Single Departmental Plan (SDP). Summaries of the plans are published annually and performance data is updated as new information becomes available.

4.2 Each Department works up their plan with the support of HM Treasury, the Cabinet Office, the Government Functions and the Prime Minister's Office. The plans provide a comprehensive, forward-looking picture of each department's objectives, priorities and public commitments. Plans are aligned with the outcomes of the Spending Review 2015 and subsequent budget decisions.

4.3 Departmental plans are also supported by 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.

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

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

4.6 In November 2017, the government welcomed a report led by Sir Michael Barber in to improving the public value delivered by the UK public sector. HM Treasury have been piloting the recommendations of the report (particularly the Public Value Framework) and are developing plans to integrate the Framework into existing planning processes (such as SDPs) and across the public sector more widely.

4.7 The Spending Review will confirm the government's priorities for the years ahead, ensuring the provision of high quality public services while bringing down debt. In conducting this review, the government will build on experience and lessons learnt from previous Spending Reviews. It will aim to ensure that policy issues are considered across departmental boundaries, and that performance and outcomes achieved for the money invested in public services are tracked systematically.

Europe 2020 Strategy

4.8 Europe 2020 is the European Union's growth strategy for 2010 to 2020 for a smart, sustainable and inclusive economy. Objectives have been set in the 5 following areas: employment, education, social inclusion, innovation and climate/energy. The strategy is to be underpinned by concrete actions at EU and national levels.

4.9 The government continues to support the aims of the Europe 2020 Strategy, of encouraging a return to strong and sustainable economic and employment growth across the EU. However, the government's position remains to not set a significant number of top-down targets as a performance management tool.

4.10 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: [1]

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

4.11 For each EU level target, it sets out:

- The EU level target, the relationship to the Treaties, and the Integrated Guidelines.
- The government's objective.

---

[1] 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

- The actions the government and the devolved administrations are taking towards meeting the objective.

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

Devolved administrations

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

Northern Ireland

4.14 The focus of the Northern Ireland administration's work is on: "improving wellbeing for all - by tackling disadvantage and driving economic growth". At the heart of the approach are stated outcomes of population wellbeing, with progress towards achieving the outcomes being measured primarily through a series of population level indicators. The framework of outcomes provided the basis for an Outcomes Delivery Plan published in June 2018 setting out the actions being taken forward by NI Departments in pursuance of societal wellbeing.

Scotland

4.15 Progress towards the ambitions set out in Scotland's Economic Strategy is measured through the new National Performance Framework (NPF). The NPF sets out a collective purpose for Scotland, a values statement and 11 interconnected National Outcomes for creating a more successful country through increased wellbeing and sustainable and inclusive economic growth. It includes 81 national indicators which underpin the outcomes and track progress in achieving these outcomes over time. The Framework's Outcomes are aligned with the UN's Sustainable Development Goals, and meaningful action under the NPF will allow Scotland to play its part in achieving these Global Goals by 2030. The National Outcomes include:

- Having a globally competitive, entrepreneurial, inclusive, and sustainable economy.
- That we are open, connected and make a positive contribution internationally.
- That we have thriving and innovative businesses, with quality jobs and fair work for everyone.

Wales

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

Employment

June 2010 European Council conclusions:

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

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

Government objective

4.17 The overall role of the UK government in the labour market is to encourage flexibility, efficiency and fairness. In order to meet its objectives, the UK government continues with active policies to improve the functioning of the labour market, reduce unemployment and in-work poverty, alongside action to create a competitive and stable business environment.

4.18 The latest national data shows that the government has now achieved its previous employment targets with an employment rate at a record 76.1% (for age group 16-64 for Nov 2018 - Jan 2019). However, the government is committed to not only helping people into work, but ensuring that there are opportunities for progression for those in low-wage jobs. Through the introduction of Universal Credit, the government intends that people will be further encouraged to remain in work and progress to higher paid positions.

Policy context

4.19 The UK labour market is flexible and dynamic, with almost 13 million moves in and out of employment, unemployment and inactivity each year. There were over 6.92 million job starts in the last year, and over 3.4 million job exits. Even in recessions most of these movements into and out of work are for reasons other than redundancy.

4.20 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.

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

- Activation strategies aim to maximise labour supply by drawing people closer to the labour market as a condition of benefit. This may involve work-availability and work-search requirements, backed up by sanctions for non-compliance.

- The Public Employment Service (JobCentre Plus) offers job-matching with employers and a personalised tailored regime for claimants.

- Interventions to raise employment levels among specific groups, including from November 2017 a new Work and Health Programme offering support on a voluntary basis to groups facing barriers to work, and on a mandatory basis for people unemployed long term (over 2 years).

- Passive use of the design of working age benefits to avoid distorting the labour market.

4.22 The UK economy has grown 16.7% since Q1 2010 and is now 10.6% higher than its pre-crisis peak. For the period November 2018 - January 2019, unemployment was at 1.3 million, down 112,000 on the year. Inactivity fell 0.5 percentage points on the year to 20.7% - a record low.

4.23 The latest national data show the UK is now above its pre-recession employment rate at a record high of 76.1% (for age group 16-64 for November 2018 – January 2019). Employment has increased by over 3.6 million since February-April 2010, to over 32.7 million – a new record - and by 473,000 between the 3 months to January 2018 and the 3 months to January 2019 alone.

4.24 The female employment rate (71.8% for age group 16-64) is at a record high, while the female employment level is at a record high of 15.4 million – up over 1.7 million since 2010.

4.25 Eurostat data (as of March 2019) for the UK in Q3 2018 show an employment rate of 74.7% for age group 15-64. This is 5.7 percentage points above the EU-28 average, and the 7th highest employment rate in the EU.

Actions to achieve objectives

Routes to Work Pilot

The “Routes to Work” pilot is being delivered across the Tees Valley Combined Authority. It is testing a new multi-agency approach to working with customers who have significant or multiple barriers to work and are aged over 30. It is bringing together existing services with innovative holistic support to move people through their journey towards and into work. It also provides “in-work support” for both the individual and the employer over the first 12 months of employment.

Universal Credit and progression

4.26 Universal Credit, the new benefit to support those who are on a low income or out of work, is being implemented as planned. Roll-out across Great Britain was achieved by the end of 2018. Universal Credit strengthens the effectiveness of the government's labour market policies. It removes the distinctions between benefit types, in and out of work benefits, and the worst dis-incentives to progression of the former system, so that work clearly pays.

4.27 Universal Credit is intended to help people into work, and then to help them remain in work and progress and earn more. Work continues on developing an evidence base to inform this. The large scale randomised control trial launched in 2015 was completed in 2018, with the final evaluation report available on 12 September 2018[2]. Additional funding of £8 million has been allocated to run further tests and trials from 2018/19, both inside and outside Government. These trials are presently being designed, building on existing evidence and stakeholder engagement.

Focus on specific groups

4.28 Better labour market outcomes for people in groups that have historically faced barriers to having a job have been part of the overall success in employment growth. The Government is keen to build on this to ensure that all those who want to participate in the labour market are able to do so.

4.29 We want to build on this offer to continue to improve our employment record to develop approaches that will lead to greater equality in the work force and help people attain their potential – such as for women, older workers, those with disabilities or health conditions, those from black and minority ethnic groups, and young people.

Youth obligation programme

4.30 The government is committed to providing targeted support for young people so that everyone, no matter what their start in life, are given the very best chance of getting into work. Youth unemployment is declining - 4.4% of young people aged 16-24 are unemployed and not in full time education. This is down from a peak of 10% following the recession, and of almost 12% in 1993. The youth employment rate is 55% - up by 4.2% percentage points since 2010.

4.31 In April 2017, the Youth Obligation Support Programme was introduced for 18-21 year olds making a new claim to Universal Credit. It became available across Great Britain in all sites by December 2018 in line with the roll-out schedule for the Universal Credit full service.

4.32 The support starts with the Intensive Activity Programme, which encourages young people to think more broadly about their skills and job goals, helps them identify any training they need, and supports them to improve their job search, job application and interview skills. Young people also receive intensive work-focused coaching and referral to additional support tailored to their individual needs, drawn from a wide menu of locally available provisions.

4.33 We anticipate that many young people receiving this intensive support will move into work or an Apprenticeship quickly. Those who are still

[2] https://www.gov.uk/government/publications/universal-credit-in-work-progression-randomised-controlled-trial

unemployed after 6 months are encouraged to take up work-related training (sector-based work academy or traineeship (or equivalent)). If this is not suitable or they do not take this up, they are offered a 3-month work experience placement.

Skills

4.34 The government is also committed to increasing the quality of apprenticeships and delivering three million new starts in England by 2020. This includes a public target to increase the proportion of apprenticeships for people from Black, Asian and Minority Ethnic (BAME) backgrounds by 20%; and has set a measure of success for a 20% increase in starts by people with a disability (including a learning disability) over the same timescale.

4.35 4.36 The UK's apprenticeship reforms have put control back into the hands of employers so they will gain the skilled workforce they need to compete globally. The content of apprenticeship training is set out in apprenticeship standards, which are designed by employers.

Work and Health Programme

4.36 The Work and Health Programme (WHP) is a contracted employment support programme that operates in England and Wales. The Programme brings together the expertise of private, public and voluntary sector organisations to provide targeted support for eligible people. This is in addition to the support available through existing "Jobcentre Plus" employment services.

4.37 A person with a disability, as defined in the Equality Act 2010, can be considered for referral to the WHP on a voluntary basis. Early Access is also available to the following disadvantaged groups:

- Ex-offenders (someone who has completed a custodial sentence or a community sentence), or offender (someone who is serving a community sentence).
- A carer.
- An ex-carer.
- A homeless person.
- An ex-HM Armed Forces personnel participant.
- An HM Armed Forces reservist participant.
- A partner of current or former Armed Forces personnel.
- A person for whom a drug/alcohol dependency (including a history of) presents a significant barrier to employment.
- A care leaver.
- Refugees.
- Young people in gangs.

- Victims of domestic violence.

4.38 In addition, the Long Term Unemployed (LTU) may be referred to the Programme on a mandatory basis when they reach the following points in their benefit claim:

- JSA Participants at 24 months including linking periods.
- UC Participants who start in the Intensive Work Search Regime (IWSR) and are in the IWSR when they reach 24 months discounting change of circumstances within the 24-month period.
- Participants migrated to Universal Credit Full Service (UCFS) from legacy benefits will be considered when their time on legacy benefits including linking rules and their time in the IWSR totals 24 months.

4.39 To ensure that places are assigned fairly a process of random allocation is used for this Programme. WHP is delivered through 5-year contracts with providers, and in partnership with local authorities.

Disability employment

4.40 On 30 November 2017, the UK Government published the 'Improving Lives: The Future of Work, Health and Disability' command paper. The paper outlined the government's manifesto commitment to see one million more disabled people in work over the next 10 years and the strategy of joining up action across three key settings: welfare system, workplace and health sector.

4.41 Good progress has been made in recent years. Between Q4 2013 and Q4 2018, the number of working age disabled people in employment in the UK increased by almost 930,000 to nearly 3.9 million. Over the same time the disability employment rate increased by 7.4 percentage points to 51.5%, while the disability employment gap was 30.2 percentage points.

4.42 The government is committed to ensuring we have a welfare system that offers disabled people and people with health conditions personalised and tailored employment support adapted to their needs, and which links them to healthcare and other services for support.

4.43 The government aims to work in partnership with employers to help them draw fully on the talents of disabled people and the rich business opportunities of creating healthy and inclusive workplaces where all can thrive and progress.

Devolved administrations

Northern Ireland

4.44 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. Formal programme statistics, based on paid outcomes, are published by independent statisticians on a quarterly basis. The most recent statistical bulletin was published on 29 November 2018. At the end of September

2018, a total of 52,856 people had started the programme. Of those who started the programme between October 2014 and September 2017, 30% (13,704) have moved into employment. Of those who started the programme between October 2014 and March 2017, 19% have sustained work for 6 months (which equates to 66% of those who moved into work). Of those who started the programme between October 2014 and September 2016, 15% have sustained employment for 12 months (which equates to 50% of those who moved into work).

4.45 In addition, the Social Investment Fund[3] (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 March 2020, 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 £20.7 million to employment / training projects. Six of the employment projects have now completed with very positive employment outcomes for those engaged.

Scotland

Employment

4.46 Building on the Economic Strategy, Scotland's Labour Market Strategy 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.

4.47 It sets out a vision for a strong labour market that drives inclusive, sustainable economic growth characterised by growing, competitive businesses, high employment, a skilled population capable of meeting the needs of employers, and where fair work is central to improving the lives of individuals and their families.

4.48 The Scotland Act 2016 devolved employment support powers to Scotland, which are now being delivered from April 2018 through Fair Start Scotland (FSS). FSS is a voluntary service focused on people who are further removed from the labour market, and has core values of treating people with fairness, dignity and respect.

4.49 FSS is an important first step towards the Scottish Government's vision of joined-up, flexible and responsive employability support in Scotland. Delivering devolved employability services on an ongoing basis is now a cornerstone of employability support in Scotland.

Women's employment

4.50 The Scottish Government is working with the Equality and Human Rights Commission to tackle pregnancy and maternity discrimination. We have

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

delivered on our commitment for a Returner's Programme to assist women to re-enter the workforce following a career break. We approved seven projects to date with a total value above £235,000.

4.51 These projects helped to address the under-representation of women in the science, technology, engineering, mathematics (STEM), finance, security and manufacturing sectors; increase business start-up rates for women and the number of women in senior positions and also encourage men into childcare which will help to change the perception of caring as a 'women's role'. A separate project run by the government has specifically supported black and minority ethnic women back into the workplace.

Box 4.B: Scotland stakeholder focus: 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

The Scottish Business Pledge has grown steadily since its launch in 2015 and currently over 580 companies have made their commitment across a range of sectors.

Wales

4.52 In 2014, the Welsh Government published its Policy Statement on Skills which identified the key challenges for Wales in delivering a highly skilled and productive workforce for the future. The challenges identified in that statement remain the driving force behind Welsh Government employment and skills policy. The commitments made as part of Taking Wales Forward – the Welsh Government's Programme for Government (2016 – 2021) were expanded upon in the Government's national strategy 'Prosperity for All' and have placed the emphasis on a series of overarching aims to deliver more and better jobs, through a stronger, fairer economy, improving and reforming public services, and building a united, connected and sustainable Wales.

4.53 Underpinning the national strategy is the Economic Action Plan, published in December 2017, which contains actions that will work to grow the economy and reduce inequality. This is supplemented by the Employability Plan published in March 2018. This Plan sets ten-year targets in relation to economic inactivity and unemployment rates and skills levels. It outlines an inclusive and individualised approach to supporting people into employment, particularly those further from the labour market and facing multiple barriers to accessing work. The Plan also calls on employers to do more to upskill and develop their workforce, in recognition that the aging population and radically changing world of work will require a culture of lifelong learning and adaptability to new roles.

4.54 The Welsh Government is also developing employability programmes which are accessible to all and will undertake an equalities review of its core provision to ensure that their operations are inclusive and sensitive to the needs of people with protected characteristics. The Welsh Government will closely examine the impact of its actions on women, disabled people and Black, Asian and Minority Ethnic (BAME) people.

4.55 The Welsh Government operates a regionally based demand led system to inform Skills delivery and are working with internal and external stakeholders to ensure better alignment of policies and activities. This is overlaid with intelligence from three Regional Skills Partnerships who provide a 3-year Employment and Skills Plan for the region, updated on an annual basis with new LMI and specific recommendations for delivery. The Regional Skills Partnerships engage with local employers, training providers (schools, further education, higher education and work based learning) and other regional stakeholders, to articulate the specific skills needs of the region based on company activities and strategic projects including large infrastructure projects. This intelligence is used to influence change in commissioning of training and skills development so that the people of the region are better equipped to meet the local job opportunities.

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

Education

June 2010 European Council conclusions

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

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

Government objective

4.57 Our vision is to provide world-class education, training and care for everyone, whatever their background. We aim to make sure that everyone has the chance to reach their potential, and live a more fulfilled life. We will also create a more productive economy, so that our country is fit for the future.

4.58 The latest data available shows that the rate of early school leaving declined by 2.8% between 2012 and 2017, from 13.4 % to 10.6%, which is similar to the EU average. The tertiary attainment rate reached 48.3 % in 2017, a small increase on the 2016 rate of 48.2%. This is significantly above the EU average of 39.9%.

4.59 Education and skills are a devolved competence, with each of the administrations making their own policy decisions. The following sections focus on the government's policies in England. Information on the approach taken by Northern Ireland, Scotland and Wales is included later in this chapter.

Policy context

4.60 The following principles are cross-cutting and shape strategy development through to delivery:

- Ensuring our academic standards match and keep pace with key comparator nations.
- Striving to bring our technical education standards in line with leading international systems.
- Ensuring that education builds character, resilience and well-being.

Actions to achieve objective

Apprenticeships

4.61 Employers are designing new high-quality apprenticeship standards, to ensure apprenticeships are more responsive to the needs of business.

4.62 The Apprenticeship Levy is opening up more money for apprenticeships and making sure that large firms invest in the next generation of workers' training and skills. By 2020, spend on apprenticeships will be twice what it was in 2010. Nearly half of apprenticeship starts are levy supported. Since the levy was introduced there have been 423,800 starts, of which 207,200 have been levy supported starts[4].

Delivering T Levels

4.63 T Levels are new courses from September 2020 which will follow GCSEs and be equivalent to completing three A levels. They combine classroom theory, practical learning and a substantial industry placement.

4.64 By simplifying the post-16 landscape and putting employers at the heart of our reforms to technical education, we expect T Levels will be as recognisable and prestigious as A levels. An additional £500m per year will be available to deliver T Levels once they are up and running.

4.65 T Levels have been developed in collaboration with employers and businesses to provide the technical skills and knowledge needed to open the door to skilled employment, further study or apprenticeship. All T Levels will include an industry placement so that students can apply their learning in a real workplace environment.

4.66 The first three T Levels in Digital, Construction and Education & Childcare start in September 2020. They will be offered at selected colleges and schools across England with an increasing number of schools and colleges offering them from 2021 onwards. By September 2023, students will be able to take one of 25 T Levels grouped into 11 subject areas.

4.67 T Levels will involve around 80% of time spent in the classroom, with the remaining 20% spent on placement. Apprenticeships, by contrast, typically have around 80% on-the-job and 20% in the classroom and are more suited to those who feel ready to enter the workforce at age 16.

4.68 The second T Level Action Plan[5] has been published setting out the T Levels that will be available from September 2021 and progress on all areas of T Level development and implementation.

Teacher recruitment and retention strategy

4.69 Recruiting and retaining good teachers is a key focus. The Department for Education has developed a teacher recruitment and retention strategy[6] which includes increasing the support available to newly qualified teachers and extending their induction period. Building on extensive evidence, the strategy was developed collaboratively with teachers, headteachers, representative bodies, teachers' unions, and initial teacher training providers.

4.70 In summer 2018 a fully funded teacher pay rise was announced, worth £187m in 2018-19 and £321m in 2019-20, which will be paid to all schools on top of their core budgets.

---

4 https://www.gov.uk/government/statistics/further-education-and-skills-november-2018

5 https://www.gov.uk/government/publications/t-level-action-plan

6 https://www.gov.uk/government/publications/teacher-recruitment-and-retention-strategy?utm_source=fb715ba4-f4ed-4e48-9c4e-37a9f1b13db7&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

4.71 Classroom teachers in their twenties earn around £2,000 per year more than the average graduate in the same age bracket and the average salary for all teachers is £38,700. Experienced teachers earn more than the OECD average for teachers with 15 years' experience, and more than most teachers in Europe.

4.72 98.7% of all teachers have a degree or higher, which has risen by 4 percentage points since 2010. Nearly one in five new teacher trainees had a first-class degree in 2018, up from 10% in 2011.

4.73 The government is aware of, and is committed to address teachers' excessive workload. In 2018, we announced an additional £7.7m to support teachers to access high quality curriculum resources and reduce their workload. We will also promote more flexible working in schools and explore how we can use new technology to free up teachers' time.

4.74 The Workload Reduction Toolkit[7] was published in July 2018. The government will continue to work extensively with unions, teachers and Ofsted to challenge and remove unhelpful practices that create unnecessary workload.

4.75 The number of teachers remains high, with more than 450,000 in schools across the country – over 10,000 more than in 2010. The overall vacancy rate continues to be low, at only 0.3% of all teachers.

Post-18 choice and access to Higher Education

4.76 The government is investing £15million in a Strategic College Improvement fund and creating new National Leaders of Further Education (FE) to spread best practice across the sector and make sure our strongest colleges can support weaker ones.

4.77 We are making sure FE teachers have genuine industry expertise through a new programme, Taking Teaching Further, to bring in industry experts. We are building a new network of National Colleges and elite new Institutes of Technology to provide specialist provision in key sectors like digital, nuclear and oil and gas.

4.78 In 2018 there were record high rates (33.7%) of 18-year olds entering Higher Education (HE) [8]– the highest rate of 18-year olds in England accepted onto a full-time university course on record.

4.79 Widening access and participation in HE is a priority. In 2017, 18-year olds from disadvantaged backgrounds were proportionally 50% more likely to enter full-time HE than in 2009.

4.80 The government is encouraging innovative modes of study by removing market barriers to new and more flexible forms of provision, alongside targeted new loan products, in order to meet the diverse needs of students who want to learn at different points in their lives. The threshold at which

---

7 https://www.gov.uk/government/collections/workload-reduction-toolkit

8 https://www.ucas.com/file/196141/download?token=7YGpHk71

students start paying back their student loan has been raised from £21,000 to £25,000 – saving graduates up to £360 this year.

Devolved administrations

Northern Ireland

4.81 The Northern Ireland Administration has six Corporate Goals in relation to Education which include improving the wellbeing of children and young people, raising standards for all, closing the performance gap, and increasing access and equality. Its key policy for raising standards is "Every School a Good School," [9] a policy for school improvement which aims to ensure that every young person fulfils his or her full potential at each stage of their development. The policy aims to ensure that every school through self-evaluation and targeted support, encompasses the characteristics of a successful school, namely one that is effectively led and child-centred, provides high quality teaching and learning and is connected to its local community.

4.82 A key priority for the Northern Ireland Administration is to address educational underachievement linked to poverty. Work is at an early stage to explore what more can be done to ensure that all children and young people, regardless of background, can reach their full potential.

4.83 To help give all children the best start in life, the Northern Ireland Administration invests in a range of universal and targeted early intervention programmes including the universal Pre-school Education Programme and the Early Intervention Transformation Programme [10] - Getting Ready to Learn[11], and the targeted Sure Start Programme[12], Pathway Fund[13] and Toybox[14] project. Core and capital funding is also provided to support the early years sector.

Childcare

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

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

10 https://www.health-ni.gov.uk/articles/early-intervention-transformation-programme

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

12 http://www.nidirect.gov.uk/sure-start-services

13 http://www.early-years.org/pathway-fund/

14 http://www.early-years.org/toybox/

15 https://www.education-ni.gov.uk/articles/childcare-strategy

Box 4.C: Northern Ireland stakeholder focus: Miss School = Miss Out Strategy

DE's improving Pupil Attendance Strategy "Miss School = Miss Out", launched in 2016, is an overarching framework designed to maximise the attendance of pupils at school. In consultation with a number of schools facing significant challenges linked to poverty / socio-economic disadvantage, the Department (together with Queens University Belfast) developed a good practice case studies document. "The Challenge of Improving Pupil Attendance at School" outlined how schools can improve their pupil attendance levels. Ten schools provided details of the range of interventions that they introduced and what lessons they have learnt from these initiatives. Our hope is that these will be useful to other schools facing similar challenges.

Scotland

4.85 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.

School attendance – promoting engagement

4.86 The Scottish Government works with local authorities, schools, pupils and parents to highlight the potential risks of disrupting learning by absence from school.

4.87 The Scottish Government published guidance on attendance for local authorities and schools "Included, Engaged and Involved Part 1: Attendance in Scottish Schools" in 2007 which provides guidance on how to promote engagement and motivation, including among those who may be at risk of poor attendance.

4.88 The guidance is currently being reviewed and updated to take account of new policies that have been introduced since it was first published. In Scotland, the attendance rate in publicly funded schools has remained relatively stable since 2010/11, increasing from 93.1 to 93.7% in 2014/15 then decreasing slightly to 93.3% in 2016/17.

Scottish Attainment Challenge

4.89 The Scottish Government's Scottish Attainment Challenge, which aims to achieve equity in educational outcomes with particular focus on closing the poverty-related attainment gap, continues in 2019/20. It is backed by the £750 million Attainment Scotland Fund (ASF) over the course of the current parliament, prioritising improvements in literacy, numeracy and health and well-being for pupils impacted by socio economic disadvantage.

4.90 As part of this, in 2019/20, every local authority area in Scotland will for a third year benefit from £120 million of Pupil Equity Funding which will be allocated directly to over 96% of schools based on estimated free school meal registrations.

4.91 In addition, over £60 million from the ASF will be assigned to Scottish Attainment Challenge programmes to provide targeted support to specific Scottish Attainment Challenge authorities and schools in areas with high levels of deprivation, to care experienced children and young people, and to fund a number of national programmes including support for staffing supply and capacity, professional learning and school leadership.

Education Maintenance Allowance

4.92 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.

4.93 In January 2016, the programme was expanded to include part-time non advanced college courses and the income thresholds were increased. 31,675 school pupils and college students received EMA payments in Scotland in the academic year 2016-17.

4.94 The total amount spent on EMA payments in 2016-17 was £24.6 million. Of this, £17.3 million (70.1%) was paid out to school pupils, and the remaining £7.4 million (29.9%) paid out to young people attending college.

Supporting students and widening access

4.95 The Scottish Government is committed to developing a highly skilled and educated workforce, and is taking steps to ensure that people from all backgrounds have the support to reach their full potential.

- In Further Education, full time students are currently able to receive a means tested non-repayable bursary of up to £98.79 per week. The 2018 19 student support budget is at a record high of over £111 million in college bursaries, childcare and discretionary funds.

- The Scottish Government is committed to providing student support. The current higher education funding package includes an 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, which all students are eligible for. Part time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition fee costs.

- Eligible students taking ‘taught’ postgraduate diploma and masters courses in Scotland can apply for a tuition fee loan of up to £5,500, in addition to a living cost loan of up to £4,500. Over the academic year 2017 18, £882.7 million of student support, covering tuition fees, grants, bursaries and authorised loans, was allocated through the Student Awards Agency Scotland (SAAS) to 147,920 full time higher education students.

- Ensuring that access to higher education remains free for eligible Scottish domiciled students, over £1 billion has been invested in Scotland’s higher education sector in 2018 19. In addition, the latest Scottish Governments Draft Budget proposes this level of investment in universities continues in 2019/20.

Supporting older learners

4.96 The Scottish Government is taking action to support older learners:

- The Scottish Funding Council's Outcome Agreements ask colleges to remove barriers and support full participation and successful outcomes for all groups of learners in their local community.
- Older learners are well represented amongst all college students. For those aged 25 and older, the number of funded full-time enrolments at college has increased by 41.9% (to 19,175 in 2016/17) since 2006 07.
- Older learners in further education are benefitting from record levels of support. The 2018/19 budget of over £111 million in college bursaries, childcare and discretionary funds is a real-terms increase of 33% since 2006/07.

Wales

4.97 In order to address the NEET (not in education, employment or training) figures in Wales, the Welsh Government published the Youth Engagement and Progression Framework (YEPF) and an implementation plan for its delivery. The Framework seeks to bring together all of the elements of effective NEET reduction in one place. The Framework, for 11-25 year olds, provides a systematic mechanism for local authorities to identify those in need of support, to establish the support available, and to track the progress of young people as they make the transition from education into further education or employment. The Framework requires an integrated approach from all organisations involved in delivering activity for young people, focussing on the needs of the individual.

4.98 The Framework is having a real impact. The statistical first release shows that as at 2017, 9.5% (9,800) of 16-18 year olds were NEET compared with 10.5% (11,200) at the end of 2016. For 19-24 year olds as at 2017, 16.2% (40,100) were NEET compared with 18.5% (46,000) at the end of 2016.

4.99 The numbers of young people NEET have reduced every year since the YEPF was introduced. As at 2012 - before the introduction of the YEPF -12,500 16-18 year olds were NEET compared with the latest figure of 9,800, and there were 59,900 19-24 year olds NEET in 2012 compared with the latest figure of 40,100.

4.100 Provisional figures from the Welsh Government revealed that 23,225 learning programmes were started by apprentices in Wales (at levels 2 to 4 and above) in 2015/16, compared with 19,505 in 2014/15, 27,485 in 2013/14, 28,030 in 2012/13 and 17,910 in 2011/12.

Social exclusion and poverty reduction

June 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

4.101 Tackling child poverty and disadvantage continues to be is a priority for the government. There is clear evidence that work offers the best opportunity for families to move out of poverty and towards financial independence. Adults in workless families are around 4 times more likely to be in poverty than those in working families. Children in workless households are around 5 times more likely to be in poverty after housing costs than those where all adults work. This is why the UK Government is undertaking the most ambitious reform to the welfare system in decades – so that it supports people to find and to stay in work.

4.102 The UK Government is committed to action that delivers better outcomes for poor and disadvantaged children in the longer term and 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. Children living in a household where no one works are almost twice as likely as children in working families to fail to reach the expected attainment level at all stages of their education.

4.103 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

4.104 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. There are now over 3.5 million more people in work, around 964,000 fewer workless households, and around 637,000 fewer children living in such households compared with 2010. Income inequality is lower now than it was in 2010. Since 2009/10, annual incomes of the poorest fifth have increased by £400 above inflation (before housing costs), whereas the incomes of the richest fifth have fallen by £800.

4.105 Against this background, the thrust of policy is to pursue further improvement through better opportunities throughout people's lives. Universal Credit is at the heart of this. It is designed to promote full-time work and employment for partners where possible, through smoother incentives to increase hours. Policy responses include free childcare for disadvantaged families, support for pupils via the Pupil Premium and a new National Living Wage.

4.106 The latest Eurostat figures for the UK show that between 2015 and 2016 there was a fall of around 600,000 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 23.5 per cent to 22.2 per cent. Eurostat figures also show that 18.5 per cent of children were in households at risk of poverty, an increase of 1.4 percentage points since 2015. 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

4.107 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.

4.108 The government supports one-parent families in getting out of poverty through work. There are now over 1.2 million lone parents in work and this Government has introduced a number of changes to help lone parents address the challenges they face. People on Universal Credit who earn above £542 a month are exempt from the benefit cap, and lone parents need to work just 16 hours a week to be eligible for Working Tax Credits and be exempt from the benefit cap.

Troubled Families

4.109 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'.

4.110 The government has committed a further £920 million to the current Troubled Families Programme (2015-2020) in order to improve joint working across a wider set of services and improve outcomes and reduce dependency on services in a larger group of families. As of March 2019, the programme had funded support for nearly 400,000 eligible families. Over 170,000 families had achieved significant and sustained progress across all their problems and in more than 20,000 of these families, one or more adults had moved off benefits and into work. The programme's latest evaluation results are encouraging and show that, compared to a matched comparison group, the programme has: reduced the proportion of children on the programme going into care by a third; reduced the proportion of adults on the programme going to prison by a quarter; and reduced juvenile convictions by 15%. The evaluation also found that the programme has been successful in driving service transformation and partnership working.

Youth Engagement Fund

4.111 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

4.112 During the period of the last Executive (2016/17) preliminary work was carried out on the preparation of a strategy to tackle poverty, social exclusion and patterns of deprivation. This strategy is subject to Executive approval as laid down in Section 28E of the Northern Ireland Act (1998).

4.113 The Northern Ireland's Executive Child Poverty Strategy[16] was published on 25 March 2016. The Strategy aims to reduce the number of children in poverty and to reduce the impact of poverty on children. Annual Reports[17] on the Child Poverty Strategy setting out the measures taken across departments have been published. A review of the Child Poverty Strategy for 2016-19 has been completed. This review will help inform a revised Child Poverty Strategy for 2019-21. The 2019-21 Strategy is subject to Executive approval.

Neighbourhood Renewal

4.114 People and Place: a Strategy for Neighbourhood Renewal[18] targets those communities throughout Northern Ireland suffering the highest levels of deprivation. It aims to reduce the social and economic inequalities which characterise the most deprived urban areas. It does so by making a long-term commitment to communities to work in partnership with them to identify and prioritise needs and coordinate interventions design to address the underlying causes of poverty.

4.115 The Strategy currently has a revenue budget of £18.06m and annual capital budget of around £3.5m. It currently supports some 320 projects targeting around 16% of the Northern Ireland population.

Social Supermarkets

4.116 The Northern Ireland Administration is running a Social Supermarket Pilot Programme in response to the Welfare Reform Mitigations Report which includes the requirement to tackle food poverty in Northern Ireland by "improving access to affordable food through a network of community shops and Social stores/Supermarkets".

4.117 A Social Supermarket provides clients with access to food whilst requiring them to take up a wraparound of services. It is hoped that rather than an emergency short term response, a Social Supermarket model can provide people with a pathway out of poverty by recognising that food is only one factor and access to and uptake of a wraparound service to address advice needs, training and skills may provide a holistic approach to a transition out of poverty.

4.118 Core to the Social Supermarket model is access criteria to ensure it works with those most in need, support for a time limited period to prevent dependency, and that a financial transaction in the form of a small membership fee is paid to access.

4.119 Action to Date:

- The programme launched in October 2017 and five pilot sites are in operation across Northern Ireland.

---

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

17 https://www.communities-ni.gov.uk/publications/child-poverty-annual-report-201516,https://www.communities-ni.gov.uk/publications/child-poverty-annual-report-201617

18 https://www.communities-ni.gov.uk/topics/urban-regeneration/neighbourhood-renewal

- All members of the Social Supermarkets complete entry and exit questionnaires to track the impact of their involvement with the project. Evaluation of this data up to September 2018, has shown positive impacts on individual's financial position, healthy eating and self-efficacy.
- The reach of the programme has included 419 social supermarket members with estimated reach of 1000 individuals based on average household size of 2.4. In excess of 37 tonnes of surplus food has been redistributed which would have otherwise gone to waste.

4.120 Whilst early indications are positive, insufficient exit data has been gathered at this stage to provide conclusive evidence of the model's effectiveness. The pilot programme has approval to run up to September 2019.

Welfare reform mitigations

4.121 The NI Executive has funded mitigation schemes for families with children that experience a financial loss as a result of welfare reform. The mitigation payments are available for the period May 2016 to March 2020.

4.122 An Independent Working Group was commissioned to make recommendations on the Welfare Reform Mitigations. As recommended by the Group, the Northern Ireland Administration provides mitigation payments to families with children who are affected by the Benefit Cap (introduced in NI on 31 May 2016). These payments are generally equivalent to the initial capped amount and will be payable until March 2020 provided the household continues to be affected by the Benefit Cap (the amount of the payments can change if there is a relevant change of circumstances.) At September 2018 a total of £7.09 million has been paid to eligible families. Annual reports can be viewed online. [19]

Make the Call Wraparound Service

4.123 The Northern Ireland Administration is constantly developing and evolving the service provided to customers. That means providing a person-centred approach to place the needs of the customer at the centre of interventions, and taking a whole Government approach. The 'Make the Call' Wraparound Service provides free and confidential benefit entitlement checks as well as advice on other government supports and services. Community Outreach officers also conduct home visits for vulnerable people providing face to face assistance and support.

4.124 As a result of this work, in 2017/18 7,765 people benefited from additional benefits of £37.1 million. The Make the Call Wraparound Service is working towards a 'once and done' approach with customers, and includes, where appropriate, the online application completion by 'Make the Call' Advisors of claims to benefits such as Personal Independence Payment (Part 1) and Carers Allowance, negating the need for further referral. In addition, the 'Make the Call' Wraparound Service is developing strategic partnership

[19] https://www.communities-ni.gov.uk/publications/welfare-supplementary-payments-discretionary-support-standards-advice-assistance-and-sanctions

arrangements across government, and with Statutory Agencies and the Advice and Community Sectors.

4.125 The Social Investment Fund (SIF) is an £80 million Executive Fund which aims to make life better for people living in targeted areas by reducing poverty, unemployment and physical deterioration. Running until March 2020, funding is being spent on community based initiatives designed to bring the maximum benefit to local people in deprived communities. All Social Investment funding has now been committed to 68 projects across Northern Ireland. Over half of the projects are now operational delivering outcomes that will improve social inclusion.

Scotland

4.126 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.

4.127 Tackling poverty and inequality is central to what the Scottish Government is seeking to achieve. In October 2016, the Scottish Government published the Fairer Scotland Action Plan (FSAP), which sets 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.

4.128 In December 2018 the Scottish government published its second update on the FSAP, highlighting considerable progress made. This update also recognises a continued commitment to the original ambition: to build a better country - one with low levels of poverty and inequality, genuine equality of opportunity, stronger life chances and support for all those who need it.

4.129 Key achievements to date include:

- Becoming the only part of the UK to introduce a Socio-Economic Duty which asks key public bodies to consider carefully the impacts on tackling poverty and reducing inequality whenever they are taking major, strategic decisions.

- Providing £13 million from the Aspiring Communities Fund to 140 community-led projects to tackle poverty and promote social inclusion at localities across Scotland.

- Launching a new Financial Health Check service, backed by £3.3 million over 2018-20. This service will help low income individuals maximize their income by ensuring that they are not paying the poverty premium and that they are receiving all the benefits, grants and exemptions to which they are entitled.

- Providing a baby box to every new-born in Scotland since August 2017.

- Establishing a £50 million Tackling Child Poverty Fund to get innovative work off the ground to help low income families via local and national activity.
- Increasing Carer's Allowance from £62.70 per week to the same level as Job Seeker's Allowance (£73.10) and making a commitment to increase the levels for those caring for more than one disabled child.
- In March 2018, the Scottish Government published 'Every Child, Every Chance: The Tackling Child Poverty Delivery Plan 2018 22'. This is the first of three delivery plans which will be published by the Scottish Government in order to meet the ambitious targets set out in the Child Poverty (Scotland) Act 2017. The Plan sets out a range of actions aimed at meeting the targets by increasing family incomes and reducing household costs.

4.130 Key commitments include:

- Investing an additional £12 million for intensive parental employment support; helping parents to enter and progress in work.
- Almost doubling publicly-funded early learning and childcare by 2020 and delivering a draft strategic framework on After School and holiday childcare, for public consultation in Summer 2019.
- Continuing our commitment to the real Living Wage by working to lift at least 25,000 more people onto this rate through our work to build a Living Wage nation.
- Working towards introducing a new income supplement for low income families.
- Investing £2 million to expand the Children's Neighbourhoods Scotland programme to improve a range of outcomes for children.
- Establishing a new £7.5 million innovation fund with the Hunter Foundation.

Social Security

4.131 The Scottish Government's Social Security (Scotland) Act 2018 was unanimously passed by the Scottish Parliament on 25 April 2018 and put in place the legislative framework to create a new social security system based on dignity, fairness and respect. This includes the safe and secure transition of 11 benefits and the establishment of a social security agency for Scotland - Social Security Scotland officially became an executive agency of the Scottish Government on 1 September 2018.

4.132 The first benefit to be delivered by Social Security Scotland was the Carer's Allowance Supplement. Carers tend to live in lower income households. The Scottish Government has increased Carer's Allowance by 13% for carers in Scotland through the Carer's Allowance Supplement. In 2018/19, this has provided over 75,000 carers with an extra £442, and will be increased annually in line with inflation.

Wales

4.133 The National Strategy, Prosperity for All, sets out the Welsh Government's programme to drive improvement in the Welsh economy and public services, delivering a Wales which is prosperous and secure, healthy and active, ambitious and learning, united and connected. The First Minister has made it clear that addressing poverty and inequality and creating an economy which delivers for families and children continues to be a priority. Tackling poverty is the shared responsibility of every Cabinet Secretary and every Minister.

4.134 The statutory framework for tackling child poverty in Wales is provided by the Children and Families (Wales) Measure 2010. The objectives of the Welsh Government's Child Poverty Strategy focus on reducing the number of children living in workless households, increasing the skills of parents and young people, reducing inequalities in education and health, reducing in-work poverty and action to increase household income. The Welsh government remains committed to the overarching ambition of eradicating child poverty by 2020.

4.135 The Strategy also identifies five priority areas where Welsh Government can do more to help improve the circumstances and outcomes of low income families in the "here and now". These priorities focus on addressing food poverty, improving access to affordable childcare, housing and regeneration, reducing in-work poverty and mitigating the impacts of welfare reform.

4.136 The Welsh Government has developed a range of different policies and programmes to improve outcomes for low income households. These include Flying Start, Families First, Supporting People and the Targeted Regeneration Investment programme. They are also taking action to mitigate the impact of poverty.

4.137 Since April 2013, the Discretionary Assisstance Fund (DAF) has supported more than 207,000 awards to the most vulnerable people in Wales, with almost £44 million in grants. Over 300,000 households per annum have been supported through maintaining full entitlements to council tax reduction which is supported with £244 million of Welsh Government funding per annum. In addition, in 2018-2019 the Welsh Government maintained the £5.97 million provided to advice agencies to provide free and independent generalist and specialist advice to people on their financial entitlements, debt, housing-related issues and discrimination.

4.138 The Welsh Government is also developing an area-based approach to tackling poverty in the South Wales valleys. The Ministerial Taskforce for the Valleys is overseeing a new approach to investing in the future of the valleys. The taskforce is working with people living in the valleys, businesses, local government, the third sector and civic organisations to maximise opportunities for inward investment and economic growth. A key role of the taskforce is to improve mainstream services, in particular health, education and housing and provide a focus for community engagement to promote the valleys as a good place to live, work and invest.

4.139 The Welsh Government also has the opportunity to use the Well-being of Future Generations Act to support a national, all-Wales approach to tackling poverty and reducing inequalities. Under the Act, a set of 46 National

Indicators for Wales will measure national progress towards achieving the seven well-being goals.

Research and development (R&D) and innovation

June 2010 European Council conclusions

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

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

Government objective

4.140 The Industrial Strategy sets out the UK government's approach to developing a modern industrial strategy with science, research and innovation at its core. The aim of the Industrial Strategy is to create an economy that boosts productivity and earning power throughout the UK. It has five key foundations: ideas, people, infrastructure, business environment and places. It has also set out four Grand Challenges to put the UK at the forefront of the industries of the future and address global challenges: putting the UK at the forefront of the artificial intelligence and data revolution; maximising the advantages for UK industry from the global shift to clean growth; becoming a world leader in shaping the future of mobility; and harnessing the power of innovation to help meet the needs of an ageing society.

4.141 The ideas foundation sets out the government's overarching objective of making the UK the world's most innovative economy. Central to this is the commitment to raise total R&D investment to 2.4% of GDP by 2027 and to reach 3% of GDP in the longer term.

Policy context

4.142 The Industrial Strategy sets out a number of challenges that the government will seek to tackle and a series of policies to address them. The key challenges highlighted under the ideas foundation are:

- The government and the private sector are not investing enough in research and development (R&D).
- The UK could do more to turn our fresh ideas into commercial products and services and capture the maximum value from them.
- The need to build research and innovation excellence across the UK to enable places to capitalise on local strengths and foster local innovation ecosystems that can support sustained growth.
- The need to ensure the UK remains a world-leader in science and innovation and global collaborations as we leave the European Union and look ahead to the future.

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

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

- The UK is rated as one of the most innovative countries in the world – an 'innovation leader' in the 2018 European Innovation Scoreboard and 21% above the EU average performance. [20]
- While the UK represented just 0.9% of global population, 2.7% of R&D spending and 4.1% of researchers, in 2014 it accounted for 9.9% of downloads, 10.7% of citations, and 15.2% of the world's most highly cited articles. [21]

4.145 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 (now all under UKRI) rests with the UK government, the Devolved Administrations also have important responsibilities for the funding of research, particularly in universities.

Actions to achieve objectives

Initial steps to meet 2.4% R&D target

4.146 The government is committed in our modern Industrial Strategy to reaching 2.4% of GDP investment in research and development by 2027, and 3% in the longer term, because increasing R&D investment is critical to ensuring that the UK remains at the forefront of new products and new markets.

4.147 In successive Budgets in 2016 and 2017, the Government set out increases in spending on R&D totalling £7bn through to 2021-22. This is the largest increase in 40 years. The Budget 2018 allocated £1.6bn of that funding – boosting transformative technologies like quantum computing and fusion, backing UK scientists and industries at the frontier of innovation, and promoting improvements to people's lives across the UK. The Government is working with key partners in academia and industry to develop a roadmap that sets out how government and industry will work together to achieve the 2.4% ambition.

Establishing UK Research and Innovation

4.148 UK Research and Innovation (UKRI) was established in response to the recommendations of the Nurse Review and began operations on 1 April 2018.

---

[20] https://ec.europa.eu/growth/content/european-innovation-scoreboard-2018-europe-must-deepen-its-innovation-edge_en

[21] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/651174/uk-research-base-international-comparison-2016.pdf

4.149 UKRI brings together the seven Research Councils, Innovate UK, and a new organisation for funding university research, Research England. UKRI will increase collaboration between research disciplines and improve the links between research and innovation. A key objective for UKRI is to invest every pound of taxpayers' money in a way that maximises impact for citizens, in the UK and across the world. UKRI will be an important mechanism in achieving the Government's ambition of reaching 2.4% of GDP investment in research and development by 2027.

4.150 UKRI will ensure better prioritisation of resources, especially for the best interdisciplinary and cross-cutting research, and long-term investment in UK research infrastructure and commercialisation. More than £6.8bn of funding for research and innovation will flow through UKRI in both 2018/19 and 2019/20. UKRI's impact will be focused on three elements: knowledge and understanding; economic impact; and social and cultural impact.

Industrial Strategy Challenge Fund

4.151 Through the Industrial Strategy Challenge Fund (ISCF), the government is investing in strategic innovation challenges that will create transformative opportunities for businesses and sectors across the UK. The ISCF brings together the UK's world-leading research base with highly-innovative businesses to develop the technologies and industries of the future. In doing so, the ISCF aims to help solve the major industrial and societal challenges of our time.

4.152 So far £1.7bn has been allocated to ISCF challenges over two waves of investment. These challenges have been developed to align with the four Grand Challenges set out in the Government's Industrial Strategy: Clean Growth, AI and Data, Ageing Society and The Future of Mobility. Examples of challenges from waves 1 and 2 include the Faraday Battery Challenge, Leading-Edge Healthcare, Prospering form the Energy Revolution, and Next Generation Services.

4.153 We have so far announced nine challenge areas which will be part of wave three of the ISCF:

- Manufacturing Made Smarter: (up to £121m) to support the transformation of manufacturing through digitally-enabled technologies.
- Driving the electric revolution: (up to £78m) to support innovation in electric motor technology, making vehicles lighter and more efficient than ever before.
- Quantum technologies: (up to £70m) to support the development and commercialisation of quantum technologies.
- Accelerating Detection of Disease: (up to £79m) to support early diagnosis by building a major cohort programme and detailed data set, from which machine learning and AI can generate more profound insights into disease mechanisms and interventions. This was part of the Life Sciences Sector Deal update.

- Future Flight: (up to £125m) to transform mobility through flight and unlock new aviation markets by demonstrating an innovative air transport solution. This was mentioned in the Aerospace Sector Deal and announced as part of the Industrial Strategy One Year on event.
- Smart Sustainable Plastic Packaging: (up to £60m) to develop a new generation of advanced and sustainable plastic packaging to reduce waste entering the environment. This was mentioned in the Bio-Economy strategy.
- Industrial Decarbonisation: (up to £170m) to develop and deploy low carbon technologies and enabling infrastructure in one or more clusters.
- Transforming Foundation Industries (up to £66m) to transform the UK's foundation industries (glass, steel, cement, ceramics, chemicals) to make them internationally competitive, securing more jobs and greater sector growth by 2025.
- Digital Security by Design Challenge (up to £70m) to radically update our insecure digital computing infrastructure by developing and applying hardware innovation. It will boost productivity and halve cybersecurity costs to businesses, underpinning markets for connected and autonomous vehicles, IoT and other digital services.

4.154 All financial figures provided under Wave 3 are subject to industry co-investment, and subject to business case approval by BEIS and HMT.

Research and Innovation Talent

4.155 The UK is a global leader in research and innovation, and this reputation is maintained through work by UKRI, the National Academies, and other partners. To achieve the goals of the Industrial Strategy, including the raising of total R&D investment to 2.4% of GDP, the UK will need a strong research base capable of pioneering new innovations that can attract investment, and the opportunity for the UK to become world-leading in the key industries of the future.

4.156 BEIS and DCMS announced in April 2018 a £1bn deal between government and industry that will put the UK at the forefront of the AI industry. It will provide training for 1,000 AI PhDs by 2025 and for 8,000 computer science teachers (meaning there will be enough teachers for every UK secondary school). In February 2019 the Government announced:

- The 16 new AI centres for Doctoral Training located across the country.
- Up to 200 new AI Masters places at UK universities funded by companies such as DeepMind, QuantumBlack, Cisco and BAE Systems.
- The first call for new Turing AI research Fellowships to attract and retain the best research talent from around the world.

4.157 In June 2018, £1.3bn investment in UK talent and skills was announced, to grow and attract the next generation of entrepreneurs, innovators and scientific leaders. This investment includes £900m to UKRI's flagship Future Leaders Fellowships, a £50m boost to towards UKRI's current programmes, and £350m towards prestigious National Academy fellowships.

4.158 The Rutherford Fund, launched in July 2017, aims to attract the brightest minds and highly- skilled researchers to the UK, signalling that the UK is open to the world. It is investing over £100m from 2017/18 to 2020/21, through funding fellowships for international researchers at UK universities. Our funding of the National Academies goes towards high-level research into Industrial Strategy aligned topics, fellowships that support all stages of research careers, and awards and fellowship schemes that promote diversity, inclusion, and outreach within research.

Clean growth

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

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

R&D and taxation

4.160 We are supporting more companies to carry out R&D through the UK's R&D Tax Credits scheme. The UK's R&D tax relief scheme is an effective and internationally competitive element of the government's support for innovation. The total number of companies claiming R&D tax reliefs rose to 39,000 in 2016-17, almost four times the number of companies claiming in 2010. Support for business through R&D tax reliefs has tripled since 2010. In 2016-17, R&D tax reliefs overall provided £3.5bn worth of relief.

4.161 At Budget 2017, the government announced an increase in the large companies' R&D Expenditure Credit rate from 11% to 12% with effect from 1 January 2018, making it even more competitive.

4.162 The government also introduced the Patent Box in April 2013, which applies an effective corporation tax rate of 10% to profits attributable to patents and equivalent forms of intellectual property. It is being phased in with the full benefit being available in 2017-18. In 2015-16, 1,160 companies claimed relief under the Patent Box with a total value of £754.3 million. The total value of the relief claimed increased year on year since 2013-14 as the benefit of the Patent Box was phased in. This has increased from 830 companies and £365.4 million in 2013-14 as the relief has been passed in.

4.163 The government encourages individuals to make early stage investments in growing innovative companies, which might otherwise struggle to access finance. The incentives, which include upfront income tax relief and capital gains tax reliefs are offered through the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT).

4.164 The government has significantly expanded the support that innovative knowledge-intensive companies can receive through the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). From 6 April 2018 the annual investment limit for EIS investors was doubled from £1 million to £2 million, provided that any amount above £1 million is invested in knowledge-intensive companies. The annual investment limit for knowledge-intensive companies was doubled from £5 million to £10 million.

Public procurement and R&D

4.165 The Small Business Research Initiative (SBRI) is a competition-based precommercial procurement programme managed by Innovate UK. The programme enables companies to compete for R&D contracts to develop new products and services for the public sector. SBRI has two main aims:

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

4.166 In January 2018 SBRI reached a significant milestone, having awarded over £0.5 billion in R&D contracts to businesses since it started in 2009. In 2017/18, £108m of SBRI contracts were awarded to businesses, up from £78m in 2016/17.

GovTech Catalyst Fund

4.167 In 2018, government launched a new GovTech Catalyst Fund worth £20m over three years (2018-2021) to support the uptake of digital technologies such as AI, blockchain, or Internet of Things in the public sector. The GovTech Catalyst Fund supports public sector bodies, including those in devolved administrations and at the local level, to run SBRI competitions which challenge the tech sector to develop digital solutions for complex public sector problems. Fifteen challenges have so far been chosen for support.

Catapults

4.168 The Government has established a network of Catapult Centres to commercialise new and emerging technologies in areas where there are large global market opportunities and a critical mass of UK capability to take advantage. Through the Catapult network, we are bridging the gap between business, academia, research and government on late-stage research and development to transform "high potential" ideas into new products and services to generate economic growth.

4.169 During 2018, we announced an investment of more than £1.1 billion over five years. This will allow the Catapult network to help thousands of businesses across the UK do cutting-edge R&D. Catapults also train hundreds of apprentices and doctoral students in technical skills in high-demand from industry. This funding builds on the success of the Catapult centres and recognises the significant impact they have had in transforming the UK's innovation infrastructure. Catapults are a crucial part of helping us meet our ambition to spend 2.4% of our GDP on research and development and make sure the UK is the world's most innovative economy.

Higher Education Innovation funding

4.170 The government is increasing funding that supports universities and businesses to work together to innovate and commercialise research. Key to this is the Higher Education Innovation Funding (HEIF) in England, which enables universities to engage with businesses and improve the commercial skills of their staff. HEIF has deepened universities' relationships with business. University patents, licence income and industrial collaboration are increasing and there is scope and demand from business to do more. The government has committed to increase HEIF from £160m per year in 2016-17 to reach a total of £250 million a year by 2020-21, as recommended in the Witty Review. The increased support is aligned with the needs of the Industrial Strategy. Building on HEIF mechanisms, the Connecting Capability Fund has invested £85 million over 2018-21 in projects supporting universities in England to collaborate together, to pool ideas, capability and resources, and share best practices in IP commercialisation and working with business. This additional funding results in consequential funding to the Devolved Administrations.

Knowledge Excellence Framework

4.171 Research England within UK Research and Innovation is developing a new Knowledge Exchange Framework and launched a consultation on detailed proposals in January. It will come into full effect by Spring 2020 and will assess how well universities are doing at fostering knowledge sharing and research commercialisation. It will sit alongside the Research Excellence Framework and the Teaching Excellence and Student Outcomes Framework, providing a holistic view of how universities are delivering their threefold mission of generating knowledge through research, transmitting knowledge through teaching, and translating knowledge into practical uses through knowledge exchange. The development of the Knowledge Exchange Framework is building on the work of the McMillan Review, and will capture the rich network of collaborations between university and businesses.

Science and Innovation Audits

4.172 Science and Innovation Audits (SIAs) were launched in November 2015 as a new way to explore and encourage links between research excellence innovation, and productivity. SIAs have identified and validated areas of potentially globally competitive advantage across the UK to provide evidence to help underpin future investment decisions, foster local collaboration and strengthen bids for local investment. To achieve this, the Government invited consortia of universities, research and innovation organisations, businesses and Local Enterprise Partnerships (LEPs) – and their equivalents in the Devolved Administrations - to undertake research culminating in 25 Science and Innovation Audits. SIAs are highly valuable, informing the Industrial Strategy by building our understanding of where the strengths in both science and innovation are situated throughout the UK and growing the networks that can capitalise on these opportunities.

Strength in Places Fund

4.173 Evidence shows innovation drives productivity and interventions work best where they support existing strengths and collaborations. Building on emerging evidence on the Science and Innovation Audits, the government launched a competitive £115m Strength in Places Fund (SIPF) in the Industrial Strategy White Paper to support areas across the UK to build on their science and innovation strengths. The fund is part of the National Productivity Investment Fund (NPIF) that contributes to the UK's target to reach 2.4% of GDP investment by 2027. The government announced further funding in Autumn 2018 increasing the SIPF budget to £237m up to 2021-22.

4.174 SIPF will fund collaborative proposals based on research and innovation excellence which demonstrate a strong impact on local growth and productivity and enhance collaboration between local universities, businesses, local government and Local Enterprise Partnerships in England and relevant agencies in the devolved administrations. A key requirement of this fund is that bids are well aligned with broader local economic plans and build on the R&D strengths of their respective geographies.

4.175 The SIPF is being delivered through UK Research and Innovation as a competitive fund for collaborative bids. UKRI launched a call for Expressions of Interest for the first wave in May 2018, this closed in the summer and UKRI has since undertaken an assessment of all the eligible bids. The government and UK Research and Innovation will evaluate the early stage of the programme in 2021 to consider how it is working.

International collaboration

4.176 We are committed to openness and global collaboration in our research and innovation. International cooperation on research and innovation are essential if we are to strengthen the foundations of our economy and deliver the Industrial Strategy's Grand Challenges, putting the UK at forefront of the industries of the future. We are also committed to strengthening international collaboration to tackling global challenges for the benefit of all.

4.177 As announced in the Industrial Strategy, we have been working in partnership with UKRI, with other government departments and our National Academies to develop a new International Research and Innovation Strategy. The Strategy will set out our commitment to ensuring the UK retains its position as a partner of choice for international research and innovation.

4.178 We have substantial research programmes. BEIS research and innovation ODA funds leverage the UK's world-leading research and innovation base to ensure that UK science takes a leading role in addressing global challenges faced by developing countries. The BEIS Research and Innovation ODA budget from 2016/17 to 2020/21 is approximately £2.2bn and is delivered through two key funds: the Global Challenges Research Fund (GCRF) and the Newton Fund.

4.179 In January we announced £200 million for 12 new interdisciplinary research hubs that will build new collaborations with researchers from around the world and ensure that the UK remains at the forefront of efforts to tackle global development challenges such preserving our oceans, averting flooding risk, ensuring gender equality, and protecting future cities.

4.180 UK Research and Innovation administer a new (non-ODA) fund – the Fund for International Collaboration - worth £110m. This complements our ODA programmes and further supports global research partnerships. On 22 January, the first awards totalling £79m were announced. They include:

- A project bringing together international climate and health researchers to ensure we are globally prepared to manage the health risks posed by climate change.
- A collaboration between UK and Indian scientists to tackle antimicrobial resistance in the environment, such as from pharmaceutical industrial sources.
- A programme developed with the Smithsonian Institution in the USA to explore how digital technology can open up the collections of leading museums to a global audience.

4.181 We have a range of strong bilateral science and innovation partnerships. For example:

- The Japanese PM visited the UK in January and agreed a significant programme of collaborative Science and technology worth £30 million focussed on treatments for some of the most debilitating degenerative diseases such as diabetes, heart disease and arthritis.
- During the Prime Minister's visit to Africa in August 2018, a significant new DfID-led programme was announced to extend Research Hubs in West and Southern Africa, to accelerate the growth of promising technologies and support start-ups to grow sustainably, including through early-stage investment, connecting them with private financing, and building connections with UK peers.
- In May 2018, the UK signed new landmark UK-Israel science and innovation agreements, focussing on improvements around Ageing and AI. We will work with partners in Israel to develop new technologies and opportunities in these areas to ensure we take advantage of these major global changes.

- The UK-India Tech Partnership announced by PMs Modi and May in April 2018 brings together UK's Industrial Strategy and India's initiatives, such as "Make in India", Digital India, Start-up India, and builds on 10 years of exponential growth in our research collaborations.
- In 2017, we signed significant science and innovation agreements with the US, Canada and China.

Devolved administrations

Northern Ireland

4.182 Northern Ireland continues to see steady growth in the investment of companies in innovation and R&D. Despite the growth not being as fast as other UK regions, the growth in commitment shown is encouraging. An additional 150 companies are now engaging in innovation and R&D and a further 700+ employees are specifically employed in R&D roles. The NI Administration continues to support progress in relation to innovation, however it is recognised that much more needs to be done to deliver the ambition of the draft NI Programme for Government and draft Industrial Strategy.

4.183 Critical to success will be a wider adoption of innovation across the manufacturing, construction and agri-food sectors, along with growth of the digital and emerging technologies sectors. In addition, more needs to be done for stakeholders to recognise the value of eco-systems and clusters to effect change in the greater adoption of innovation and R&D. There continue to be a range of measures in place to support this. A new Investors in the Innovation accreditation scheme is currently being rolled out and will afford real benefit to those companies which participate in it. At its core are the principles of collaboration and cultural change. The accreditation process will recognise and reward the level of company innovation activities, creating an internationally recognised achievement.

4.184 Public sector innovation continues to be a factor to the growth of innovation in NI. Utilising the Small Business Research Initiative and GovTech programmes are having a real impact on delivering innovative solutions to public policy issues and helping with a cultural change in the adoption of innovation in society. Some 20 projects have been funded across public service areas such as Education, Health, Infrastructure and Tourism.

4.185 Northern Ireland is benefitting from the creation of a Digital Catapult Regional Centre in Belfast. This Centre is focusing on supporting the growth and adoption of Immersive Technologies and Artificial Intelligence. With the focus on industrial applications of these emerging technologies, the regional centre is actively working with companies and innovators to identify opportunities and raise the commitment by industry to invest in innovative solutions to support productivity and competitiveness.

4.186 Materials Handling, Cyber Security, Creative Tech, Artificial Intelligence and Immersive Technologies are key sectors for innovation and R&D. Research is underway to assess the clustering potential and how Northern Ireland companies can capitalise more on collaborative initiatives, such as the national Grand Challenge initiative.

4.187 To move to a more open innovation system and increase productivity and growth, the Northern Ireland Administration has prioritised participation in collaborative R&D programmes such as Horizon 2020, and has set a target to draw down €145 million of Horizon 2020 funding by 2020. The most recent data, released in October 2018, shows that Northern Ireland has secured €75.9 million of Horizon 2020 funding and our success rate for applications is now over 14%. This does not include €23.3 million for a Horizon 2020-related project won by Queen's University Belfast for the development of new Cystic Fibrosis drugs.

Scotland

Encouraging entrepreneurship and building a supportive business environment

4.188 The Scottish Government has worked closely with Entrepreneurial Scotland and other partners in the public, private and third sectors to develop Scotland CAN DO. This sets out a collective vision to make Scotland a world leading entrepreneurial and innovative nation where sustainable growth and innovation go hand in hand with wider benefits to all of society.

4.189 An example of Scotland CAN DO in action is the Scottish EDGE Fund. Led by a partnership interests from across different sectors, this delivers investments of up to £150,000 to early stage businesses with growth potential. After thirteen rounds of awards, the latest of which were made on 6 December 2018 more than £13 million has been awarded to over 300 businesses which have, in turn, generated an additional £131 million in turnover while raising £108 million extra investment and creating over 1600 jobs.

4.190 The Scotland CAN DO approach, alongside the combined efforts of the entrepreneurial community, has helped Scotland develop the 5th most supportive business environment in the world, rising above other parts of the UK from 12th (2013) in the Global Entrepreneurial Development Index (GEDI). Since the launch of Scotland CAN DO in 2014, the proportion of people actively trying to start businesses has doubled. Our commitment to entrepreneurship has been reaffirmed in the Enterprise and Skills Review Strategic Board's Strategic Plan and the Economic Action Plan.

4.191 Business Gateway is an integral part of the Scottish Government's public business support offering. This is delivered through local authority partners and offers all businesses in Scotland, regardless of their stage of development, advice and services related to funding, planning, financial management, marketing, sales and growth.

4.192 More than 50,000 people a year receive support from Business Gateway to start, run or grow their businesses. In 2017/18, this helped more than 9,000 people to start their own businesses, while over 30,000 attended at least one free Business Gateway event or workshop.

4.193 Scotland's Enterprise Agencies focus on businesses with the potential to grow and those that are important to a sustainable and inclusive economy.

An account management approach helped around 2,500 of Scotland's ambitious and high growth companies to increase turnover, particularly in international markets, and increase employment. This supported turnover increase in 2015 16 of around £740 million, the creation of 3,500 jobs and the retention of 855 jobs.

4.194 Flowing from Phase 2 of the Enterprise and Skills Review (winter 2016 – summer 2017), the Enterprise and Business Support project focused on how we develop still deeper collaboration between delivery partners and take forward further opportunities to improve business support. It also looked to establish stronger mechanisms to facilitate on going review and continuous improvement.

4.195 In 2016, additional European Regional Development Fund (ERDF) Business Competitiveness funding of £24 million plus matched funding totalling £60 million was invested to enhance the existing provision to grow Scotland's small and medium sized enterprises (SMEs). This linked support for innovation and investment to build international capability, particularly in key sectors including food and drink, energy, technology and engineering. The process helped to identify and develop the next generation of growth businesses in Scotland.

Boosting innovation

4.196 The CAN DO Innovation Action Plan, published on 11 January 2017, focuses on the steps the Scottish Government can take now to improve Scotland's innovation. Key priorities of the Plan are set out below.

4.197 Directly encouraging more business innovation:

- Setting a goal in the 2017 Programme for Government to double Business Enterprise Research and Development (BERD) from £871m in 2015 to £1.75bn by 2025, and committing an additional £45m over the next three years to R&D grants for business to support this.
- Created the Open Innovation Portal to support Scottish companies to innovate and grow as businesses both at home and overseas by providing a platform for collaboration and innovation.
- Working collaboratively with Enterprise Agencies to raise awareness of benefits of innovation to businesses.
- Launched VentureFest Scotland - a yearlong festival of discovery, innovation and entrepreneurship.

4.198 Using public sector needs and spend to catalyse innovation:

- The £9m CAN DO Innovation Challenge Fund, launched in November 2017, uses private sector innovation to solve public sector challenges. It has funded 16 organisations to run 18 challenges to date and 100 SMEs have applied to the calls so far.
- CivTech - the world's first cross-public-sector tech accelerator – over the past 3 years has worked with over 20 public sector organisations and the companies they have supported have secured over £2m in contracts.

4.199 Supporting innovation across sectors and places:

- Supporting the development of Fintech Scotland, launched in January 2018.
- Developing and delivering the National Manufacturing Institute for Scotland.
- Supporting a health innovation pilot in the Highlands and Islands on personalising care, education and remote monitoring for people living in Scotland with IBD.
- Launched £16m Northern Innovation Hub to help SMEs in the Highland Council area improve their businesses through innovation focusing on Life Sciences, Tourism, Food and Drink and Creative Industries.
- A £56m Medicines Manufacturing Innovation Centre (MMIC) will revolutionise the way medicines are manufactured and will be collocated with NMIS.

4.200 Making best use of University research knowledge and talent to drive growth and equip Scotland's people with the tools and skills needed to innovate:

- Launched the £500k College Innovation Fund on 29 May 2018, and invested £5m in Interface to connect business and academia.
- Companies supported by Interface contribute an estimated £64.2 million (gross value added) to the economy each year and the programme has introduced almost 3000 businesses to academic partners.
- Continuing to support the network of eight Innovation Centres, including backing for the £1m Innovation Centres: Cancer Innovation Challenge.
- Provided the Data Lab with an additional £13.5m, helping to develop a strong data science community and accelerate Scotland's economic growth.
- Provided IBioIC with an additional £11m to drive forward Scotland's Industrial Biotechnology sector.
- Provided CENSIS with an additional £9.25m, helping to cement Scotland's place as a world leader in IoT and sensor technology.

Wales

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

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

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

4.203 The original Sêr Cymru programme ended in March 2019. Four world-class academics now hold Sêr Cymru Research Chairs (2 in Swansea University and 2 in Cardiff University) and have brought together many significant industrial and international research collaborations. All three National Research Networks (NRNs) - Life Sciences and Health; Advanced Engineering & Materials and Low Carbon, Energy & Environment - came to an end at the end of 2018.

4.204 Since inception (late 2013), collectively, the Sêr Cymru four Research Chairs and three National Research Networks have brought in just over £95 million (at end September 2017), of competitive research funding into Wales. The programme has also supported the appointments of up to 161 Post-doctoral researchers and 159 PhD/EngD students from across the globe to Wales to study. Their research outputs have demonstrated Welsh excellence on the international scientific stage.

4.205 Sêr Cymru 2, which was launched in 2015, is continuing to develop Wales's research capacity further in order to increase Wales' share of competitively won research income. Sêr Cymru 2 is funded through the Horizon 2020 Marie Sklodowska-Curie COFUND, the European Regional Development Funds through the Welsh Government, the Welsh Government, HEFCW and the Welsh HEI Sector. The cost of the overall programme is just under £56 million.

4.206 The Programme is aimed at recruiting 'Rising Stars' and appointing more Research Fellows. It also includes a strand aimed at re-capturing talent, for researchers who have taken a break from the research environment. Ser Cymru 2 also supports Research Chairs where a demand can be demonstrated.

4.207 To date Sêr Cymru 2 has just over 100 awards in place across a broad range of research areas in advanced materials and manufacturing, low carbon and environment, life sciences and health and ICT and the digital economy.

4.208 A number of prestigious awards have been made to Research Chairs across Wales in the fields of sustainable advanced materials, nuclear energy, low carbon energy, drug discovery, systems medicine and earth observation.

4.209 The £63 million European Regional Development Fund (ERDF) funded SMARTCymru operation is now operational. As Wales' R&D and innovation grant support scheme for business, SMARTCymru complements the SMART scheme run by Innovate UK. SMARTCymru is primarily aimed at SMEs already operating in Wales. A range of Innovation Vouchers and R&D funding support is offered to help businesses carry out research and development work that will lead to technologically innovative products or processes. To date, 405 projects have been approved, with a grant value of over £14m, and generating related Private Sector Investment of nearly £20million.

4.210 SMARTExpertise is Wales' programme for academic-business collaboration. The 6-year operation funds research organisations, including universities, to undertake industry-led collaborative R&D projects. Over the life of the programme, it will provide support for 120 projects having a total value of £51 million involving 320 collaborative partners (who are not restricted to Wales), providing £19.5 million of private sector investment. This will deliver 132 new to market or company products, processes or services. An important aim of the programme is to grow a demand driven RD&I environment and for projects to compete for subsequent funding from other sources such as Innovate UK or Horizon 2020. Currently, the programme has committed £6.1m of funds, generating Private Sector Investment of £6.2m. Total project costs are £12.3m with a total of 66 collaborative partners.

4.211 SMARTInnovation has replaced the previous Business Innovation service. This is a £18.4 million ERDF- funded, 8-year programme, aimed at increasing innovation awareness and capability of Welsh businesses and assisting them to access financial support to grow their investment in R&D and Innovation. The operation provides impartial innovation advice and diagnostics, advice on intellectual property, non-financial support for the acquisition and implementation of new technologies and support for commercialisation and licensing. In addition to non-financial support the programme helps companies to access a wide range of financial support including SMARTCymru, SMARTExpertise, Innovate UK and Horizon 2020.

4.212 The Innovation Advisory Council for Wales has undertaken a full programme of work, assisting and advising the Welsh Government on innovation matters. Notable achievements have been supporting Wales' participation in 2 European programmes, the Vanguard Initiative and the Manumix project, both helping to promote a collaborative approach to innovation among European regions. The Council commissioned an innovative project called "Arloesiadur: An Innovation Dashboard for Wales" which captures and measures innovation in real time, using novel mapping methodology to identify existing and emergent areas of smart specialisation.

4.213 A recent example of how Wales is utilising EU funds to support its Research & Innovation agenda is the development in Port Talbot of a new Advanced Engineering Materials Research Institute (AEMRI) which is supporting cutting-edge industrial research with partners in sectors including aerospace, automotive, electronics, and nuclear and renewable energy.

4.214 The Welsh Government's Small Business Research Initiative (SBRI) Innovation Accelerator continues to support the use of the SBRI pre-commercial procurement mechanism by problem owners in the public sector. Working in partnership with Innovate UK and in some instances with other UK government departments, Wales has run 15 challenges through its competitive call process awarding contracts exceeding £6.5m. The most recent fourth call for challenges is due to conclude in March 2019 with these new challenges expected to launch for business applications during spring/summer 2019. Previous public sector bodies participating include Welsh Government departments, Police, University Health Boards, local government and Natural Resources Wales.

4.215 Wales has played an active role in engaging with the UK GovTech Catalyst digital challenges since it was launched in November 2017, having secured 4 funding awards totalling £5m during 2018/19. The 4 successful Welsh challenges are: Monmouthshire County Council, combatting loneliness with solutions that enable communities to help each other in digitally and transport deprived rural areas; Blaenau Gwent County Borough Council and Durham County Council, transforming local council service delivery by analysing intelligently captured data; Mid and West Wales Fire Service, improving firefighters' operations and safety with digital technology, tracking firefighters in hostile and hazardous conditions; improving operational awareness and safety; and Torfaen County Borough Council, with predicting and sequencing adult social care to deliver a seamless service.

4.216 A recent example of Welsh engagement with the UK's Industrial Strategy Challenge Fund is the Welsh Government's package of support for the UK's new Active Building Centre (ABC) in Swansea. In September 2018, the UK Government announced that Swansea University had won £36M from UK Research & Innovation (UKRI) to establish an Active Building Centre. The ABC will accelerate the adoption of active and positive-energy buildings, helping to create a new industry in the process. The building itself will be a living lab, incorporating modular technology so it can be deployed faster.

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

4.217 In line with the EU Climate and Energy Package adopted in June 2009, the UK's Effort Sharing Decision (ESD) target is a reduction of 16% compared to 2005 Green House Gas (GHG) emissions levels by 2020. Projections submitted under the EU Monitoring Mechanism in 2017 show that the UK is on track to meet this 2020 target. To date formal compliance reporting has taken place for the first four years of the ESD (2013-16). The UK has reported ESD emissions more than 80 MtCO2e below the annual targets for this period.

4.218 The EU Renewable Energy Directive (RED) set a target for the UK to increase the share of final energy consumption from renewable sources across heat, electricity and transport to 15% by 2020. The UK is currently progressing in line with the trajectory set out in the Directive and has exceeded its third interim target: averaged over 2015 and 2016, renewables achieved 8.5% against an interim target of 7.5%.[22] In 2017, 10.2% of total energy consumption came from renewable sources; up from 9.2% in 2015. [23]

4.219 The 2012 Energy Efficiency Directive (EED) introduced a requirement on Member States to establish a non-binding national energy efficiency target by 30 April 2013. In April 2013, the UK notified the European Commission of its national energy saving target. The target was set at the level of 129.2 million tonnes of oil equivalent for final energy consumption, representing an 18% reduction relative to the 2007 business-as-usual projection (equivalent to a 20% reduction in primary energy consumption). In the 2018 Annual Energy Efficiency Directive report[24], the UK's 2020 final energy consumption was projected to be 132.1 million tonnes of oil equivalent (mtoe). Primary energy consumption in 2016 fell by 1.7% since 2015 but final energy consumption was 1.5% higher. Compared with 2007, consumption was 16% and 9% lower respectively.

22 Fourth Progress report on the promotion and use of energy from renewable sources for the United Kingdom, available at https://ec.europa.eu/energy/en/topics/renewable-energy/progress-reports

23 Digest of UK Energy Statistics (2018), Table 6.7, available at https://www.gov.uk/government/statistics/renewable-sources-of-energy-chapter-6-digest-of-united-kingdom-energy-statistics-dukes

24 Available at: https://ec.europa.eu/energy/en/topics/energy-efficiency/energy-efficiency-directive/national-energy-efficiency-action-plans

4.220 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

4.221 In December 2015, an historic deal was struck at the United Nations Climate Change Conference in Paris, following which 195 countries committed to adopt a global climate change Agreement. The Paris Agreement on climate change entered into force on 4 November 2016 and was ratified by the UK on 18 November 2016.

4.222 The Nationally Determined Contribution of the EU and the Member States is an at least 40 per cent domestic reduction in greenhouse gas emissions by 2030 compared to 1990 levels. This contribution will be fulfilled jointly by the EU and the Member States in accordance with EU legislation to be adopted in respect of both the emissions trading sector and the non-traded sector.

4.223 The Climate Change Act 2008 (CCA) established legally binding 'carbon budgets', which cap emissions over successive 5-year periods and must be set 12 years in advance, seeking to put the UK on a cost-effective pathway to reduce emissions by at least 80% from 1990 levels by 2050 and by at least 34% by 2020.

4.224 Through the CCA the UK has established in law the first five carbon budgets covering the period from 2008-32, with the sixth carbon budget due to be set by mid- 2021. The UK has outperformed the target emissions reductions of its first carbon budget (2008 to 2012) and the final greenhouse gas emissions for 2017 confirmed that it outperformed the second carbon budget (2013 to 2017).

4.225 In October 2017, the UK Government published its Clean Growth Strategy setting out ambitious policies and proposals, through to 2032, to reduce emissions across the economy and promote clean growth. The Clean Growth Strategy sets out how the UK Government is investing over £2.5 billion to support low carbon innovation from 2015 to 2021[25]. Since the Clean Growth Strategy was published, the UK Government has continued to invest in low carbon innovation, such as through the latest wave of the Industrial Strategy Challenge Fund[26]. In November 2017, the UK Government published its modern Industrial Strategy, which includes a Clean Growth Grand Challenge. The Grand Challenge aims to put the UK at the forefront of industries of the future, by maximising the advantages for UK industry from the global shift to low carbon.

4.226 In May 2018, the UK Government launched the Buildings Mission[27], the first mission under the Clean Growth Grand Challenge, which aims to at least halve the energy use of new buildings by 2030, reduce the cost of

---

25 Energy Innovation, https://www.gov.uk/guidance/energy-innovation

26 The Industrial Strategy Challenge Fund, https://www.gov.uk/government/collections/industrial-strategy-challenge-fund-joint-research-and-innovation

27 The Grand Challenge Missions, https://www.gov.uk/government/publications/industrial-strategy-the-grand-challenges/missions

retrofitting efficiency measures in existing buildings, and to ensure homes and businesses are heated by clean energy sources. The UK Government launched a second mission in December 2018, to establish the world's first net-zero carbon industrial cluster by 2040 and at least one low-carbon cluster by 2030.

4.227 In March 2019, the UK Government added to the Buildings Mission by committing to introduce a Future Homes Standard by 2025, for new build homes to be future-proofed with low carbon heating and world leading levels of energy efficiency. Emissions from heat are the single largest contributor to total UK emissions. Introducing the Future Homes Standard by 2025 will ensure that the homes this country needs will be fit for the future, better for the environment, and affordable for consumers to heat.

4.228 The annual Green Great Britain Week was introduced in October 2018. It has been designed to highlight the opportunities clean growth offers the UK and raise understanding of how business and the public can contribute to tackling climate change.

Renewable energy

4.229 The Electricity Market Reform (EMR), implemented under the Energy Act 2013, set out a framework for encouraging investment in low carbon electricity generation. Alongside investment, the EMR also set out an Electricity Demand Reduction pilot and ensured security of supply through the Capacity Market mechanism.

4.230 Existing support for renewable energy includes:

- **Contracts for Difference (CfDs):** Introduced in GB in 2014, the CfD scheme is the UK Government's main mechanism for supporting new low carbon electricity generation projects. The scheme has been a success, delivering substantial new investment and helping deliver significant reductions in the cost of some renewable technologies. Projects currently supported by the CfD scheme are expected to provide around 10GW of new renewable electricity capacity from a range of technologies. The next CfD allocation round for less established technologies such as offshore wind is planned to open by May 2019. The UK Government plans to hold another allocation round in 2021 and further auctions around every two years after that. Depending on the price achieved, these auctions could deliver between 1 and 2GW of new renewable electricity generating capacity each year in the 2020s.

- **The Renewables Obligation (RO):** Introduced to England, Wales and Scotland in 2002, and to Northern Ireland in 2005, the scheme was previously the main financial mechanism to incentivise the deployment of renewable electricity generation in the UK. It closed to new applications on 31 March 2017, but limited grace periods extended the deadline for certain projects up to 31 March 2019. Existing projects receive support for 20 years or until final closure of the scheme on 31 March 2037, whichever is earlier. By the end of March 2017, 25,156 stations had been accredited, with a renewable energy capacity of 29.2 GW. In 2016/17, 65.2TWh of renewable electricity was generated at a scheme cost of £4.5 billion. The RO has now been replaced by the Contracts for Difference Scheme in GB.

- **Feed-in Tariffs (FITs) scheme:** Introduced to England, Scotland and Wales 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. Since its introduction, the FIT scheme has supported over 800,000 installations, or 6GW of capacity. 99% of installations are solar, which consist of 80% of overall capacity.

  A periodic review of the scheme was conducted in the second half of 2015, as required by our EU State Aid approval process. Following the review, the UK Government acted to bring costs under control to protect households and businesses. Our measures sought to maintain a viable small-scale renewables industry which could continue to reduce its costs and move towards subsidy-free deployment.

  On 19 July 2018, the UK Government published a consultation proposing to close the export tariff alongside the generation tariff as the Government does not believe that the current FITs flat rate aligns with its vision for fairer, cost reflective pricing. On 18 December 2018 the Government issued a response to the consultation confirming the full closure of the scheme to new applicants after 31 March 2019, subject to the time-limited extensions and grace period set out in the response. On 8 January, Government published a consultation on the future for small-scale low-carbon generation which presents new proposals for future arrangements to ensure that small-scale generators are paid for the low-carbon electricity they export to the grid and protecting consumers from unfair costs associated with the FIT scheme. The proposals will continue to stimulate the market as we transition to a new, smarter energy system, while still delivering for consumers.

- **The Renewable Heat Incentive (RHI):** Introduced in 2011, the Non-Domestic RHI provides financial incentives to increase the uptake of renewable heat by businesses, the public sector and non-profit organisations. Eligible installations receive quarterly payments for 20 years based on the amount of heat generated. The Domestic RHI scheme, introduced in 2014, is a UK Government financial incentive to promote the use of renewable heat in domestic properties. Eligible installations receive quarterly payments for seven years for the amount of renewable heat it is estimated their system produces. Through the RHI, the UK Government expects to spend £4.5 billion between 2016 and 2021 to support innovative low carbon heat technologies in homes and businesses, such as heat pumps, biomass boilers and solar water heaters.

- **Renewable Transport Fuel Obligation (RTFO):** Introduced in 2008 under the Energy Act, the RTFO scheme is the main mechanism to ensure the deployment of sustainable renewable fuels in transport. The RTFO requires fuel suppliers to ensure that, as a proportion of their overall fuel supply, renewable fuel is supplied into the UK market. Suppliers can choose to meet their obligation by supplying fuel that meets the relevant criteria, buying RTF certificates from others who have supplied renewable fuel that meets the criteria, or paying a 'buy-out' in respect of each litre of shortfall to meet their obligation. Under the RTFO, average greenhouse savings of biofuels supplied have increased from 46% in 2008/09 to 76% in 2016/17[28] (excluding emissions from indirect land use change).

The RTFO has developed over time, introducing mandatory sustainability criteria to implement the Renewable Energy Directive and more recently to introduce restrictions on the use of food crops to address concerns around indirect land use change. The latest changes were introduced in April 2018. These include: setting a target trajectory for low carbon fuels to 2032 (rising from ~3% of transport energy in 2017 to ~7% by 2032); establishing a sub-target for advanced fuels from wastes; extending eligibility to low carbon aviation fuels; and limiting the contribution of biofuels produced from crops in meeting the obligation from a maximum of 4% in 2020, declining to a maximum of 2% in 2032.

The Government's Future Fuels for Flight and Freight Competition (the F4C) is also making up to £20m of capital funding available to projects that will produce low carbon waste-based fuels to be used in aeroplanes and lorries.

4.231 Further progress has been made in the area of renewable energy deployment. In 2017, renewable electricity accounted for more than a quarter (27.9%) of the UK's electricity generation[29]. The UK already has a world-leading offshore wind sector and is well placed to benefit from further investment in renewables innovation to accelerate cost reduction.

Energy efficiency

4.232 The UK Government has put in place schemes designed to improve the energy efficiency of homes, including:

- **The Energy Company Obligation (ECO):** The ECO started in January 2013. It placed 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. This threshold is decreasing to 200,000 and 150,000 customer accounts in April 2019 and 2020 respectively. There have been two phases of ECO completed so far – Jan 13 to Mar 15 ('ECO1'), and April 2015 to September 2018 ('ECO2'). The new fuel poverty focussed scheme, ECO3, started on 3 December 2018 and will run until March 2020. The target for ECO3 is set in notional bill savings only.

- **Private Rented Sector Energy Efficiency Regulations:** Since 1 April 2018 there has been a requirement for any properties rented out in the private rented sector to have a minimum energy performance rating of E on an Energy Performance Certificate (EPC). The regulations have applied to new lets and renewals of tenancies since

28 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782482/rtfo-year-10-report-6.pdf

29 Digest of UK Energy Statistics (2018), Table 6.7, available at https://www.gov.uk/government/statistics/renewable-sources-of-energy-chapter-6-digest-of-united-kingdom-energy-statistics-dukes

1 April 2018 and will come into force for all existing tenancies on 1 April 2020 (1 April 2023 for non-domestic properties). From April 2019 (subject to parliamentary time) amendments to the regulations will come into force to require domestic landlords to spend up to £3,500 to improve their property.

- **Building a market for energy efficiency:** Alongside the Clean Growth Strategy we called for evidence on building the market for energy efficiency, and will shortly be publishing an action plan. This that will set out a range of measures to shape the market for the future in line with our aspiration that as many homes as possible will be upgraded to an Energy Performance Certificate (EPC) Band C by 2035, where practical, cost-effective and affordable.
- **Smart Metering Implementation Programme:** Offering every household in Great Britain the opportunity to have a smart meter by the end of 2020.
- Investing in low carbon heating by reforming the RHI (see above).

4.233 The UK's Clean Growth Strategy committed the Government to consult on a package of measures to support businesses to improve how productively they use energy, including actions that could be taken to improve the take up of energy efficiency measures across buildings. We published a call for evidence in July 2018 seeking views on the level of ambition and how we plan to measure our progress to meet the ambition of improving business energy use by at least 20% by 2030. Our focus on buildings includes the following measures:

- Consulting on Part L of the building regulations to look at improving the energy efficiency of new and existing commercial buildings. This will be led by the Ministry of Housing, Communities and Local Government.
- Consulting on raising minimum standards of energy efficiency for rented commercial buildings.
- Exploring how voluntary building standards can support future improvements in commercial building performances.

4.234 In May 2018, the UK Government launched the Buildings Mission, the first mission under the Clean Growth Grand Challenge, which aims to at least halve the energy use of new buildings by 2030, reduce the cost of retrofitting efficiency measures in existing buildings, and to ensure homes and businesses are heated by clean energy sources. The Mission was backed by £170 million of public money through the Transforming Construction Industrial Strategy Challenge Fund. [30] We expect this will be matched by £250 million of private sector investment, meaning over £400 million will be invested in new construction products, technologies and techniques.

4.235 Other policies include:

30 UKRI, Transforming Construction

- **The Energy Savings Opportunity Scheme**, which requires all large businesses to undertake a regular audit of their energy use in buildings, processes and transport and identify energy savings opportunities. Phase 2 of the scheme began in December 2018 and updated guidance has been issued. An evaluation of the scheme, as per the commitment in the Clean Growth Strategy, is currently being undertaken to consider any future reforms.

- **The Climate Change Agreements Scheme**, which encourages improvements in energy efficiency across 53 industrial sectors, in return for significant discounts from the Climate Change Levy. An evaluation of the scheme began in 2018, as per the commitment in the Clean Growth Strategy, to measure the extent to which the scheme has met its twin objectives of ensuring competitiveness while delivering energy/carbon savings. This will inform any potential successor scheme from 2023.

- **The Industrial Heat Recovery Support Programme**, a new £18m support programme that supports the recovery and use of heat generated from industrial processes that otherwise would be wasted. The scheme opened to applications in October 2018 with the scheme to run until March 2021.

- **An Industrial Energy Transformation Fund (IETF)**, announced at Budget 2018, worth up to £315m over five years. The scheme will be targeted towards businesses with high energy use to invest in energy efficiency and decarbonisation measures.

- **The CRC Energy Efficiency Scheme** will wind down after the 2018-2019 compliance year with organisations reporting under the CRC for the last time by the end of July 2019 and surrendering allowances by the end of October 2019 for emissions from energy supplied until 31 March 2019. The closure legislation has been made in Parliament and came into force on 1 October 2018.

- A new **Streamlined Energy and Carbon Reporting Framework (SECR)** came into force on 1 April 2019. This legislation, which was made in November 2018, provides an estimated 11,900 large organisations with consistency in emissions reporting that aligns with the existing requirements for quoted companies.

Devolved administrations

Northern Ireland

4.236 A Cross Departmental Working Group on Climate Change was established in 2011. Established reporting mechanisms have been revised and actions and measures to reduce greenhouse gas emissions are now reported through the draft Programme for Government. An Outcomes Delivery Plan 2018/19 has been developed that sets out the actions that departments intend to take. The plan reflects the responsibilities placed on departments by the previous Assembly and Executive to work collaboratively and to be more strongly focused on impact and less constrained by siloed thinking and departmental structures. Outcome 2 - "We live and work sustainably protecting the environment" - contains an indicator on Greenhouse Gas emissions. If the current situation continues, there will be a full report on progress in delivering each of the actions listed at the mid-year and end-year points.

4.237 The latest emission figures available for Northern Ireland, set out in the Greenhouse Gas Inventories for England, Scotland, Wales and Northern Ireland: 1990 – 2016, estimates 2016 Northern Ireland emissions at 20.6 million tonnes of carbon dioxide equivalent (Mt CO_2e). This includes 27% from agriculture, 22% from transport, 20% from energy supply and 13% from the residential sector. Across all sectors, 2016 emissions levels show a longer term decrease of 15.9% since the base year.

4.238 Work is nearing completion on new inter-town pipelines to extend the natural gas network to main towns in the West of Northern Ireland. Strabane was the first town to be connected to gas as part of the project, and the remaining towns should have gas available in late spring 2019. Work is also well advanced on provision of new gas networks to some 13 towns and villages in East Down, with gas consumers connected in a number of locations.

4.239 Work continues by developers to progress energy projects which have EU Projects of Common Interest status such as gas storage and additional electricity interconnection with the Republic of Ireland. Promoters of the gas storage project have been successful in accessing EU Connecting Europe Facility (CEF) funding for important pre-construction studies, and are working towards commencing the construction stage of the project.

4.240 The Northern Ireland Strategic Energy Framework published in September 2010[31] seeks to achieve secure, competitively priced and sustainable energy supplies for all and includes an objective that 40% of electricity consumed in Northern Ireland will come from renewable sources by 2020.

4.241 As of 31 March 2018, 35.2% of electricity consumed in Northern Ireland came from renewable generation. This has largely been achieved through the implementation of the Northern Ireland Renewables Objective (NIRO) which has facilitated the deployment of over 23,000 renewable electricity installations across Northern Ireland using a variety of technologies.

4.242 Significant progress has been made under the Integrated Single Electricity Market (I-SEM) programme to facilitate go live of new market arrangements. The original go-live date of May 2018 was deferred until October 2018. The first I-SEM capacity auction was completed in December 2017 and is expected to ensure adequate capacity for the 16-month period from go-live to end-September 2019. The second auction took place on 13 December 2018 and a further auction is planned for 28 March 2019.

4.243 Full planning approval for the North South Interconnector was also given in January 2018. On 23 April a group representing objectors (SEAT – Safe Electricity Armagh and Tyrone) applied for a judicial review, on the grounds that such a decision in the absence of a Minister was ultra vires. On 8

---

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

February 2019, Counsel for the Department for Infrastructure asked the judge to quash the permission given for the interconnector so that the planning application can be re-determined. On completion the Interconnector will deliver further market efficiencies and ensure long-term security of supply in the all-island market.

4.244 A non-domestic Renewable Heat Incentive (RHI) was introduced in Northern Ireland in November 2012. It offered a financial incentive to commercial, industrial, public, not-for-profit and community generators of renewable heat for a 20-year period. The scheme was suspended in February 2016, with over 2,000 renewable heat installations incentivised under the scheme.

4.245 A domestic RHI scheme was subsequently introduced in December 2014. The domestic scheme offered a financial incentive for the use of four different renewable heating technologies in domestic properties. Participants received incentivisation through an upfront payment followed by seven years of annual payments. Over 2,500 domestic properties availed of the domestic RHI scheme before its suspension in February 2016.

Box 4.D: Northern Ireland stakeholder focus: Outcomes Delivery Plan

The draft Programme for Government Framework 2016-2021 (PfG) was issued for public consultation in October 2016. Following the suspension of the NI Executive in March 2017 the PfG framework has been used as the basis for the Outcomes Delivery Plan which sets out the actions that departments will take during 2018-19 to give effect to the previous Executive's stated objectives of 'Improving wellbeing - by tackling disadvantage and driving economic growth'. DAERA has responsibility for Outcome 2 "We live and work sustainably – protecting the environment" and its lead measure "Greenhouse Gas Emissions".

Actions to reduce GHG emissions requires a collaborative approach and in NI this has been achieved through the Cross Departmental Working Group on Climate Change (CDWGCC). To enable timely progress on the Outcomes Delivery Plan extensive engagement with external stakeholders and key delivery partners was carried out by all departments represented on the CDWGCC to help agree and deliver on the measure "Greenhouse Gas emissions"

4.246 In February 2011, the Northern Ireland Executive approved a Northern Ireland Greenhouse Gas Emissions Reduction Action Plan, which examined relevant policies and actions across the Executive, identifying the projected impact on emissions and the economy and therefore provided an overall indication of Northern Ireland's emissions in 2025. One of the actions identified in the Action Plan was for a Cross Departmental Working Group on Climate Change[32] to provide an annual report to the Executive on progress towards greenhouse gas emission reductions. The fourth Annual Progress report[33] was presented to the Executive in May 2015.

4.247 The latest emission figures available for Northern Ireland, set out in the Greenhouse Gas Inventories for England, Scotland, Wales and Northern

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

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

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

4.248 The aim of the Northern Ireland Executive's Strategic Energy Framework 2010[34] is to achieve a competitive, sustainable future for energy in Northern Ireland and included interim objectives for 20% renewable electricity consumption and 4% renewable heat by 2015. These have been achieved. It also provides for further development of the natural gas network.

4.249 Significant investment in drainage and flood protection is essential to protect the environment and mitigate against the effects of climate change. If drainage capacity is not enhanced in our urban environments, this will represent an impediment to economic development.

Scotland

4.250 Action to mitigate climate change is a key component of the Scottish Government's aim to create a growing, sustainable and inclusive economy.

4.251 The Scottish Government is committed to achieving net-zero emissions of all greenhouse gases as soon as possible. With emissions already reduced by 49% from the 1990 baseline, Scotland's low carbon transition is well underway.

4.252 In May 2018, the Scottish Government introduced a Climate Change Bill that responds to the UNFCCC Paris Agreement with new, evidence based, statutory emission reduction targets. The Bill includes the most stretching statutory targets of any country in the world for 2020, 2030 and 2040. The Bill targets will also mean that Scotland reaches net-zero emissions of carbon dioxide, known as carbon neutrality, by 2050. The Bill builds upon and retains the rigorous statutory framework of the current Climate Change (Scotland) Act 2009, which includes annual emissions reduction targets and independent reports on progress.

4.253 In February 2018, the Scottish Government published its Climate Change Plan[35] for meeting current statutory greenhouse gas emissions reduction targets out to 2032.

4.254 Both the Climate Change Plan and the Scottish Government's Energy Strategy (published in December 2017) are rooted in the ambition and vision of Scotland's Economic Strategy, and 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 contains transformational outcomes in transport, heat, electricity generation, and energy efficiency along with increased natural carbon sinks and more

34 https://www.detini.gov.uk/articles/strategic-energy-framework-2010

35 https://www.gov.scot/publications/scottish-governments-climate-change-plan-third-report-proposals-policies-2018/

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.

Just Transition Commission

4.255 The Just Transition Commission started work on 31 January 2019. It is tasked with providing practical advice on how Scotland can maximise the social and economic opportunities associated with Scotland's move towards carbon-neutrality, whilst identifying and mitigating risks. The independent Commission will report to Scottish Ministers within two years.

4.256 The Commission will work openly and transparently, and engage meaningfully with workers, communities, NGOs, business and industry leaders and other relevant bodies across Scotland. It will actively seek and consider the views of young people.

Energy efficiency

4.257 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, our new Energy Efficient Scotland programme will provide an offer of support to buildings across Scotland – domestic and nondomestic – to improve their energy efficiency rating over a 15-20 year period. This integrated programme of support will be delivered in partnership with local government, housing associations, communities and the private sector, building on Scotland's existing successful area-based energy efficiency programmes.

4.258 Energy Efficient Scotland is a key part of Scotland's draft Energy Strategy, and Scotland's efforts to tackle Climate Change and Fuel Poverty. Its aim is to make Scotland's buildings warmer and easier to heat, as well as reducing their impact on the environment. It aims for Scotland's buildings to be near zero carbon by 2050; reducing the energy demand and decarbonising the heating of Scotland's built environment in a way that is socially and economically sustainable. The Energy Efficient Scotland Routemap, published in May 2018, sets out how these ambitions will be achieved.

Wales

4.259 On the 21 March 2016, the Environment (Wales) Act was granted Royal Assent. Part 2 of the Act focuses on action on climate change and provides the Welsh Ministers with powers to put in place statutory emission reduction targets (for 2020, 2030 and 2040) and 5 yearly carbon budgets to support their delivery.

4.260 In setting statutory targets, the aim is to set out a clear pathway for decarbonisation within the context of wider UK and EU obligations for at least an 80% reduction in emissions by 2050. A clear pathway for decarbonisation will not only provide transparency but also certainty and clarity for investment. The Act also requires Welsh Ministers, to publish a plan of action and in relation to final statements for carbon budgets, to include information on emissions from the consumption and use of goods and services. The targets and budgets will be set by December 2018 and the plan will be published in March 2019.

4.261 In addition to the Environment (Wales) Act 2016, the Well-being of Future Generations (Wales) Act 2015 (The WFG Act), places sustainable development as the central organising principle of the Welsh Government, strengthening the governance arrangements of the Welsh Ministers and, significantly, specified public bodies in Wales. The Act requires public bodies to outline how they are looking to achieve a set of seven shared goals, which define what kind of Wales people want to see in the future and to report on progress regarding this, including action on tackling climate change.

4.262 Until the statutory targets and budgets are in place, the Welsh Government is continuing to report on its Climate Change Strategy (2010). This set the ambition of a 3% per annum reduction in greenhouse gas emissions in areas of devolved competency against a baseline of average emissions over the period 2006 to 2010. It also set a target to reduce total Welsh emissions by 40% by 2020 against a 1990 baseline.

4.263 Wales has consistently met the 3% target; in terms of progress against the 40% target Wales have achieved a 19% reduction (2015).

4.264 Wales has a proportionately high share of the UK's electricity generation and heavy industry and is a net exporter of energy. In 2017, Wales generated more than twice that which it consumed. This means electricity produced in Wales feeds into the national grid and is consumed by homes and businesses across the UK. Taking these energy exports into account, emissions based on Wales' end-use consumption of energy are lower and have reduced further since 1990 (35% reduction).

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

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

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

Annex A

Measuring progress against objectives: indicators

Employment

United Kingdom

Indicator	Current level	Reference period
Employment rate UK	75.8%	Oct-Dec 18

England

Indicator	Current level	Reference period
Employment rate England	76.0%	Oct-Dec 18

Northern Ireland

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	68.7%	Aug-Oct 18[1]

Scotland

Indicator	Current Level	Reference period
Employment rate (population aged 16-64)	73.5%	Sep-Nov 18

Wales

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

[1] https://www.nisra.gov.uk/system/files/statistics/labour-market-report-december-2018.PDF

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	86%	2016/17[2]
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)	61%	2016/17[3]
Achievement of government-funded learners participating in Further Education (FE)	85.3% achieving at least upper secondary (English level 2) 60.7% at least tertiary (English level 4 and above)	2016/17[4]
Number of government-funded learners participating in Further Education (FE), academic age 19 years and over.	2,179,100; including 286,100 on a full level 2 course; 373,500 on a full level 3 course; and 814,800 on an all age Apprenticeship	2017/18[5]

Northern Ireland

Indicator	Current Level	Reference period
Per cent of school leavers achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and maths	69.6%	2016-17

2 Source: https://www.gov.uk/government/statistics/destinations-of-ks4-and-ks5-pupils-2017

3 Source: https://www.gov.uk/government/statistics/destinations-of-ks4-and-ks5-pupils-2017

4 Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/691975/SFR19_2018_MainText.pdf

5 Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761949/FE_and_Skills_commentary_Dec_2018_final_v2.pdf

Per cent of school leavers entitled to free school meals achieving 5 or more GCSEs at grades A*-C (or equivalent) including GCSE English and maths	47.5%	2016-17

Scotland

Indicator	Current Level[6]	Reference period
Highest qualification held by working age adults (19-64 years old)	78% achieving at least upper secondary (SCQF Level 5) and 47% at least tertiary (SCQF Level 7)	Q4 2017
Population aged 18-24 who are early leavers from education and training	10.3%	2017
Population aged 30-34 having completed tertiary education	57.5%	2017

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%	2015-6
Working age adults achieving NQF 2,3 and 4 +	NQF 2: 78% NQF 3: 58% NQF 4: 37%	2016
Attainment at age 19 – percentage having achieved: level 2 level 3	Level 2: 83% Level 3: 55%	2013-14
International comparison (within the OECD) of the qualification levels of the working age population	78% achieving at least upper secondary (UK level 2) and 38% at least tertiary (UK Level 4)	2015
16-18 year olds who are not in employment, education or training	10.4%.	2016 (provisional)

6 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.

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)	12%	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
Relative poverty (BHC)	18%	2016-17
Absolute poverty	15%	2016-17
Children in relative poverty	22%	2016-17
Children in absolute poverty	18%	2016-17

Scotland

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

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

Indicator	Current level	Reference period
Total R&D expenditure	£33.1 billion	2016
Total R&D expenditure as % of GDP	1.67%	2016

Northern Ireland

Indicator	Current level	Reference period
Total R&D expenditure	£759 million	2017
Percentage of firms that are innovation active	39%	2014-16
Northern Ireland Executive target for Northern Ireland participants to secure at least €145m from Horizon 2020.	€75.9m	October 2018
R&D Expenditure as % of GVA	1.9%	2017
No. companies investing in R&D	900	2017
Knowledge Economy Jobs	39,499	2017
R&D employees	9,530	2017

Scotland

Indicator	Current level	Reference period
Gross R&D expenditure in percentage of Scottish GDP	1.54% (£2.3 billion)	2016
Percentage of firms that are innovation active	45%	2014-2016

Wales

Indicator	Current level	Reference period
Gross R&D expenditure	£716 million	2016
Higher education performed R&D	£266 million	2016
Business enterprise R&D	£457 million	2017

Percentage of firms that are innovation active	47%	2014-16
Who performs R&D in Wales:		
Higher Education	37%	
Government and research councils	2%	
Business	61%	

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
Energy consumed in the UK that has been produced from renewable sources.	15% of energy to come from renewable sources by 2020	10.2%	2017
Energy Efficiency Directive national indicative 2020 energy efficiency target	18% reduction in final energy consumption by 2020	16% reduction	2007 baseline projection for 2020

Northern Ireland

Indicator	Target	Current Level	Reference period
Greenhouse gas emissions	To contribute to UK 80% reduction of emissions by 2050	15.9% reduction	2016
Energy efficiency	Contribution to UK-wide target of 18% reduction in final energy consumption by 2020. NI contribution is 200GWh savings by 2020	194GWh	March 2016
Indigenous renewable energy sources	40% by 2020	35.2%	April 2017 – March 2018

Scotland

Indicator	Target	Current Level	Reference period
Reduction in greenhouse gas emissions	At least 42% reduction by 2020 and at least 80% by 2050 compared to a 1990/1995 baseline period[7] [8]	45.2% reduction, after taking account of trading in the EU Emissions Trading System	2016

[7] The baseline period is 1990 for Carbon Dioxide, Methane and Nitrous Oxide, other greenhouse gases use a 1995 base year.

[8] The Scottish Government introduced a new Climate Change Bill in May 2018, with more ambitious targets based on actual Scottish emissions.

Proportion of electricity consumption from indigenous renewable energy sources	Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020	70.1%	2017
Proportion of heat demand from renewables	11% of heat demand from renewables by 2020	5.9%	2017
Reduction of final energy end-use consumption (energy efficiency)	12% reduction of final energy end-use consumption by 2020 on a 2005-2007 baseline	13.9% (provisional)	2017

Wales

Indicator	Target	Current Level	Reference period
Greenhouse gas emissions	40% reduction in greenhouse gas emissions by 2020 on 1990 levels (of 57.63 $MtCO_2e$)	19% reduction (50.76 $MtCO_2e$)	2015
Greenhouse gas emissions	3% emissions reduction within areas of devolved competence each year from 2011, on a baseline of average emissions over the period 2006-10	14.7% reduction (29.46 $MtCO_2e$)	2013
Energy efficiency installations (Arbed 2 ERDF project)	5,229 properties to receive energy efficiency improvements by March 2015	Over 4,860 properties reached	Mar 2010 – Jun 2015

Energy efficiency installations (Nest)	15,000 households per annum to receive help between 2011 and 2017, with around 4,000 households receiving a package of energy efficiency improvements	Over 98,000 households have received free advice and support between 2011 and March 2017. 4,000 households receiving a package of energy efficiency improvements. A new 5-year Nest contract started on 1 April 2018 with targets to provide advice to at least 15,000 households and improve at least 4,100 homes per year. 2011; over 29,000 of them benefitted from free home energy improvements (e.g. new boiler, central heating and insulation)	Apr 2011 – 2018
Renewable energy capacity		3,683MW (including 3,087MW electricity and 596MW thermal)	End 2017
% Welsh electricity consumption from renewables	70% by 2030	48%	End 2017
Renewable energy capacity in local ownership	1GW by 2030	0.75GW	End 2017

HM Treasury contacts

This document can be downloaded from
www.gov.uk

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

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

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk