HM Government

Europe 2020: UK National Reform Programme 2013

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Foreword

The 2013 UK National Reform Programme (NRP) sets out the actions that the Government is taking to address the structural reform challenges facing the UK, in line with a set of Country-Specific Recommendations (CSR) agreed by Heads of State or Government at the European Council in June 2012.

The National Reform Programme is presented under the Europe 2020 Strategy and is submitted to the European Commission in parallel with the UK's 2012-13 Convergence Programme under the Stability and Growth Pact. This represents a key milestone in the European Semester process, which brings together the reporting and surveillance of national fiscal, economic and employment policies in a European context.

More specifically, the part of the NRP reporting on CSRs 3 and 4 also comprises the UK's report to the Council and Commission on employment policy measures in the light of the guidelines for employment under Article 148 TFEU, completing multilateral surveillance on them.

The Government strongly supports the European Semester as a means for promoting growth and structural reform across the European Union (EU) as a whole. With the latest European Commission forecast predicting economic growth in the EU of just 0.1 per cent in 2013, a return to sustainable growth and competitiveness is more urgent than ever. Member States' plans for reform and growth and their fiscal consolidation programmes are important tools to increase the EU's productivity, economic dynamism and flexibility.

In June 2012, the European Council addressed specific advice to all Member States to help address constraints on growth and employment over the medium term. In the case of the UK, these recommendations focussed on six specific areas: a large budget deficit; a poorly functioning housing market; a shortage of the right skills; a high number of workless households; the availability of credit to the private sector; and the need to prioritise support for network infrastructure. The Government shares these findings, which are also in line with analysis presented by the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF).

The Government is taking action to help address these challenges, equipping the UK to compete in the global race by building a stronger economy that supports job creation and home ownership. In parallel, the Government is building a fairer society, to support aspiration and keep costs down for households and businesses.

The 2013 UK NRP reports on progress including actions set out at Autumn Statement on 5 December 2012 and more recently at Budget 2013 on 20 March. The NRP summarises relevant new announcements and reports on the impact of policies already implemented, where such information is available. The document also reports on progress in broad policy areas covered by five headline EU-level targets under the Europe 2020 Strategy, relating to employment, education, poverty reduction, research and innovation, and energy and climate change.

Much progress has already been made: the deficit has been cut by a third over three years, and 1.25 million private sector jobs have been created. However, addressing these challenges and rebalancing the economy will take time. The Government therefore supports the continuity of messages in the European Semester and a strong focus on delivery against existing reform commitments.

In the current context of continuing pressure on public finances and weak economic growth prospects, tackling Europe's growth challenge requires decisive action to be taken at all levels. Strong progress by individual Member States must therefore be complemented by a determined effort to drive growth at EU level through high-impact, low-cost supply-side reforms. Putting into practice the commitments made by Heads of State or Government at the February and March 2013 European Councils on growth will be essential, including by completing ambitious Free Trade Agreements, further reducing the burden of EU regulation and strengthening the Single Market by pushing for further liberalisation in services, digital and network industries. This is an agenda for the EU as a whole, and the UK will work tirelessly with other Member States in pursuit of a flexible and competitive EU economy.

1 Introduction

Context

1.1 The UK economy is recovering from the biggest financial crisis in generations, one of the deepest recessions of any major economy and a decade of growth built on unsustainable levels of debt. The Government inherited the largest deficit since the Second World War. Across the world, recovery over the past four years has been slower than forecast and the euro area is now in recession.

1.2 The Government's economic strategy set out in the June Budget 2010[1] and carried out by Spending Review 2010,[2] Budget 2011,[3] the Autumn Statement 2011,[4] Budget 2012,[5] the Autumn Statement 2012,[6] and Budget 2013[7] is designed to protect the economy through the recent period of global uncertainty and provide the foundations for recovery. This strategy is restoring the public finances to a sustainable path and the deficit has been reduced by a third over the three years from 2009-10. More specifically, the Government's plan for the economy is based on: fiscal responsibility to deal with debts with a credible deficit reduction plan; monetary activism to support demand and keep interest rates low; and supply-side reform to help businesses create jobs and deliver lasting prosperity.

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

- the Northern Ireland Executive has, through its Programme for Government[8] and its Economic and Investment Strategies,[9] expressed its priorities for sustainable growth, prosperity and building a better future. In particular, the Executive has identified twin goals of rebalancing the economy towards higher value added by private sector activity and undertaking a more immediate rebuilding phase to address the impact of the global downturn on the local economy and labour market. This requires of these objectives necessitates a range of actions which include fiscal flexibility and balanced sub-regional growth and investments in innovation, research and development and the skills of the workforce. The Investment Strategy, which coordinates the Executive's investment plans, will provide an economic stimulus that will flow across the region and into the wider economy, helping to keep people in productive employment while maximising the positive impact on jobs;

[1] http://cdn.hm-treasury.gov.uk/junebudget_complete.pdf
[2] http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf
[3] http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf
[4] http://cdn.hm-treasury.gov.uk/autumn_statement.pdf
[5] http://cdn.hm-treasury.gov.uk/budget2012_complete.pdf
[6] http://cdn.hm-treasury.gov.uk/autumn_statement_2012_complete.pdf
[7] http://www.hm-treasury.gov.uk/budget2013.htm
[8] http://www.northernireland.gov.uk/pfg
[9] http://www.northernireland.gov.uk/economic-strategy

- the Government Economic Strategy[10] sets out how the Scottish Government will continue to make full use of the levers currently devolved to the Scottish Parliament in order to accelerate recovery, drive sustainable growth and develop a more resilient and adaptable economy. A progress report was published in September 2012;[11]
- the Welsh Government's Programme for Government[12] sets out a plan of action that focuses on key objectives such as creating jobs, stimulating growth and reducing poverty and complements the EU's goals as described in its Europe 2020 strategy. The Programme for Government emphasises important outcomes such as healthy people living productive lives in a more prosperous and innovative economy; safer and more cohesive communities with lower levels of poverty and greater equality; and a resilient environment with more sustainable use of natural resources.

UK 2013 National Reform Programme

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

1.5 In accordance with guidance from the European Commission, this National Reform Programme (NRP) sets out the UK's economic prospects and plans, including:

- the macroeconomic context in the UK, consistent with the UK's 2012-13 Convergence Programme document;
- actions taken to address the six country-specific recommendations addressed to the UK by the European Council in June 2012; and
- 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.

1.6 The 2013 NRP draws on publicly available information, including the Autumn Statement 2012, Budget 2013 and other relevant documents and announcements. The NRP itself sets out major structural reform actions. Further details are available in the original documents, which are referenced throughout.

1.7 The 2013 NRP emphasises reporting on the implementation of existing structural reform commitments. As such, it sets out actions taken by the UK as a whole, including those by the UK Government and by the Devolved Administrations of Scotland, Wales and Northern Ireland, where policies are devolved. This distinction is made clear throughout the document. These actions are consistent with the Europe 2020 Integrated Guidelines (made up of the Broad Economic Policy Guidelines and the Employment Guidelines) presented under Articles 121 and 148 of the Treaty of the Functioning of the European Union.[13] They also follow the broad

[10] http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy

[11] http://www.scotland.gov.uk/Resource/0040/00401529.pdf

[12] http://wales.gov.uk/about/programmeforgov/?lang=en

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

orientations for structural reforms provided by the European Commission's 2013 Annual Growth Survey[14] and the March 2013 European Council conclusions.[15]

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

1.9 The Devolved Administrations contributed fully to the development of the 2013 UK National Reform Programme. In addition, the Scottish Government has produced its own distinct National Reform Programme,[16] which is intended to complement the UK NRP, in order to help provide the Commission with more detail on the unique characteristics of and the distinct approaches being taken forward in Scotland which support delivery of the Europe 2020 ambitions. This is in line with the Devolved Administrations' commitment to engage positively with EU Institutions and represent regional interests and highlight particular characteristics fully.

Stakeholder engagement

1.10 Substantial engagement with national Parliaments and the wider public is critical to the success of Europe 2020. The Government consults widely on policy development as a matter of course. Since the NRP draws on publicly available information, it is of itself not subject to formal consultation.

1.11 In the context of preparing the 2013 NRP, stakeholder events were held by the Scottish Government in Edinburgh on 28 February 2013 and by the Welsh Government in Cardiff on 19 March 2013. These events were attended by representatives from the Government, the European Commission, Devolved Administrations and other interested stakeholders.

1.12 The Government has engaged closely with Parliament on the European Semester more broadly. In particular, the House of Commons debated the 2012 Country-Specific Recommendations addressed to the UK (25 June 2012) as well as the UK's 2013 Convergence Programme (22 April 2013). The House of Lords debated the Commission's 2013 Annual Growth Survey, Alert Mechanism Report and the UK's 2013 Convergence Programme (25 April 2013).

1.13 The focus of the 2013 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.

[14] http://ec.europa.eu/europe2020/pdf/ags2013_en.pdf

[15] http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/135432.pdf

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

2 Macroeconomic impact

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) economic forecasts for 2011-16. This includes forecasts for aggregate Gross Domestic Product (GDP) growth, the components of GDP, inflation and the labour market.[1]

2.2 Three key factors have resulted in a more subdued and uneven recovery than expected and continued to weigh on the UK economy through 2012:

- evidence has accumulated that suggests the impact of the financial crisis on GDP and underlying productivity has been greater than expected;
- the euro area sovereign debt crisis and global uncertainty have damaged confidence and reduced external demand; and
- commodity price driven inflation since 2011 has reduced real incomes and raised business costs.

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

	Percentage change on a year earlier, unless otherwise stated						
		Forecast					
	2011	2012	2013	2014	2015	2016	2017
GDP growth	**0.9**	**0.2**	**0.6**	**1.8**	**2.3**	**2.7**	**2.8**
Main components of GDP							
Household consumption[2]	-1.0	1.0	0.5	1.2	1.7	2.4	2.8
General government consumption	-0.1	2.6	0.4	-0.7	-0.4	-1.0	-1.8
Fixed investment	-2.9	1.4	2.2	6.7	8.1	7.7	7.8
Business	3.1	4.9	1.9	6.1	8.6	8.6	8.6
General government	-26.2	2.7	2.6	5.0	1.8	-1.5	-1.2
Private dwellings	2.3	-5.4	2.0	8.9	10.0	10.0	9.7
Change in inventories[3]	0.3	-0.2	-0.2	0.0	0.0	0.0	0.0
Net trade[3]	1.2	-0.8	0.1	0.1	0.1	0.1	0.1
CPI inflation	**4.5**	**2.8**	**2.8**	**2.4**	**2.1**	**2.0**	**2.0**
Employment (millions)	**29.2**	**29.5**	**29.8**	**29.9**	**30.1**	**30.3**	**30.5**

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

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

[3] Contribution to GDP growth, percentage points.

Source: Office for Budget Responsibility, March 2013

[1] All data is correct as of 20 March 2013.

Growth forecast

2.3 UK GDP growth in 2012 was slightly stronger than expected at Autumn Statement 2012. However, reflecting the lower-than-expected momentum in the final quarter of 2012, the Office for Budget Responsibility (OBR) at Budget 2013 revised its forecast for GDP growth in 2013 from 1.2 per cent to 0.6 per cent. The OBR revised its forecast for GDP growth in 2014 from 2.0 per cent to 1.8 per cent. These revisions reflect smaller contributions to growth from net trade and consumption. The OBR forecast for GDP growth from 2015 onwards is unchanged from its forecast at Autumn Statement 2012. By the end of the forecast horizon, the level of GDP should be 0.6 per cent below the level forecast at Autumn Statement 2012. The OBR assumes around two thirds of the reduction in real GDP growth to be cyclical rather than structural.

2.4 While growth remains subdued, the Governor of the Bank of England has said "there are good reasons to suppose that a gentle recovery is underway".[2] The IMF forecasts UK GDP per person to grow faster than the rest of the G7 between 2012 and 2017, with the exception of the US.[3] The OBR forecast shows the UK economy rebalancing over the forecast period. Having grown by almost 5 per cent in 2012, business investment is forecast to pick up again in 2014 and make an increasing contribution to GDP growth thereafter, rising to nearly 1 per cent by 2017. After falling in 2012, UK exports are also expected to pick up and net trade is forecast to make a small positive contribution to growth from 2013. Household consumption is forecast to grow more slowly than GDP on average, with the saving ratio declining but remaining at 5 per cent or above throughout.

Employment forecast

2.5 The OBR has revised up its forecast for UK employment from 2013. It has revised down its unemployment forecast by 0.3 percentage points to 7.9 per cent in 2013 and by 0.2 percentage points in 2017 to 6.9 per cent. It expects employment to rise in every year of the forecast period, reaching 30.5 million by 2017. The OBR expects total private sector employment to rise by around 2.6 million between the start of 2011 and the start of 2018, more than offsetting the total reduction in general government employment of around 1.2 million.

Inflation forecast

2.6 The OBR has revised its inflation forecast up, broadly in line with the Bank of England's February 2013 Inflation Report forecast. The OBR attributes this to higher oil prices and higher import prices as a result of recent exchange rate movements. This upward pressure is partially offset in 2013 and 2014 by cancellation of the fuel duty rise that was planned for 1 September 2013. The OBR forecasts inflation to return to target by early 2016 and remain close to target thereafter. The OBR's forecast for the GDP deflator, a broader measure of inflation in the economy, has been revised down. This, combined with the revisions to real GDP, leaves the level of nominal GDP 2.5 per cent lower in 2017 than was forecast at Autumn Statement 2012. Real GDP accounts for around 0.6 percentage points of this revision, with the remainder reflecting a lower GDP deflator.

[2] Mervyn King, speech, the Confederation of British Industry (CBI), Northern Ireland Mid-Winter Dinner, Belfast, 22 January 2013.

[3] World Economic Outlook, IMF, October 2012.16 Budget 2013.

Table 2.B: Detailed Summary of the OBR's March 2013 Central Economic Forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn		Forecast				
	2011	2012	2013	2014	2015	2016	2017
UK economy							
Gross domestic product (GDP)	0.9	0.2	0.6	1.8	2.3	2.7	2.8
GDP Level (2011=100)	100.0	100.2	100.8	102.6	105.0	107.8	110.8
Nominal GDP	3.4	1.5	2.7	3.8	4.2	4.4	4.6
Output Gap (per cent of potential output)	- 2.7	- 2.7	- 3.6	- 3.7	- 3.4	- 2.9	- 2.3
Expenditure components of GDP							
Domestic demand	-0.6	1.2	0.5	1.6	2.2	2.5	2.7
Household consumption[1]	-1.0	1.0	0.5	1.2	1.7	2.4	2.8
General government consumption	-0.1	2.6	0.4	-0.7	-0.4	-1.0	-1.8
Fixed investment	-2.9	1.4	2.2	6.7	8.1	7.7	7.8
Business	3.1	4.9	1.9	6.1	8.6	8.6	8.6
General government[2]	-26.2	2.7	2.6	5.0	1.8	-1.5	-1.2
Private dwellings[2]	2.3	-5.4	2.0	8.9	10.0	10.0	9.7
Change in inventories[3]	0.3	-0.2	-0.2	0.0	0.0	0.0	0.0
Exports of goods and services	4.6	-0.3	1.5	4.4	5.1	5.3	5.3
Imports of goods and services	0.5	2.0	1.0	3.8	4.4	4.8	4.9
Balance of payments current account							
Per cent of GDP	-1.3	-3.6	-2.7	-2.2	-1.9	-1.6	-1.4
Inflation							
CPI	4.5	2.8	2.8	2.4	2.1	2.0	2.0
RPI	5.2	3.2	3.2	2.8	3.2	3.6	3.9
GDP deflator at market prices	2.5	1.3	2.1	2.0	1.8	1.8	1.7
Labour market							
Employment (millions)	29.2	29.5	29.8	29.9	30.1	30.3	30.5
Wages and salaries	2.7	2.8	2.4	3.1	4.3	4.8	4.8
Average earnings[4]	2.3	2.1	1.4	2.7	3.6	4.0	4.0
ILO unemployment (% rate)	8.1	7.9	7.9	8.0	7.9	7.4	6.9
Claimant count (millions)	1.53	1.59	1.58	1.63	1.59	1.48	1.38
Household sector							
Real household disposable income	-1.0	1.6	0.2	0.4	1.3	1.8	2.3
Saving ratio (level, per cent)	6.6	7.0	6.6	5.8	5.6	5.4	5.0
House prices	-1.0	1.6	1.3	1.6	3.3	4.0	4.0
World economy							
World GDP at purchasing power parity	3.9	3.1	3.4	4.1	4.4	4.6	4.6
Euro Area GDP	1.5	-0.5	-0.5	1.0	1.3	1.7	1.9
World trade in goods and services	5.7	2.5	3.7	5.6	6.0	6.2	6.3
UK export markets[5]	5.9	1.9	3.4	5.2	5.6	5.7	5.8

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

[2] Includes transfer costs of non-produced assets

[3] Contribution to GDP growth, percentage points

[4] Wages and salaries divided by employees

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

Source: Economic and fiscal outlook, Office for Budget Responsibility, March 2013

3 Country-specific recommendations

3.1 The Government supports the Country-Specific Recommendations addressed to the UK by EU Heads of State or Government at the June 2012 European Council, which are to:

- fully implement the budgetary strategy for the financial year 2012-13 and beyond, supported by sufficiently specified measures, to ensure a timely correction of the excessive deficit in a sustainable manner and the achievement of the structural adjustment effort specified in the Council recommendations under the EDP and to set the high public debt ratio on a sustained downward path. Subject to reinforcing the budgetary strategy for the financial year 2013-14 and beyond, prioritise growth-enhancing expenditure to avoid the risk that a further weakening of the medium-term outlook for growth will negatively impact on the long-term sustainability of public finances;
- address the destabilising impact of high and volatile house prices and high household debt by implementing a comprehensive housing reform programme to increase housing supply and alleviate problems of affordability and the need for state subsidisation of housing. Pursue further reforms to the housing market, including the mortgage and rental markets, financial regulation and property taxation to prevent excessive volatility and distortions in the housing market;
- continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills;
- step up measures to facilitate the labour market integration of people from jobless households. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to facilitate access to childcare services;
- further improve the availability of bank and non-bank financing to the private sector, in particular to SMEs. Support competition within the banking sector, in particular through measures to reduce barriers to entry, increase transparency and facilitate switching between banks as recommended by the Independent Commission on Banking and explore ways to improve access to venture and risk capital and other forms of non-bank lending; and
- pursue a long-term strategy for improving the capacity and quality of the UK's network infrastructure, including measures to address pressures in transport and energy networks by promoting more efficient and robust planning and decision-making processes, and harnessing appropriate public or private financing arrangements.

Implementing the budgetary strategy

Recommendation 1

Fully implement the budgetary strategy for the financial year 2012-13 and beyond, supported by sufficiently specified measures, to ensure a timely correction of the excessive deficit in a sustainable manner and the achievement of the structural adjustment effort specified in the Council recommendations under the EDP and to set the high public debt ratio on a sustained downward path. Subject to reinforcing the budgetary strategy for the financial year 2013-14 and beyond, prioritise growth-enhancing expenditure to avoid the risk that a further weakening of the medium-term outlook for growth will negatively impact on the long-term sustainability of public finances.

3.2 The Government's strategy is designed to protect the economy through this period of global uncertainty, to maintain market confidence in the UK and to lay the foundations for a stronger, more balanced economy in the future.

3.3 The Government is taking decisive action through:

- monetary activism and credit easing, stimulating demand, maintaining price stability and supporting the flow of credit in the economy;
- deficit reduction, returning the public finances to a sustainable position and ensuring that fiscal credibility underpins low long-term interest rates;
- reform of the financial system, improving the regulatory framework to reduce risks to the taxpayer and build the resilience of the system; and
- a comprehensive package of structural reforms, rebalancing and strengthening the economy for the future, including an ambitious housing package and programme of infrastructure investment.

3.4 Chapter 2 of the UK's 2012-13 Convergence Programme provides further details.

3.5 Fiscal policy is reserved to Parliament under the devolution settlements.

Fiscal framework

3.6 The Government's fiscal strategy is underpinned by clear targets that ensure the public finances are set on a sustainable path. As announced in the June Budget 2010, the Government has set a forward-looking fiscal mandate to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. This fiscal mandate is based on:

- the current balance, to protect the most productive public investment expenditure;
- a cyclically-adjusted aggregate, to allow some fiscal flexibility at times of economic uncertainty; and
- a rolling five-year forecast period, ensuring that fiscal consolidation is delivered over a realistic and credible timescale.

3.7 The fiscal mandate is supported by a supplementary target for debt that requires public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16, ensuring that the public finances are restored to a sustainable path.

3.8 The OBR's March 2013 Economic and Fiscal Outlook concludes that the Government remains on course to meet the fiscal mandate. The OBR's judgement is that the Government's policies are consistent with a roughly 70 per cent chance of achieving the fiscal mandate in 2017-18. The OBR's forecast is for the fiscal mandate to be achieved a year early, in 2016-17.

3.9 The OBR has forecast that public sector net debt as a percentage of GDP will be falling in 2017-18, two years later than set out in the supplementary debt target.

Fiscal strategy

3.10 The Government's judgement is that significant changes to the path of consolidation in the short term would constrain the operation of the automatic stabilisers, limiting their ability to support the economy.

3.11 In 2010 the Government set out clear, credible and specific medium-term fiscal consolidation plans to return the public finances to a sustainable path. In line with the Government's fiscal strategy, Budget 2013 set out:

- the Government's commitment to deficit reduction, primarily through spending consolidation;
- a reduction in Resource Departmental Expenditure Limits (RDEL) of £1.1 billion in 2013-14 and £1.2 billion in 2014-15;
- an envelope for current spending in 2015-16 of £694.2 billion, enabling the Government to increase capital spending plans by £3 billion a year; and
- a sustained decline in the structural deficit as headwinds to growth ease, with cyclically-adjusted net borrowing falling by an annual average of around 1 per cent of GDP over the forecast period.

3.12 The Government's fiscal strategy has been effective in providing protection against a challenging backdrop of global uncertainty and fiscal vulnerabilities. This has restored fiscal credibility, allowing activist monetary policy and the automatic stabilisers to support the economy.

3.13 Implementation of the Government's fiscal consolidation plan is on course:

- by the end of 2012-13, around 70 per cent of the annual fiscal consolidation planned for the Spending Review 2010 period will have been achieved, with around 65 per cent of the spending and around 90 per cent of the tax consolidation in place;
- by the end of April 2013, the Government will have implemented measures to deliver over 90 per cent of the total savings expected from reforms to the welfare system; and
- the majority of tax consolidation measures announced will have been legislated.

3.14 The Government has made significant progress in reducing the deficit and reversing the unprecedented increase in borrowing between 2007-08 and 2009-10:

- public sector net borrowing is forecast to fall by a third over the three years from 2009-10, from 11.2 per cent of GDP in 2009-10 to 7.4 per cent of GDP in 2012-13;
- cyclically-adjusted general government net borrowing – a measure of the deficit that excludes the effects of the cycle, and so illustrates the structural fiscal position

– is forecast by the IMF to fall by 4.3 percentage points of GDP between 2009 and 2012, which is a larger reduction than any other country in the G7;

- Total Managed Expenditure (TME) is planned to be £10.2 billion lower in 2012-13 than forecast at Budget 2012, ensuring the deficit continues to fall; and
- cumulative debt interest payments from 2010-11 to 2015-16 are forecast to be £31 billion lower than expected at the June Budget 2010.

3.15 Budget 2013 set out the next steps in the UK's fiscal consolidation by fixing an envelope for TME for 2015-16. The Government has set this envelope in line with the assumption that total spending will continue to fall in 2015-16 at the same rate as over the Spending Review 2010 period. The envelope for current spending in 2015-16 is set at £694.2 billion.

3.16 As a result of the plans set out in Budget 2013, public spending is projected, by the OBR, to fall from 47.4 per cent of GDP in 2009-10 to 40.5 per cent of GDP by 2017-18, around the same level as 2004-05 and close to its long-run average. Public sector current receipts are projected to rise from around 36.2 per cent of GDP in 2009-10 to around 38.3 per cent of GDP by 2017-18.

3.17 80 per cent of the total consolidation in 2015-16 will be delivered by lower spending. This is consistent with OECD and IMF research, which suggests that fiscal consolidation efforts that are focused on spending are more likely to be successful.

Reforms to support growth

3.18 The Government has set out its plan to put the UK on a path to sustainable, long-term economic growth. As part of this, the Plan for Growth, Autumn Statement 2011 and the National Infrastructure Plan 2011 announced a wide-ranging programme of reforms and investment in infrastructure to help build a stronger and more balanced economy. The Government has reprioritised spending to support growth, within its overall fiscal plans. Autumn Statement 2011 and Autumn Statement 2012 each announced £5 billion of additional capital spending in the current Parliament. Those increases were made permanent in Budget 2013, which announced an extra £3 billion per annum of capital spending from 2015-16 onwards.

3.19 Work is well underway on all commitments and as part of Budget 2013 the Government published an update of progress on all measures announced through the Plan for Growth so far. Updates on the top-40 priority infrastructure projects in the UK were also published alongside Budget 2013. In its Economic and Fiscal Outlooks, the OBR has recognised that the structural reform policies announced could have a positive effect on growth.

3.20 At Autumn Statement 2012, the Government announced that it will provide up to £1.5 billion in loans to finance small firms' exports, and £70 million of additional funding to UK Trade and Investment (UKTI) to increase support for small and medium size exporters.

Rebalancing the economy

3.21 The OBR forecast shows the UK economy rebalancing over the forecast period. Having grown by almost 5 per cent in 2012, business investment is forecast to pick up again in 2014 and make an increasing contribution to GDP growth thereafter, rising to nearly 1 percentage point by 2017. After falling in 2012, UK exports are also expected to pick up and net trade is forecast to make a small positive contribution to growth from 2013.

Reforming the housing sector

Recommendation 2

Address the destabilising impact of high and volatile house prices and high household debt by implementing a comprehensive housing reform programme to increase housing supply and alleviate problems of affordability and the need for state subsidisation of housing. Pursue further reforms to the housing market, including the mortgage and rental markets, financial regulation and property taxation to prevent excessive volatility and distortions in the housing market.

3.22 The Government has announced a major new package of measures to support home ownership and generate new housing supply, complementing and going further than existing measures, including those set out in Laying the Foundations: A Housing Strategy for England.[1] These ambitious measures which will stimulate economic activity in the near future are underpinned by the Government's commitment to support improved housing market stability through land use planning and mortgage market reforms.

3.23 This section focuses on the package of measures announced at Budget 2013, including the Help to Buy programme and the implementation of existing commitments, including through:

- promoting increased levels of home ownership, by supporting a return to responsible higher loan to value lending within a suitable regulatory system;
- measures to support the increased supply of new houses of all major tenures; and
- reforms to the planning system to support economic growth and new housing delivery where it is most needed.

Supporting home ownership

3.24 The availability of high loan-to-value (LTV) lending has seen a sharp reduction in the wake of the financial crisis. This has made it significantly more difficult for credit worthy households to become home owners. The average deposit now makes up 79 per cent of a First Time Buyer's annual income compared to 36 per cent in the early 2000s, while the number of first time buyers has fallen to its lowest rate in 25 years from an average of around 470,000 a year in the early 2000s to 220,000 in 2012.[2] The owner occupation rate for those aged between 25 and 34 fell from 67 per cent in 1991 to 43 per cent in 2010-11.[3]

3.25 The Funding for Lending Scheme[4] (FLS) is already helping address these problems. Bank funding costs have dropped markedly since the FLS was announced, reflecting both the impact of the scheme and wider global developments. This has been reflected in the prices and availability of loan products to UK households. Recent statistics from the Council for Mortgage Lenders show that January 2013 saw the best start to a year for mortgage lending volumes since 2008.

[1] https://www.gov.uk/government/publications/laying-the-foundations-a-housing-strategy-for-england--2
[2] Based on Council for Mortgage Lenders data
[3] English Housing Survey
[4] http://www.bankofengland.co.uk/markets/Pages/FLS/default.aspx

3.26 Help to Buy[5] announced at Budget 2013 goes further to help these households through a package of measures to increase the supply of low-deposit mortgages for credit-worthy households, increase the supply of new housing and contribute to economic growth. These measures comprise a Government equity loan on new build properties, and a Government guarantee on mortgages at 80-95 per cent loan to value.

3.27 The Help to Buy: equity loan scheme will provide £3.5 billion of additional investment to help people into home ownership. The scheme will be open from 1 April 2013 and will provide an equity loan worth up to 20 per cent of the value of a new build home, interest free for the first five years, be repaid on sale or when the mortgage is repaid. This will help support up to 74,000 home buyers over three years, as well as providing a boost to the UK's construction sector. The scheme is delivered in partnership with developers, building on the success of the existing First Buy scheme.

3.28 The Help to Buy: mortgage guarantee[6] will provide lenders with guarantees on mortgages where a borrower has a deposit of between 5 per cent and 20 per cent. This will encourage lenders to offer a greater number of mortgages to borrowers with small deposits. The scheme will not be open for lending at loan-to-values (LTVs) higher than 95 per cent. Subject to the final design, it will make up to £12 billion of Government guarantees available, which is sufficient to support £130 billion of high loan-to-value mortgages.

3.29 The new Bank of England Financial Policy Committee (FPC) is being given new macro-prudential tools in order to promote macro-economic stability. Consistent with this, the Government will ask the FPC to assess, in three years' time, the impact of this scheme on financial stability and advise whether, in light of this assessment, it should be continued. The scheme will be available from January 2014 and will run for three years. In the interim, the Government will work closely with lenders to design a scheme that is effective and will work for their customers.

Increasing Housing Supply

3.30 Net housing additions in 2010-2011 were at the lowest level since the early 1990s, within the context of a long term under supply of new homes. This has been an impediment to UK growth and has driven up house prices compared to earnings. Over the medium term, supply side reform, such as the planning measures outlined below, is crucial to improving this.

3.31 In the more immediate term, the significant decline in transactions within the housing market has had significant effects on housing supply. The Help to Buy measures will stimulate the new build market. The equity loan element in particular is focused on new build, with the scope to support around 74,000 home buyers. Help to Buy builds on the success of the First Buy and New Buy schemes which have supported over 12,500 new build housing reservations to date.

3.32 The Get Britain Building[7] scheme has been launched in order to provide development finance to support stalled housing units. Contracts have been signed to support the development of 8,600 homes, with a further 6,400 homes currently in due diligence. At the end of March 2013 the vast majority of projects (182) were under contract with the Homes and Communities Agency. 170 have started on site to provide more than 11,000 homes. A few projects remain in contract negotiation.

[5] http://www.hm-treasury.gov.uk/10012.htm

[6] http://cdn.hm-treasury.gov.uk/help_to_buy_mortgage_guarantee_scheme_outline.pdf

[7] http://www.homesandcommunities.co.uk/get-britain-building

3.33 The Government is also taking steps to support more private investment within the rented sector. In line with Sir Adrian Montague's report on investment within the private rented sector,[8] the Government launched a £200 million Build to Rent[9] fund in September 2012, providing debt or equity development finance for bespoke new private rented homes. This fund has been significantly oversubscribed and Budget 2013 announced that funding would be increased to £1 billion over three years.

3.34 To complement this, the Government has also announced that it will support up to £10 billion of debt guarantees for private and affordable rented housing. The schemes are designed to attract investment from fixed income investors seeking a stable, long term return on their investment but who do not want to expose themselves to residential rental property risk. The affordable housing guarantee will be supported by £450 million of grant funding in England, which will support around 30,000 affordable homes.

Mortgage Market Review

3.35 The Financial Services Authority (FSA), the independent non-governmental body that used to regulate the financial services industry in the UK, completed its wholesale review of mortgage market regulation in the UK, the Mortgage Market Review[10] (MMR). The FSA published its final rules in October 2012 and these will come into force 18 months later in April 2014.

3.36 The FSA's rules are based on three principles of mortgage underwriting:

- mortgages and loans should only be advanced where there is a reasonable expectation that the customer can repay without relying on uncertain future house price rises;
- the affordability assessment should allow for the possibility that interest rates might rise in the future: borrowers should not enter contracts which are only affordable on the assumption that low initial interest rates will last forever; and
- interest-only mortgages should be assessed on a repayment basis unless there is a believable strategy for repaying out of capital resources that do not rely on the assumption that house prices will rise.

3.37 The FSA have produced its new rules with a view to ensuring the continued provision of mortgage credit for borrowers who can afford it, while preventing the re-emergence of poor lending practices.

Planning

3.38 The Government has introduced a new presumption in favour of sustainable development within a new, consolidated and pro-growth National Planning Policy Framework.[11] This is in line with the principle that development needs should be met and development accepted, except where this would compromise the key sustainable development principles set out in national planning policy.

3.39 It remains early days, but there are encouraging signs that the reforms are having a positive effect. The rate of planning approvals is at a ten year high, while the pace of introducing new local plans is also increasing, with 70 per cent of local authorities now having a published plan.

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15547/montague_review.pdf
[9] http://www.homesandcommunities.co.uk/ourwork/private-rented-sector
[10] http://www.fsa.gov.uk/static/pubs/policy/ps12-16.pdf
[11] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

The Growth and Infrastructure Bill, currently before parliament, includes a number of measures to support growth and new development. This includes tough measures to deal with local authorities who perform poorly on planning, introducing a fast track appeal process to allow developers the right to vary affordable housing requirements on the grounds of viability and new permitted development rights to ease the change of use from commercial to residential use.

Devolved Administrations

Northern Ireland

3.40 The Northern Ireland Executive is committed to delivering social and affordable housing and has set out a comprehensive package of measures.

3.41 The Co-Ownership Scheme[12] allows an applicant to purchase a home without taking out a mortgage for the full purchase price at the beginning. Applicants buy as large a share in their home as they can afford to start with (between 50 and 90 per cent) and can increase their share at any time, paying rent to the Northern Ireland Co-Ownership Housing Association on the share that they do not own. In the 2011-12 financial year, 2,005 social and affordable homes were achieved against the Programme for Government targets, with 2,165 to be delivered in 2012-13.

3.42 The Northern Ireland Executive, through the Minister for Social Development, has recently consulted on a draft Housing Strategy, Facing the Future.[13] The strategy contains 64 proposals designed to: increase the delivery of social and affordable housing by launching a scheme to deliver affordable homes; lead a fundamental review of social housing allocation policy; support the development of additional housing advice; and raise the current fitness standard across all tenures in Northern Ireland. An action plan will be finalised early in 2013-14, which will include delivery targets supporting the principles and themes in the strategy.

3.43 The Minister for Social Development announced in January 2013 his proposals to support the future development and delivery of social housing and to create effective structures for the social housing sector, including a Regional Housing Body staffed by professionals to deliver regional housing services, programmes and strategies to achieve policy goals and objectives; a new landlord function outside the public sector focusing on service to tenants and enabling access to private funding to allow for suitable investment; and an Independent Social Housing Rent Panel which will agree annual rent levels based on a rental policy.

Scotland

3.44 The Scottish Government's housing strategy Homes Fit for the 21st Century[14] aims to deliver a substantial increase in the number of homes across all tenures: at least 30,000 affordable homes over the 5-year term of this parliament, including 20,000 social homes of which at least 5,000 will be council homes. This is currently on track: during 2011-12, 6,882 affordable homes were delivered. Of these, 5,652 were for social rent, including 948 council homes. The Scottish Government is supporting credit worthy borrowers access 90-95 per cent loan to value mortgages for new homes, in partnership with the house building industry, through the MI New Home initiative[15].

3.45 The National Housing Trust[16] (NHT) initiative was developed by the Scottish Government, with support from the Scottish Futures Trust. NHT was the first guarantee-based model for

[12] http://www.co-ownership.org/
[13] http://www.dsdni.gov.uk/housing-strategy-consultation.pdf
[14] http://www.scotland.gov.uk/Resource/Doc/340696/0112970.pdf
[15] http://www.scotland.gov.uk/Topics/Built Environment/Housing/BuyingSelling/minewhome
[16] http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/nht

housing in the UK and is at the forefront of the Scottish Government's new approaches to help boost affordable housing supply and stimulate the economy. The original model for councils and developers leverages in council borrowing and private sector funding to support the delivery of homes for intermediate rent. Deals have been secured for the provision of over 1,000 homes across Scotland, and it is expected to come through the original model and local variants.

Wales

3.46 The Welsh Government's 2012 Housing White Paper[17] outlined an ambitious programme of legislative and non-legislative action. The approach is based on three strategic objectives: increasing the supply of housing; improving the quality of existing housing; and improving housing and housing-related services. Developing more integrated public services and action that cuts across policy areas is a core element of the approach, which will realise the wider benefits of sustainable development, including economic, social, and environmental well being. Key developments include: developing more affordable housing with a target of 7,500 new affordable homes and making the best use of existing homes by bringing 5,000 empty properties back into use.

3.47 The Housing White Paper has also provided a solid foundation for the Housing (Wales) Bill, which is due to be introduced in autumn 2013. The Bill will place a greater focus on preventing homelessness as well as enabling local authorities to discharge their main homelessness duty through suitable accommodation in the private rented sector. It will include provisions to modernise the private rented sector to improve the conditions in the sector and the practices of landlords and lettings agents. The Bill will also include provisions to support the development of co-operative housing and for sites for Gypsy and Travellers.

3.48 The Welsh Government is also bringing forward proposals to reform the arrangements for renting homes in Wales, based on recommendations previously published by the Law Commission. It will publish a White Paper in spring 2013 ahead of a Bill, which will be introduced later in the term of government. As well as simplifying the underpinning law, the Renting Homes Bill will enable the Welsh Government to introduce two model rental agreements. One will be a 'secure contract', based on the local authority secure tenancy, which will be used mainly for long term housing by councils and housing associations. The second 'standard contract' will be modelled on the current assured shorthold tenancy and will be used for all types of shorter term renting in both the private and public sectors.

[17] http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf

Continuing to improve the employability of young people

Recommendation 3

Continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills.

3.49 The Government is committed to ensuring that young people stay attached to the labour market and engaged in society and has therefore embarked on an ambitious programme of measures aimed at:

- improving the employability of young people through the Youth Contract, work experience provided by the Jobcentre Plus Offer and the Work Programme;
- increasing the number of apprenticeships available to young people; and
- improving their skills.

3.50 A number of the actions detailed in the sections on employment, education, workless households and social exclusion also contribute to the UK's efforts towards improving the employability of young people.

3.51 Education and skills policies are a devolved competence, with each of the Devolved Administrations making their own policy decisions.

Labour market situation of young people[18]

3.52 At end of February,[19] 79 per cent of those aged 18-24 were in education, training or employment – 31 per cent in full-time education (FTE) and 48 per cent (of economically active but not in FTE) in work. For 16 and 17 year olds, 83 per cent were in FTE, and the Quarter 4 2012 (academic year start) rate for those Not In Education or Training (NET) was the lowest since consistent records began. 8.4 per cent were NEET in Quarter 4 2012[20] – the lowest comparable rate for over a decade, while NET employment saw the first increase in a final quarter since 2006, but only 1 per cent were NEET at all those ages. After age 18, participation naturally falls, so the NET employment rate affects the NEET rate more than for those aged 16-18. However, for most young people being NEET is temporary as they move between options (Youth Cohort Study, 2010). [21]

3.53 Of the economically inactive, 73 per cent are students, while about a third of ILO unemployed are also in FTE. 9 per cent[22] of all youth who are not students are unemployed (670,000)[23], which is a lower rate than after previous recessions in 1993 (12 per cent) and 1984

[18] For more detail on UK labour market, see page 50.

[19] LMS April 2013, educational status and labour market status of people aged from 16 to 24 Summary Table (A06).

[20] NEET Statistics, Quarterly brief, Quarter 4 2012, February 2013 - http://www.ukces.org.uk/publications/er64-uk-employer-perspectives-survey-2012 http://www.education.gov.uk/researchandstatistics/datasets/a00219248/neet-statistics-quarterly-brief-quarter-4-2012

[21] http://www.education.gov.uk/rsgateway/DB/SBU/b001014/index.shtml

[22] In the case of young people the ILO unemployment rate does not provide a true picture as the survey includes students (a third of the unemployment count for 16-24 year olds) who were seeking and available for work at the time. Moreover, record levels of participation in full-time education or training (FTE) in the UK (see CSR3 below) means also that the "total labour force", by which the number of unemployed is divided, is low enough to create an apparently high rate.

[23] See also Eurostat ratio measure.

(14 per cent). The majority of jobseekers – 56 per cent – are aged 25-49, with 27 per cent aged 18-24 and young people flow off the main unemployment benefit faster – 4 in 5 within 12 months – than older jobseekers (over 30 per cent of the 25 and older claim for over 12 months), Surveys[24] show that of employers who are recruiting, just under two thirds have taken on a young person in the previous year. Just over half of those recruiting for higher skill jobs have taken on a young person.

Employability

3.54 Jobcentre Plus offers flexible support to get people into work, in partnership with other services, provision and employers. This is bolstered by a number of "Get Britain Working" measures including to help young unemployed people get work experience, plus £1 billion of extra help through the Youth Contract and tailored support through the Work Programme for those who could fall out of the labour market altogether.

3.55 Work Experience[25] placements with local businesses help young unemployed people with little or no work experience to gain valuable work-based skills and experience, and improve their CV and enhance their attractiveness to employers. Young people undertaking such a placement continue to receive their benefit and continue to look for permanent work, and the cost of travel and childcare can be covered. Work Experience is important for young jobseekers especially because lack of experience is their biggest barrier to employment. For example, the UK Commission for Employment and Skills[26] (UKCES) finds that while two thirds of employers are positive about school leavers' work readiness, 18 per cent of those who had a negative view cite lack of experience as their concern, whereas fewer than 3 per cent cite poor skills. Ad hoc and early data[27] showed work experience participants were 16 per cent more likely to be off benefits after 21 weeks than a comparable group of non-participants. 86 per cent of those starting work experience placements by November 2012 were in the 18-24 age group.[28] Evaluation of the Jobcentre Plus Offer will be published by the end of 2013.

3.56 The Youth Contract[29] started in April 2012 and will provide nearly half a million new opportunities for 18-24 year olds over three years. Enhancements have included: from December 2012 wage incentives for young people unemployed for six, where they were not yet attached to the Work Programme; and from January 2013 young people in twenty local 'youth unemployment hotspots' receive additional Jobcentre Plus advice from day one of unemployment.

3.57 The Work Programme [30] aims to help those at risk of becoming long term unemployed. It provides tailored support for claimants who need more help to undertake active and effective job-search. Participants receive support to overcome barriers that prevent them from finding and staying in work. It is delivered by contracted service providers who have the flexibility to innovate and to design support according to individual and local needs. Because providers work with claimants for up to two years to achieve sustainable results, it is too soon still to evaluate this measure. Early information was released in November 2012 on results after one year of the Programme and for the initial referrals.[31] This showed that, by the end of July 2012, 56 per cent

[24] UK Commission Employer Perspectives Survey (UKCEPS) 2012, December 2012 – http://www.ukces.org.uk/publications/er64-uk-employer-perspectives-survey-2012

[25] http://www.dwp.gov.uk/policy/welfare-reform/get-britain-working/#experience

[26] UKCES Employer Skills Survey 2011: UK Results, May 2012, and UKCEPS 2012 – http://www.ukces.org.uk/publications/employer-skills-survey-2011

[27] Early impacts of work experience, April 2012 – http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2012/early_impacts_of_work_experience.pdf

[28] Get Britain Working Measures Official Statistics, February 2013, including data for work experience and sector-based academy starts on the Youth Contract – http://research.dwp.gov.uk/asd/asd1/pwp/index.php?page=pwp

[29] http://www.dwp.gov.uk/youth-contract/

[30] http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme/

[31] DWP Work Programme Statistical Release, November 2012 – http://statistics.dwp.gov.uk/asd/index.php?page=wp

of starters had come off benefits, 30 per cent for at least three months and 19 per cent for six months. Young Jobseeker's Allowance claimants accounted for 19 per cent of these (31,000) job placements and 17 per cent of those who had at that time remained in employment for longer, although many of these 'sustained payments' had not been registered when the count was taken. Young people formed 20 per cent (177,000) of all the referrals at that time, from those who had nine months' unemployment or three months if they had been NEET for six months, and some came via the Youth Contract. Results will be updated in June.

Apprenticeships

3.58 The Government is increasing the availability and take-up of apprenticeships, which are central to developing talent and also improving career chances and lifetime earnings for individuals. In 2011-12 more than 250 different Apprenticeships Frameworks were available (each comprising several qualifications and other units of learning) in over 1,400 job roles covering an extensive range of skill levels and occupations. Apprenticeship starts for 2011-12 were up 13.9 per cent on 2010-11 to 520,600. Intermediate Level starts were up by 9.3 per cent, Advanced Level 22.1 per cent and the newer Higher Apprenticeships were up by 67.6 per cent. That most starts were at Intermediate level reflects demand in key sectors. By age, apprenticeship starts were up on 2010-11 by 12.5 per cent for age 19-24 and by 25.9 per cent for age 25 and older. Survey data suggests that progression is a key driver for apprentices and a key outcome, especially for the 25 and older: about one third were undertaking their first full Level 2 qualification. These results increase at Level 3 where 49 per cent were previously at Level 2 or below. The UKCES Employers Survey found that 88 per cent of formal Apprenticeship offers went to new recruits.

3.59 In January the Apprenticeship Grant for Employers[32] (AGE) for SMEs recruiting those aged 16-24 years was extended to December 2013. AGE provides grants to employers with up to 1,000 employees recruiting 16 to 24 year olds with a value of £1,500, to encourage them to develop their business and take on new apprentices. The £1,500 is in addition to the training costs of the Apprenticeship framework which are met in full for young people aged 16 to 18 and 50 per cent for those aged 19 to 24. An independent evaluation report is expected; provisional data show 20,800 payments in the first year. UKCES surveys show that employers who have or offer apprenticeships are split almost equally between those with 250 or more employees, and those with less, with about a third being in the 50-249 employee range.

3.60 From August 2012, National Apprenticeships Service [33] (NAS) standards apply, including a minimum duration of twelve months for those aged 16-18. Following the Holt report[34] on measures to give SME employers more control within the system, and to make it more responsive to their needs, the Richards Review[35] on the future of apprenticeships made recommendations on focusing more on job needs, as well as on quality and incentives and meeting the needs of the changing economy. A Government response, The Future of Apprenticeships in England: Next Steps from the Richard Review, [36] was published on 14 March 2013. Plans for reform are ambitious and far-reaching and a consultation has been launched on how best to turn principles into practice. The consultation ends on 22 May 2013 and a detailed implementation plan is foreseen for autumn 2013.

[32] http://www.apprenticeships.org.uk/Employers/Steps-to-make-it-happen/Incentive.aspx

[33] http://www.apprenticeships.org.uk/About-Us/National-Apprenticeship-Service.aspx

[34] Making Apprenticeships more accessible to small and medium-sized enterprises: a review by Jason Holt, August 2012

[35] The Richards review of Apprenticeships, November 2012

[36] https://www.gov.uk/government/consultations/future-of-apprenticeships-in-england-richard-review-next-steps

Skills

3.61 Skills are being raised. Young people finishing formal education are better qualified than ever. In England in 2012, [37] over 85 per cent of young people were qualified to at least Level 2 by age 19, driven by rising attainment at age 16, and 58 per cent were qualified to Level 3, with one main driver being vocational qualifications. Young people aged 19-24 account for 24 per cent of all Further Education and skills learners, and 44 per cent of apprentices[38]. Recognising the importance of basic skills, benefit claimants in England and Scotland who are required to actively seek or prepare for work can be mandated to undertake activity to address an identified skills need, including basic literacy and numeracy for which fully-funded training is available for everyone in England aged 19 years and over. While regular publications of statistics start later this year, data so far for the academic year 2010-11 shows that over 430,000 claimants of out-of-work benefits started funded training of which a majority were aged 19-24. Also, up to and including November 2012, under the Get Britain Working measures, 36,770 claimants started with further education Colleges or other training providers on sector-based work academy pre-employment training, of which about half were 18-24 year olds.

3.62 Vocational Education and Training is being reformed, following up the Wolf review. Study Programmes[39] are starting in September 2013 so that all young people aged 16-19 years are offered high quality study programmes to help them move on to higher education or into secure skilled employment. All students who are able to will take either Level 3, or a substantial qualification recognised by employers or a university place with work experience. Students who have not achieved a GCSE in English and maths at age 16 will continue to study these subjects.

3.63 The Government has set out proposals for a new programme of Traineeships that will help young people to prepare for apprenticeships and other sustainable jobs.

3.64 Adult skills have improved for ten years. In England, 82.4 per cent economically active people aged 19 or more have at least Level 2 qualifications, 62.2 per cent of them have Level 3, and 40 per cent have attained Level 4 or above. Correspondingly, the share of economically active adults qualified below Level 2 or not qualified at all in England has fallen since 2006, to stand at 17.6 per cent in 2011. Overall there has been a 54 per cent fall in the supply of workers with ‘No Qualifications’ between 1997 Q2 and 2012 Q4, and a 90 per cent increase for those with ‘Level 4+’ qualification over the same period.

3.65 The Government’s Skills Funding Statement 2012-15[40] of December 2012 prioritised funding for where it can have the greatest impact, focusing on individuals (especially young adults, the low skilled and unemployed), who would not otherwise undertake training. Rebalancing investment in skills from April 2013, applications are open for 24+ Advanced Learning Loans to help learners aged 24 and over studying at Level 3 and above meet course fees that are charged up-front, removing one of the main barriers to their learning.

3.66 Employer Ownership of Skills Pilot[41] is a competitive fund, announced in autumn 2011 and running until March 2016, which is open to employers to design and deliver their own workforce training in England, including through industrial partnerships in key economic sectors. Bids closed at the end March for the second round.

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[37] Attainment by Age 19 in 2012 (England), 27 March 2013 – http://www.education.gov.uk/rsgateway/DB/SFR/s001120/sfr13-2013.pdf

[38] Quarterly Statistical First Release, Further Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held, updated March 2013 – http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

[39] http://www.education.gov.uk/schools/teachingandlearning/curriculum/a00210755/16-19-study-programmes

[40] http://www.gov.uk/government/publications/skills-funding-statement-2012-2015

[41] http://www.ukces.org.uk/employerownership

3.67 The European Social Fund in England has contributed to CSR 3 over 2011-13 through support for activities in the Department for Work and Pensions including: piloting support for young people, aged between 18-24 years old, on the first day of unemployment and who need additional support to make the transition from benefits into sustained employment; and voluntary places on the Work Programme for people on incapacity benefit and income support. In addition, in the Skills Funding Agency, ESF invests in: support for young people NEET; skills support for the unemployed; apprenticeships; and workplace learning.

Devolved Administrations

Northern Ireland

3.68 Pathways to Success[42] is the Northern Ireland Strategy to help young people who are not in education, employment or training (NEET). Adopted in May 2012, the Strategy comprises a three tier package of measures aimed at prevention, including: the Community Family Support Programme focused on the needs of disadvantaged families to enable young people to re-engage with education, employment or training; a Collaboration and Innovation Fund to enable community, voluntary and educational organisations to improve the employability of over 5,500 disadvantaged unemployed young people; a Pathways Allowance for young people participating in projects funded by the European Social Fund; and the Community Based Access Programme to provide learner support to 16 to 18 year olds.

3.69 The Youth Employment Scheme[43] introduced in July 2012, offers a new range of measures to address youth unemployment. The focus is on early intervention for young people aged 18 to 24. Measures include Work Experience placements and Skills Development Programmes. The scheme engages directly with employers who are interested in assisting and supporting young people. By the end of March 2013, the scheme had achieved 90 per cent of its year 1 target to provide 1,700 opportunities across all strands of the scheme.

3.70 First Start,[44] introduced in November 2012, provides employers with a weekly waged subsidy for employing eligible 18-24 year olds in either the private, public or community/voluntary sector. The job lasts for a minimum of six months. Young people employed via First Start will receive at least the National Minimum Wage and will become an employee of the business for the period of employment. At the end of March 2013, 361 young people had secured jobs through First Start.

Scotland

3.71 The Scottish Government is taking direct action to tackle unemployment and ensure that people who are out of work or underemployed – particularly young people – have access to the right training, skills and education opportunities. This includes a multi-faceted approach in the Scottish Government's strategy to support youth employment, with actions including:

- the appointment of a dedicated Minister for Youth Employment;
- a commitment to 25,000 new apprenticeship opportunities in each year of the Parliament, the majority of which are targeted at young people; and
- Opportunities for All – a commitment to offer a place in education or training to all 16-19 year olds not already in learning, training or employment.

[42] http://www.delni.gov.uk/pathways-to-success-consultation-document.pdf
[43] www.nidirect.gov.uk/yes
[44] http://www.delni.gov.uk/stepstowork

3.72 The Scottish Government has retained the Education Maintenance Allowance (EMA) in Scotland to provide financial support to young people from the lowest income families to enable them to continue in education and learning beyond school leaving age. The total spend on EMAs in Scotland in 2011-12 was £27.6 million, an increase of £0.4 million from £27.2 million in 2010-11.[45] The Scottish Government considers that helping young people remain in learning is the best way of ensuring their longer-term employment prospects. The EMA supported nearly 35,000 young people in Scotland in academic year 2011-12.

3.73 Investment in Modern Apprenticeship opportunities supports the transition of young people into the work place, providing opportunities to develop their skills in work. The Scottish Government is committed to ensuring 25,000 Modern Apprenticeship opportunities in each year of the Scottish Parliament. Recent performance has shown that over 25,500 individuals started a modern apprenticeship in 2012-13. Skills Development Scotland (SDS) research[46] shows that 92 per cent of those who complete apprenticeships are in work six months later – and most (nearly 80 per cent) are in full-time employment.

Wales

3.74 The Welsh Government's Programme for Government sets out some key measures that will be implemented to prevent young people from disengaging from learning and help support them with entry to the labour market.

3.75 The Jobs Growth Wales Programme,[47] launched in April 2012, aims to create 12,000 jobs over the next three years of delivery for young people aged 16-24. Jobs Growth Wales is giving unemployed young people aged 16-24 valuable work experience for a six-month period. This will be paid at or above the National Minimum Wage for a minimum of 25 hours per week. The aim is for as many of the subsidised opportunities as possible to be sustained. The programme has achieved its year one target, creating over 4,000 job opportunities for young people.

3.76 The employability programme Steps to Employment[48] (for adults aged 18 plus) supports the development of young people and adults, by building confidence, improving employment skills and offering valuable work experience with a view to the individual entering sustained employment.

3.77 The Welsh Government invests a considerable sum each year supporting apprentices in Wales. The Welsh Government is working to encourage employers to recruit new apprentices via its Pathways to Apprenticeship Programme,[49] Young Recruits Programme,[50] engagement with Anchor and Regionally Important Companies and via its Apprenticeship Matching Service.[51] Additional funding put into Apprenticeships, an additional £20 million in 2013-14 and an indicative £20 million in 2014-15 Budget to support apprenticeships in Wales, targeted especially at those in the 16-24 age group, and £5 million additional funding to support apprenticeships delivery in 2012-13.

[45] http://www.scotland.gov.uk/Topics/Statistics/Browse/Lifelong-learning/EMAtrend
[46] http://www.skillsdevelopmentscotland.co.uk/news/ma-outcomes-2012.aspx
[47] http://wales.gov.uk/topics/educationandskills/skillsandtraining/jobsgrowthwales/?lang=en
[48] http://wales.gov.uk/topics/educationandskills/skillsandtraining/stepstoemployment/?lang=en
[49] http://wales.gov.uk/topics/educationandskills/skillsandtraining/apprenticeships/pathway/?lang=en
[50] http://wales.gov.uk/topics/educationandskills/skillsandtraining/apprenticeships/youngrecruitsprogramme/?lang=en
[51] http://wales.gov.uk/topics/educationandskills/skillsandtraining/apprenticeships/matchingservice/?lang=en

Facilitating the labour market integration of people from jobless households

Recommendation 4

Step up measures to facilitate the labour market integration of people from jobless households. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to facilitate access to childcare services.

3.78 The Government has an ambitious agenda of reform which will modernise the welfare system. It is committed to tackling poverty and welfare dependency; helping people without jobs to find work and support themselves and their families; and ensuring that the most vulnerable in society are protected. The Government considers that work is the best route out of poverty. This section focuses on the main measures adopted in order to tackle:

- worklessness issues;
- child poverty; and
- childcare issues.

3.79 A number of the actions detailed in the sections on employment, skills, education and social exclusion also contribute to the UK's efforts towards reducing worklessness.

3.80 Employment is a reserved power to Parliament under the devolution settlements. However, the Devolved Administrations all have policies which promote economic development and employment. Details of the policies being implemented in Northern Ireland, Scotland and Wales are included in this section.

Labour market situation[52]

3.81 For December 2012 to February 2013,[53] employment increased on year and stands at 71.4 per cent. In the last quarter of 2012, full-time employment reached the highest level since early 2009, with 73 per cent of the employed working full-time, and the number in part-time work falling. Permanent employees make up about 80 per cent of all those in employment. The employment rate for women and for those aged 50-64 is 67 per cent. Female employment has been growing consistently, in part attributable to the equalising upwards of women's pension age and the introduction of benefit conditionality for the lone parents of older children. Rates increased also for active people with disabilities to 43 per cent for those with work-limiting disabilities and 49 per cent for those with disabilities that limit their day-to-day activities.

3.82 The total number of workforce jobs has risen, as have vacancies notified to Jobcentre Plus, the public employment service. The ILO unemployment rate was 7.9 per cent of the economically active population, also down on a year earlier. The number of people claiming the main out-of-work benefit, Jobseekers Allowance (JSA), fell on year, giving a rate of 4.6 per cent, as did the inactivity rate (now 22.2 per cent), including because the numbers participating in the labour market are rising. The largest inactive group is comprised of students. The other two main groups, inactivity due to long-term sickness and those who have retired before age 65, have both fallen significantly. The number on the main inactive benefits is the lowest for nearly

[52] For more detail see page 50.

[53] Labour Market Statistics, April 2013, Office for National Statistics http://www.ons.gov.uk/ons/dcp171778_305051.pdf

20 years although about two thirds of people claiming one of the main out-of-work benefits are claiming an inactive benefit rather than JSA.

3.83 It is forecast that unemployment will peak at 8 per cent in 2014 then fall to 6.9 per cent in 2017. Total market sector employment is expected to rise by around 2.6 million between the start of 2011 and the start of 2018.

Jobless households

3.84 The Working and Workless Households 2012 Statistical Bulletin[54] recorded that all adults were out of work in 17.9 per cent of households, down 0.8 points from the year before and the second consecutive fall. The proportion of households in which no adult has ever worked was also down on the year to 1.7 per cent (or 1.3 per cent excluding student households).

3.85 The majority of workless households were where all residents were inactive accounting for 13.4 per cent of all UK households. In only 2.7 per cent of households was every person unemployed, with 1.8 per cent having a mix of unemployment and inactivity. In terms of age groups, almost one in five people aged 50 to 64 years old lives in a household where no one works (and 17 per cent of all jobseekers are aged 50 or over while 15 per cent of economically inactive are people who retired before age 65), whereas those aged 35 to 49 are least likely to live in workless households (at 8.4 per cent).

3.86 On causes of worklessness, temporary or long-term sickness was the main reason given – 23 per cent of those identified in the Labour Force Survey as economically inactive. The picture changes on a regional basis with the highest rates of worklessness found in former industrial areas. The highest levels of inactivity due to student status were found in London, and Southern England had the highest percentage of people citing retirement as the reason.

3.87 Worklessness in one parent households with dependent children continues to fall down from some 52 per cent of lone parent households in 1996 to 37 per cent in 2012, which is 2.2 points lower than 2011. About 5 per cent of households with couples with dependent children were workless, reflecting the possibility of sharing childcare responsibilities. Nevertheless, 59 per cent of lone parents with dependent children were in employment. Overall, there has been a general decline in the number and percentage of children living in workless households since 1996. Of a total of 1.75 million children in workless households, 66 per cent lived with a lone parent and 32 per cent with a couple.

3.88 Of all households with dependent children, 13 per cent were workless compared with 21 per cent of households without dependent children. Over one third (41 per cent) of workless households are in fact those of single people without children. Similarly, a greater percentage of people with dependent children were employed than those without: 78 per cent compared with 68 per cent, in part reflecting age differences and retirement. For women in a couple, the employment rate for those with dependent children was higher than for those without: 71 per cent compared with 66 per cent.

3.89 Universal Credit[55] aims to reduce the number of workless households by reducing the financial and administrative barriers to work that exist in the current system of benefits and tax credits. In December 2012, the revised Impact Assessment was published. This reflected

[54] http://www.ons.gov.uk/ons/rel/lmac/working-and-workless-households/2012/stb-working-and-workless-households-2012.html This bulletin looks at the employment status of all adults aged 16+ living in households where at least one member is aged 16-64. All figures relate to the April-June quarter in the specified year. An interim update (presenting October-December estimates only) is expected to be published in the summer, and the next full annual publication in September 2013.

[55] http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/

changes[56] since the primary legislation was passed, including changes to work allowances (earnings disregards), the Minimum Income Floor for the self-employed and simplification of rates for the under 25 (who if they are without children and without a disability are not entitled to tax credits now but will be entitled to Universal Credit). It is estimated that up to 300,000 more people will enter work as a result of improved financial incentives alone. A further 100,000 may do so by virtue of increased simplicity and a generally smoother transition to work, while additional interventions applying conditionality could result in up to 100,000 more people moving into employment. Moreover, some people who are already employed could be encouraged to increase their hours of work. Universal Credit will, for the first time, introduce "in work" conditionality for those who earn below an earnings threshold equivalent to working full time at the national minimum wage (lower for claimants with caring commitments). This in-work conditionality aims to help strengthen the incentive to increase hours and earnings for those on low incomes. Universal Credit seeks to improve the incentive to enter and work and progress within work by use of a single system for treatment of earnings, with a single taper. Figures are not yet available; estimates on this are indicative at present.

3.90 From April 2013, processes will be tested in selected local authorities, with a phased transfer of different claimant groups and new claims to Universal Credit from October 2013. The transition is expected to be completed at the end of 2017. No-one already on benefit whose circumstances remain the same will lose out in cash terms as a direct result of the move to Universal Credit. These claimants will be given transitional protection to avoid cash loss at the point of change.

3.91 In February, a Universal Credit Local Support Services Framework[57] was published and will be put in place to help claimants who may require extra support to access Universal Credit, during phase 2 from October 2013 to 2014. By 2014-15 this will be assessed using local authority led pilots, demonstration projects and the Pathfinder exercise. A programme of evaluation will focus on delivery and implementation of the scheme; attitudes and behaviours; impacts and impact measurement; testing and experimentations, and cost-benefit analysis.

3.92 Other benefit reforms include, from April 2013, the Government placing a cap on the total amount of benefit that working-age people can receive so that, broadly, households on out-of-work benefits will no longer receive more in welfare payments than the average weekly wage for working households. The aim is to achieve long term positive behavioural effects through changed attitudes to welfare, responsible life choices and strong work incentives. There will be instance exemptions, for those households which include someone receiving certain benefits related to incapacity or the key in-work benefit.[58] Otherwise, the cap will be initially applied through Housing Benefit and from October 2013 the cap will also be applied to new claimants to Universal Credit including those migrating from existing benefits. There will be robust monitoring from the outset and a full evaluation of the impacts, with a review after one year, to be published in autumn 2014.

3.93 In light of the national economic situation and after this current tax year, certain working-age social security benefits and payments, certain elements of tax credits, and Child Benefit, will be up-rated by one per cent rather than by prices (as measured by the Consumer Prices Index

[56] Universal Credit and related draft regulations were laid before Parliament in December 2012. These include changes that will support the introduction of Universal Credit, on Jobseeker's Allowance, Employment and Support Allowance and new Personal Independence Payment (replacing Disability Living Allowance from April). These regulations followed consultation with the Social Security Advisory Committee, a statutory advisory body.

[57] http://www.dwp.gov.uk/docs/uc-local-service-support-framework.pdf

[58] households which include somebody who is receiving Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefit (and those receiving War Disablement Pension and the equivalent payments from the Armed Forces Compensation Payments Scheme), Attendance Allowance or receiving the support component of Employment Support Allowance will be exempt from the cap. Households with a member who is entitled to Working Tax Credit will also be excluded from the benefit cap. This will increase the incentive for people on out-of-work benefits to find jobs because once they are in receipt of Working Tax Credit - or the earnings equivalent under Universal Credit – their benefits will no longer be capped.

('CPI')) for the tax years 2013-14, 2014-15 and 2015-16. The Government wants to ensure that the welfare system remains sustainable over the longer term and the budget is managed appropriately whilst continuing to provide support for those who cannot expect to move into work. Whilst it is not possible accurately to project the trajectory of household earnings, it is likely that in-work families with children will benefit from the steady earnings growth forecast by the Office of Budget Responsibility. Where they are subject to an up-rating, rates of benefits and Tax Credits will rise in cash terms.

3.94 The Social Justice strategy, [59] published March 2012, aims to tackle the root causes of disadvantage and the pathways to poverty including worklessness. An Outcomes Framework[60] was published in October 2012. This sets out what the Government wants to achieve and how it will measure success. The indicators have been designed to help the Social Justice Committee within Government to shape future policy by highlighting priorities, identifying good progress and where more work is needed e.g. by aiming to reduce the proportion of claimants who have received working-age benefits for at least three out of the past four years, when they are capable of work or work-related activity. Following consultation the final Framework was published in March 2013.

Child poverty

3.95 In June 2012, the Government published a report on the target to halve relative child poverty by 2010[61]. This showed that the narrow relative income target was missed by 600,000 children. The child poverty figures published at the same time for 2010-11[62] further showed that although 300,000 children had moved out of relative income poverty, this was largely due to a fall in the median income; such children were no better off, their lives remained the same.

3.96 The Government remains committed to tackling child poverty and to the Child Poverty Act, but it does not believe that targets based on income alone can capture the full picture. It is, therefore, considering better, multi-dimensional measures of child poverty which will capture the reality of poverty and ensure that its causes can be addressed better. A consultation[63] closed in February, responses are being analysed and the Government will respond later this year.

Childcare services

3.97 In the UK, childcare is available in various forms, such as early years provision in maintained schools (15 per cent of providers), including Sure Start Children's Centres which prove integrated services, and providers of full-day or sessional care, which together increased slightly in volume in 2011 compared to 2010. Under current provision and Government support measures, nearly four-fifths (78 per cent) of all families with children under 15 use some form of childcare, according to Survey results[64]. Of these, 63 per cent use formal and 39 per cent use informal provision, with many using both. As previous NRPs have explained, analysis shows that most parents who choose informal childcare do so because they prefer it.

3.98 The Survey showed that reported take-up of the entitlement to free early education for children aged three and four rose significantly to reach 88 per cent in 2011. Parents with school-age children were most likely (60 per cent) to use childcare for reasons related to their child such as educational or social development, followed by their own economic reasons (42

[59] http://www.dwp.gov.uk/docs/social-justice-transforming-lives.pdf
[60] http://www.dwp.gov.uk/docs/social-justice-outcomes-framework.pdf
[61] Child Poverty in the UK: The Report on the 2010 target
[62] http://statistics.dwp.gov.uk/asd/hbai/hbai2011/pdf_files/full_hbai12.pdf
[63] Measuring child poverty: a consultation on better measures of child poverty – http://www.dwp.gov.uk/policy/child-poverty/
[64] Childcare and Early Years Providers Survey 2011 update, January 2013 – http://www.education.gov.uk/rsgateway/DB/STR/d001088/index.shtml

per cent), for instance so they could work or study, while 19 per cent used childcare to gain more personal time.

3.99 Parents were generally fairly positive about the flexibility of available childcare, with 92 per cent satisfied with the number of free hours available, while just over half (53 per cent) of non-working mothers said that they would prefer to work if they could arrange reliable, convenient, affordable, and good quality childcare.

3.100 A new scheme to offer tax free childcare to working families was announced at Budget 2013.[65] Support will be equivalent to the basic 20 per cent tax rate on yearly childcare costs up to £6,000 per child, up to £1,200 per child. To be eligible each parent must be in work, earning less than £150,000 a year and not already receiving support through tax credits or Universal Credit. The scheme will be phased in from autumn 2015. Eligibility will be for children aged under 5 at the outset, extending over time to include children under 12, when support will be open to 2.5 million working families, which represents five times those that benefit from existing provision.

3.101 The childcare element of the Working Tax Credit will become part of the Universal Credit and the 15 hours of free early education for all aged three and four will be extended to 40 per cent of two year olds by 2014, focusing on lower income families. Recently published funding allocations aim to increase simplification and transparency, and ensure as much funding as possible reaches end users. Support for childcare within Universal Credit will be increased, to a level equivalent to 85 per cent coverage of childcare costs for households qualifying for the Universal Credit childcare element, and where a lone parent or both earners in a couple pay income tax. It will be phased in as the childcare element of tax credit moves across to Universal Credit from April 2016.

3.102 In June 2012, the Prime Minister announced a Commission on Childcare[66] to look at how to reduce the costs of childcare for working families and the burdens on childcare providers. In January, the Government published More great childcare: Raising quality and giving parents more choice[67] with proposals to improve the workforce providing early years care, allow high quality providers to offer more places, and to give more choice to parents. Consultations ended on 25 March on staff-to-child ratios for Early Years, to increase places, and on the qualifications that those working in the sector need.

3.103 Draft legislation[68] to extend to all employees the right to request flexible working has been published and, subject to Parliamentary process, will enter into force in 2014. This should allow all employees with 26 weeks of qualifying service to request changes to the way they work and so aid a better work-life balance. This extension will increase the number of workers supported under legislation to approximately 20.6 million, from approximately 9.9 million under current rights. A consultation on shared parental leave and pay ends on 20 May.[69]

3.104 European Social Fund helps to support the Social Justice strategy, including employment related support for troubled families, support for offenders and ex-offenders, and community grants for small voluntary and community organisations to help them reach disadvantaged people who are not working.

[65] http://cdn.hm-treasury.gov.uk/budget2013_complete.pdf , p.54
[66] http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/a00211918/childcare-commission
[67] https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00002-2013
[68] Children and Families Bill 2013 – http://www.education.gov.uk/a00221161/children-families-bill
[69] https://www.gov.uk/government/consultations/consultation-on-the-administration-of-shared-parental-leave-and-pay

Devolved Administrations

Northern Ireland

3.105 The Community Family Support Programme (CFSP)[70] commenced in January 2013 and is designed to focus on the health, social and economic needs of 44 disadvantaged families in five targeted areas. The main aim of the 26 week pilot is to support family members in the NEET category re-engage with education, training or employment and help prevent younger family members becoming NEETs. Of the 44 participating families there are 169 family members consisting of 52 with parenting roles, 30 young people aged 16-24 and 87 children aged below 15. Additional resources will be allocated later in the year to upscale the pilot across Northern Ireland to support a further 500 families.

3.106 The Department for Employment and Learning and the Department for Enterprise Trade and Investment have been tasked by the 2011-15 Programme for Government to develop and implement a new strategy to address economic inactivity in Northern Ireland through skills development and job creation. Measures taken forward under the strategy will focus on re-engaging those currently facing barriers to employment, and identifying preventative measures to prevent at-risk individuals from disengaging from work. A draft Strategy will be presented to the Executive for agreement in the coming months. Following consultation, the measures agreed in the Strategy will be implemented in late 2013 or early 2014.

Scotland

3.107 At the heart of the Scottish Government's strategy is ensuring that shared and sustainable growth provides the most disadvantaged areas and people in society with the opportunity to prosper.

3.108 In September 2012, Scottish Ministers launched Working for Growth[71], a refreshed employability framework for Scotland which builds on the principles of the previous framework published in 2006. Working for Growth emphasises that employability policy and investment across Scotland should have the twin purpose of supporting economic recovery and ensuring that those who struggle most in the labour market are not left behind in the competition for jobs. Key areas for action include: strategy and effective leadership; greater integration and partnership working; tackling inequality; and improving performance. Work to implement the strategy is now underway and will be monitored by the newly constituted Scottish Employability Forum, jointly chaired at a senior political level by Scottish, UK and local government.

3.109 The Scottish Government is legislating, through the Children and Young People Bill,[72] to increase the current entitlement of 475 hours per year of pre-school education for three and four year olds to a minimum of 600 hours per year early learning and childcare for three and four year olds, as well as two year olds who are looked after or under a kinship care order, from 2014. As well as increasing the number of funded hours, the Bill will also seek to increase the level of flexibility of the entitlement, to better meet the needs of young children and parents seeking to balance their childcare responsibilities with work, study or training commitments.

3.110 Getting it right for every child[73] (GIRFEC) is a national programme that aims to improve outcomes for all children and young people in Scotland. GIRFEC introduces the concept of a Named Person for every child. In the case of Pre-School children this will be the family Health

[70] http://www.delni.gov.uk/index/key-external-strategies/community-family-support-programme.htm
[71] http://www.scotland.gov.uk/Publications/2012/09/5609
[72] http://www.scotland.gov.uk/About/Performance/programme-for-government/2012-13/Children-Young-People-Bill
[73] http://www.scotland.gov.uk/Topics/People/Young-People/gettingitright

Visitor, School Age children will have their Head Teacher (or, in bigger schools, their nominee) as their Named Person. The Named Person is the first point of contact for anyone with concerns about the child's well-being. GIRFEC facilitates and demands collaborative working between the different agencies which are required to engage with a child to deliver the best possible outcomes for the child.

3.111 The Scottish Government is legislating, through the Children and Young People Bill,[74] to increase the current entitlement to 475 hours per year of pre-school education for three and four year olds to a minimum of 600 hours per year of early learning and childcare for three and four year olds, as well as two year olds who are looked after or under a kinship care order, from 2014. As well as increasing the number of funded hours, the Bill will also seek to increase the level of flexibility of the entitlement, to better meet the needs of young children and parents seeking to balance their childcare responsibilities with work, study or training commitments.

Wales

3.112 The Childcare Policy Statement Nurturing Children, Supporting Families,[75] published in 2011, outlines the Welsh Government's short and longer term ambitions for quality, affordable and accessible childcare in Wales. The Welsh Government is currently working cross-portfolio and with sector stakeholders to develop policies and activity to support the childcare sector. The Out of School Childcare Grant[76] supports local authorities in providing 'wrap-around' childcare out of school hours and in school holidays. The future of this grant in facilitating access to childcare services is currently being assessed. The Welsh Government is also considering new policies underpinning the structure of the childcare market, including childcare workforce and regulation and inspection. These will influence future access to quality, affordable childcare.

3.113 The Tackling Poverty Action Plan[77] was published in June 2012. The Action Plan seeks to pull together the levers available to the Welsh Government to tackle poverty with a particular focus on tackling child poverty. The aims are to: prevent poverty by breaking the link between socio-economic disadvantage, educational under achievement and the impaired life chances that flow from these; recognise that the best route out of poverty is through employment and help people to improve their skills; enhance the relevance of their qualifications and remove other barriers to employment; and mitigate the impact of poverty. The Action Plan will be refreshed in the summer of 2013 and will include a suite of indicators that will measure progress.

[74] http://www.scotland.gov.uk/About/Performance/programme-for-government/2012-13/Children-Young-People-Bill

[75] Childcare Policy Statement: Nurturing Children, Supporting Families'. Welsh Government 16 February 2011
http://wales.gov.uk/topics/childrenyoungpeople/publications/childcarepolicy/?lang=en

[76] 16 January 2012 Deputy Minister for Children and Social Services Decision
http://wales.gov.uk/publications/accessinfo/drnewhomepage/dr2012/janmar/cyp/5741165/?lang=en

[77] http://wales.gov.uk/topics/socialjustice/publications/tacklepovactionplan

Access to finance

Recommendation 5

Further improve the availability of bank and non-bank financing to the private sector, in particular to SMEs. Support competition within the banking sector, in particular through measures to reduce barriers to entry, increase transparency and facilitate switching between banks as recommended by the Independent Commission on Banking and explore ways to improve access to venture and risk capital and other forms of non-bank lending.

3.114 The Government remains committed to making the UK one of the best places in Europe to start, finance and grow a business. Encouraging further private investment in business finance, particularly for small and medium enterprises (SMEs) and high-growth businesses, remains key to delivering a sustainable economic recovery. To support this commitment, the Government is taking action on bank competition following the Independent Commission on Banking recommendations[78]. The Government has set out a comprehensive package of measures falling into three policy areas:

- access to bank and non-bank finance;
- access to venture and risk capital; and
- banking competition.

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

Access to bank and non-bank finance

3.116 Businesses, particularly SMEs, are heavily reliant on bank finance. In order to support access to finance in the short-term, the Bank of England launched incentives for banks to lend more and the Government is supporting the diversification of lenders in the long term.

3.117 The Funding for Lending Scheme[79] (FLS) was launched in 2012 to boost bank lending to UK households and non-financial businesses and is designed to reduce the funding cost of banks and provide strong incentives to increase their lending. Bank funding costs have dropped markedly since the FLS was announced, reflecting both the impact of the scheme and wider global developments. Recent statistics from the Council for Mortgage Lenders show that January 2013 saw the best start to a year for mortgage lending volumes since 2008.

3.118 The £1.2 billion Business Finance Partnership[80] (BFP) aims to diversify the sources of finance available to smaller and mid-sized firms and reduce their dependence on bank finance. Autumn Statement 2012 announced that BFP had invested £600 million and raised another £650 million from the private sector to create four new funds that will lend to mid-sized companies. Proposals for investing a further £400 million are currently being assessed. Through the Business Finance Partnership, the Government is also investing £87 million through non-traditional channels, such

[78] Final Report Recommendations, Independent Commission on Banking, (September 2011) www.hm-treasury.gov.uk/d/ICB-Final-Report.pdf
[79] http://www.bankofengland.co.uk/markets/Pages/FLS/default.aspx
[80] http://www.hm-treasury.gov.uk/bfp.htm

as peer-to-peer lending and supply chain finance, which alongside private sector investment is expected to facilitate total lending of more than £240 million to SMEs.

3.119 The Government has further supported the Enterprise Finance Guarantee[81] (EFG), introduced in January 2009, enabling lenders to provide debt finance to small businesses which can demonstrate that they have capacity to repay a loan in full, but do not have sufficient security to meet lenders commercial lending requirements. EFG supported £345m loan offers in financial 2012-13. EFG has been extended, for the first time providing a Government guarantee to support the provision of additional trade credit. A pilot scheme started in April 2013, initially with Kingfisher plc. Other trade credit providers across a range of business sectors will join the pilot.

3.120 In 2012 the Government introduced the Start-Up Loans scheme. This provides loans and mentoring support to young entrepreneurs based in England and aged between 18-30 years old. Government has made £117.5 million available to fund the scheme up to 2015. This is broken down into £15.5 million for the pilot phase (2012-13), £42 million for Year 2 (2013-14) and £60 million for Year 3 (2014-15). The Start-Up Loans scheme provided around 2700 loans in 2012-13.

3.121 The Government is creating a Business Bank[82] in the UK. This aims to address gaps in business finance by drawing together the Government's existing initiatives and deploying an additional £1 billion of capital. The bank's first £300 million investment programme is now accepting proposals from lenders, with the first investments expected before autumn 2013. This capital will be invested alongside private investors over the next two years in channels that will help diversify the sources of finance available to SMEs, such as non-bank lenders. The bank will be fully operational by autumn 2014.

Access to venture and risk capital

3.122 Enterprise Capital Funds[83] (ECF) were launched by Government in 2006. ECFs address a market weakness in the provision of equity finance to SMEs by using Government funding alongside private sector investment to establish funds that operate within the equity gap. An equity gap arises where businesses with viable investment propositions are unable to attract investment from informal investors or venture capitalists. In bridging this gap, ECFs aim to alleviate what would otherwise present a significant barrier to enterprise and to productivity growth. Nearly 150 companies have received a total of £180 million since ECFs were launched, and the scheme has received positive feedback. At Budget 2013 an extension to the ECF programme was launched, a £25 million VC Catalyst Fund to help venture capital funds reach their target investment level and begin investing in SMEs.

3.123 The Business Growth Fund[84] (BGF) was launched in 2012 to unlock the potential of fast-growing UK businesses that need long-term capital to drive their future success. As part of the fund, Barclays, HSBC, RBS and Lloyds committed £2.5 billion to provide long term equity investments of £2 to £10 million on ambitious, high growth potential SMEs. The BGF has so far invested over £120 million in 25 companies. At Autumn Statement 2012, the BGF committed to increase budgeting to invest £200 million in 2013-14 and more in future years. It is already making strong progress towards this goal with four investments so far in 2013 totalling £8.25 million.

[81] https://www.gov.uk/government/publications/enterprise-finance-guarantee

[82] http://www.parliament.uk/documents/commons-vote-office/December_2012/20-12-12/2-BIS-BusinessBank.pdf

[83] http://www.capitalforenterprise.gov.uk/ecfp

[84] http://www.businessgrowthfund.co.uk/

3.124 The Enterprise Investment Scheme[85] (EIS) scheme provides tax relief from capital gains and income tax (up to £1 million) for investors who invest in qualifying SMEs. In February 2012, EIS was expanded, increasing the qualifying company limits from 50 employees to 250 employees, increasing the annual investment limit for qualifying companies from £2 million to £5 million and widening the definition of shares which qualify for relief. EIS helps around 2,000 companies to raise funds every year.

3.125 Venture Capital Trusts[86] (VCTs) were introduced by the Government in 1995 to encourage individuals to invest directly in a range of small higher risk trading companies. Income tax relief from income on ordinary shares and capital gains relief when disposing of shares are provided to incentivise investment. The framework for VCTs was simplified in 2012 to relax the rules defining when a person is connected to a company through an interest in its capital, widening the definition of shares which qualify for relief and removing the £1 million limit on investment by a VCT in a single company.

3.126 Launched in April 2012 to help small, early-stage companies to raise equity finance, the Seed Enterprise Investment Scheme[87] (SEIS), aimed at earlier stage start ups than EIS or VCTs, provides an upfront 50 per cent income tax relief to individuals who invest in qualifying seed companies and Capital Gains Tax (CGT) exemption on disposal of shares. An additional incentive of a CGT holiday has been granted for 2012-13 investments in SEIS. This holiday was due to expire in April 2013 but was extended for an additional year at Budget 2013. The scheme has been described as one of the most generous tax relief schemes in the UK.

Banking competition

3.127 One of the impacts of the financial crisis has been to increase the level of concentration in UK banking markets. That is why the Independent Commission on Banking (ICB) has looked at competition in the banking sector as a key area of its work, and why the Government is putting its recommendations[88] into action. Actions taken include:

- a new, industry-led, free seven day switching service, which will go live in September. It will guarantee customers that their account will be switched in seven days from the opening of a new account and will be quick, secure, and hassle-free. This will make it easier and quicker for people to change bank account provider; and
- securing pro-competitive financial regulation through the Financial Services Act 2012[89] which gives the Prudential Regulation Authority (PRA) a responsibility to have regard to the impact of regulation on competition, as well as giving the Financial Conduct Authority (FCA) an operational objective to promote effective competition in the interest of consumers.

3.128 The Government is also going further:

- review of prudential and conduct requirements: the Government asked the then Financial Services Authority and Bank of England to review their prudential and conduct requirements to consider whether there were barriers to entry or expansion

[85] http://www.hmrc.gov.uk/eis/

[86] http://www.hmrc.gov.uk/guidance/vct.htm

[87] http://www.seis.co.uk/

[88] Banking reform: delivering stability and supporting a sustainable economy, HM Treasury, (June 2012): www.hm-treasury.gov.uk/d/whitepaper_banking_reform_140512.pdf

[89] http://www.fsa.gov.uk/static/pubs/other/barriers-to-entry.pdf

in the banking sector[90]. This review was published on 26 March and its recommendations will be implemented by the PRA and FCA. It promises a quicker and easier authorisation process and more proportionate prudential requirements for non-systemic and easily resolvable new entrants;

- Payment Systems: the Government announced on 4 February that Payments Systems will be brought into regulation. This will make sure new players in the market can access them in a fair and transparent way, and that they serve the needs of consumers; and
- transparency: the Office of Fair Trading has recommended that personal current account providers make annual summaries easily accessible, and that providers should do more to help individuals avoid incurring unauthorised overdraft charges by proactively offering text alert services to all their customers.

Devolved Administrations

Northern Ireland

3.129 Having a local banking sector that meets the needs of both consumers and businesses and provides bank lending on a competitive basis is vital to economic recovery and is a strategically very important issue for the Northern Ireland Executive. The structure of the local banking sector has in the past limited its ability to participate in national initiatives designed to improve liquidity.

3.130 Invest Northern Ireland put in place in 2010 a £100 million Access to Finance Initiative[91] to ensure that companies with high growth potential are not held back because they cannot access finance. By offering a suite of funds, Invest Northern Ireland will be able to offer a continuum of funding for business seeking between £1,000 and £2 million. The Access to Finance initiative will have a total of five separate funds totalling more than £100 million, four of which are already available. The fifth fund, the Development Fund, is under development. This suite of support will ensure that SMEs and all spectrums of the development cycle have access to financial support through a range of equity investment and debt financed models.

Scotland

3.131 The Scottish Investment Bank (SIB) delivers risk capital and debt finance support to growth and exporting SMEs by working with banks and, in early stage risk capital, the wider investment community, in particular Business Angel syndicates. The SIB was established by the Scottish Government as a division of Scottish Enterprise in December 2010 to work with the private sector to deliver existing early stage equity schemes and introduce a new loan fund, part funded by the European Regional Development Fund (ERDF), banks and pension funds, aimed at established growth and exporting companies. It is not a deposit taking bank. All funds are operated on a fully commercial basis with private sector partners. During financial year 2011-12, the Scottish Investment Bank's equity schemes invested £24 million in 89 companies, leveraging £57.3 million from private sector partners.

3.132 As a result, the Scottish Government's SME Access to Finance Survey for 2012 shows that 84 per cent of firms were able to access 100 per cent of the money that they were seeking. This is up on the comparable figure of 79 per cent from the 2009 and 2010 survey data. Over the

[90] Banking reform: delivering stability and supporting a sustainable economy, HM Treasury, (June 2012): www.hm-treasury.gov.uk/d/whitepaper_banking_reform_140512.pdf

[91] http://www.boostingbusinessni.com/jobs/access-to-finance/

last year, 9 per cent of firms were seeking new lending, with 32 per cent looking to renew existing facilities.

Wales

3.133 The Welsh Government's subsidiary Finance Wales plc[92] (FW) provides debt and equity funding to Welsh businesses with robust business plans. Through their £150 million Wales Joint European Resources for Micro to Medium Enterprises (JEREMIE) Fund, part funded by the EU, FW has invested £95 million in more than 430 businesses and it is proving to be the best performing fund of its type in the UK. Finance Wales often leverages additional money into Welsh businesses by partnering in investments with the private sector.

3.134 The Welsh Government has also further increased the breadth of Finance Wales's offering by creating three new Funds:

- £40 million Wales SME Investment Fund[93] which caters for large and strategically important sections of the SME market that are not eligible for support under JEREMIE;
- up to £100 million Life Sciences Fund[94] specifically targeting high growth potential business in the sector in Wales; and
- £6 million Micro Business Loan Fund[95] supporting the growth of micro businesses, set up in direct response to the report of the WG's Micro-Business Task and Finish Group.

3.135 Alongside these Finance Wales Funds, the Welsh Government also launched the Wales Economic Growth Fund[96] (WEGF), a non-repayable grant fund. WEGF was set up to encourage business and social enterprise by supporting projects that will stimulate economic growth and create and/or safeguard employment and business to develop and bring forward projects that will have an economic impact and benefit for Wales. In the 2012-13 financial year, the Welsh Government allocated more than £30 million in grants to around 120 business projects across Wales, with the potential to create around 1,800 new jobs and safeguard around 1,600. Following its success, the Business Minister has announced a £30 million, second phase of WEGF. This round of funding is specifically designed to support the needs of smaller businesses requiring funding of between £50,000 and £100,000.

92 http://www.financewales.co.uk/

93 http://www.financewales.co.uk/news_and_media/press_releases/%C2%A340million_wales_sme_fund.aspx

94 http://wales.gov.uk/newsroom/businessandeconomy/2013/7211004/?lang=en

95 http://wales.gov.uk/newsroom/businessandeconomy/2012/120229micro/?lang=en

96 http://business.wales.gov.uk/wales-economic-growth-fund

Improving the UK's network Infrastructure

Recommendation 6

Pursue a long-term strategy for improving the capacity and quality of the UK's network infrastructure, including measures to address pressures in transport and energy networks by promoting more efficient and robust planning and decision-making processes, and harnessing appropriate public or private financing arrangements.

3.136 Infrastructure forms the backbone of the UK economy, and is fundamental for growth and productivity. The UK has extensive and sophisticated infrastructure but as demand pressures increase the Government is committed to taking decisive action to continue to improve the capacity and quality of its networks.

3.137 To support its drive to strengthen UK infrastructure, the Government established Infrastructure UK[97] (IUK) in 2010. IUK has a remit to provide a stronger focus on the UK's long-term infrastructure priorities and meet the challenge of facilitating significant private sector investment over the longer term through a new cross cutting approach to the planning, prioritisation and enabling of investment in infrastructure, and support for the delivery of major infrastructure projects where there is capital investment from the public sector.

3.138 The Government's comprehensive infrastructure strategy is detailed in the National Infrastructure Plan[98] (NIP) which outlines major commitments to invest in critical infrastructure projects as well as steps to attract major new private sector investment and improve delivery. The Government has also identified a substantial pipeline of planned infrastructure investment over the next decade, which includes over 500 programmes and projects worth over £310 billion. In particular, the Government has taken action to facilitate effective planning, prioritisation and delivery for the medium term across all sectors and to mobilise financing and remove barriers to investment.

Improving planning, prioritisation and delivery

3.139 The Government recognises that in the past major infrastructure projects have been held up by poor coordination, planning and regulatory hold ups. To address these barriers to delivery, as part of the National Infrastructure Plan, the Government indentified the Top 40 infrastructure projects and programmes that are of national significance and critical for growth and has put in place a robust plan for delivery. A comprehensive delivery update of progress on the Top 40 was published alongside Budget 2013.[99]

3.140 Budget 2013 also signalled a renewed focus on infrastructure delivery. The Government announced its intention to improve its ability to deliver infrastructure by increasing commercial expertise within Government and establishing robust new Infrastructure Capacity Plans (ICPs). ICPs will assist Government departments with responsibilities for energy, transport, environment and communications in developing their infrastructure delivery capability, including their use of commercial expertise and governance of projects.

3.141 The Government has also implemented major reforms with regard to planning. Some are targeted at the key consenting and advisory agencies involved in planning applications in order

[97] http://www.hm-treasury.gov.uk/infrastructure_about.htm
[98] http://www.hm-treasury.gov.uk/d/national_infrastructure_plan_051212.pdf
[99] http://www.hm-treasury.gov.uk/d/infrastructure_delivery_update_200313.pdf

to give certainty to developers, and consist in ensuring they adhere to a 13-week maximum timescale for most non-planning consents and improve their performance in dealing with planning applications. The Government also completed a review of the implementation in England of the EU Habitats and Wild Birds Directive. Following this review, the Government set up the Major Infrastructure and Environment Unit tasked with reducing unnecessary cost and delay to developers. The Unit became operational in April 2012 and is working on streamlining guidance, setting clearer standards for evidence and changing the culture of statutory bodies.

3.142 The Government is also working to rationalise infrastructure development by capturing additional value through the appropriate management of cross-sector interdependencies. To achieve this, the Government commissioned research to develop an Interdependency Planning and Management Framework. A prototype framework has now been developed and is being tested on existing infrastructure projects such as High Speed 2 and the Battersea Northern Line Underground Tube Extension. The final framework will be delivered in spring 2013.

Securing vital infrastructure investment

3.143 The UK is making significant progress towards securing the right level of infrastructure investment. Annual public and private infrastructure investment between 2010 and 2012 increased to £33 billion per year, from an average of £29 billion per year between 2005 and 2010.

3.144 At Budget 2013[100], the Government increased capital spending by £3 billion pa from 2015-16, unlocking an additional £18 billion additional investment over the next Parliament. This built on the package announced at Autumn Statement 2012[101], where the Government unveiled over £5.5 billion pounds of additional public investment in infrastructure, including:

- £1.5 billion to enhance and improve the road network;
- £120 million in new funding to speed up the delivery of flood defences;
- supporting a Government backed guarantee to allow the Greater London Authority (GLA) to borrow up to £1 billion to extend the Northern Line Underground Tube line to Battersea Power Station; and
- £600 million in Research Council infrastructure and facilities for applied research and development (R&D).

3.145 The Government is also committed to exploring new approaches to attract private sector investment in infrastructure, and has brought forward a series of measures to mitigate the risks, pluralise the infrastructure investment base and ensure investment remains forthcoming.

3.146 In 2012, the Government announced the launch of the UK Guarantees Scheme (UKGS) to attract major new private sector investment by sharing project risks through the use of guarantees[102]. The UKGS provides a sovereign-backed Guarantee to help infrastructure projects raise debt finance by removing project risk. Up to £40 billion in guarantees will be provided to ensure that priority projects in the infrastructure pipeline can raise the finance they need despite challenging credit market conditions. The Northern Line Underground Tube Extension to Battersea is one of the first projects to benefit from the UK Guarantees scheme. Subject to due diligence, the Government will provide a guarantee to allow the Mayor of London to borrow £1 billion at a new preferential rate to support the Northern Line Extension. The extension is key to

[100] http://www.hm-treasury.gov.uk/budget2013.htm

[101] http://www.hm-treasury.gov.uk/as2012_index.htm

[102] http://www.hm-treasury.gov.uk/iuk_uk_guarantees.htm

the redevelopment of Battersea Power Station and has the potential to enable an £8 billion investment at the power station site, supporting the wider redevelopment planned for Vauxhall, Nine Elms and Battersea, which could create up to 16,000 new homes and up to 25,000 new jobs. In February 2013, the Government confirmed that the first UK Guarantee for a commercial sponsor had been agreed for Drax Power Station. A guarantee of £75 million was offered to help Drax convert its power station, which generates electricity to meet seven per cent of the UK's electricity demand, from coal to renewable biomass, a vital infrastructure project highlighting the UK's commitment to the low carbon transition.

3.147 The Government has also launched the world's first Green Investment Bank (GIB). The GIB, funded by £3 billion of Government money, will invest in building green infrastructure and financing projects that will help meet the UK's ambitious climate change targets, set out in the Kyoto Protocol, the 2008 Climate Change Act and the Energy Bill of 2012. The Government has secured State Aid clearance for the GIB and it became operational in October 2012. The bank has already committed £180 million to waste and energy efficiency projects. The bank will commit a further £2.82 billion before April 2015 to various infrastructure projects focusing in particular on offshore wind, waste-to-energy and industrial energy efficiency. The GIB will place the green economy at the heart of the UK's economic recovery and position the UK at the forefront of the drive to develop clean energy.

3.148 The UK is a world leader in developing public private partnerships. To ensure this position is maintained the Government is reforming its Private Finance Initiative (PFI) model and has developed a new approach to public private partnerships, known as PF2. This continues to draw on private finance and expertise to deliver Government investment in public infrastructure and services, whilst addressing the past weaknesses of PFI and responding to recent changes in the economic context. The new PF2 approach will improve value for money and result in faster delivery of projects. PF2 will enable access to the capital markets and provide deleveraged capital structures, facilitated by public sector co-investment, combined with better risk allocation and the removal of certain operational risks are expected to allow access institutional investor capital. PF2 will also continue to encourage alternative financing sources including loan, guarantee and credit support products provided by commercial banks, the European Investment Bank and other financial institutions. The first PF2 programme is expected to be the £1.75 billion privately financed element of the Priority Schools Building Programme subject to a final decision on value for money.

3.149 The Government has also been working at a sectoral level to ensure markets are conducive to private infrastructure investment. For example, in November 2012, the Government introduced the Energy Bill to Parliament to implement Electricity Market Reform (EMR). These reforms will be implemented from 2014 and will provide certainty to investors to bring forward up to £110 billion investment in new infrastructure. This will ensure security of supply and continue the UK's transition to a diverse, low carbon economy as efficiently as possible. The reforms will include measures on value for money to ensure consumers do not pay excessively for the transition through their electricity bills.

Stakeholder focus: the National Association of Pension Funds (NAPF) and the Pensions Protection Fund (PPF)

The Government is constantly seeking to pluralise the infrastructure investment base and, in November 2011, signed a memorandum of understanding with the National Association of Pension Funds (NAPF) and the Pensions Protection Fund (PPF) to build a new infrastructure fund. Known as the Pensions Investment Platform (PIP), the fund is expected to encourage £20 billion of private sector infrastructure finance from pension funds over the next decade. The Government has worked closely with NAPF and PPF to support the foundation of the PIP but it is fully independent of Government. Seven major UK pensions have signed up as founding investors committing £700 million, with £2 billion expected to be in place by the end of this year. The Government is also working with insurance companies to encourage similar investment through an Infrastructure Investment Forum.

Devolved Administration

Northern Ireland

3.150 The Northern Ireland Executive has recognised the importance of improving the capacity and quality of Northern Ireland's transport network through a number of long term measures. During the current budget period a balanced programme of improvements on the strategic road network is being progressed to provide dual carriageway on sections of the A5, the A8 and on the A2. These schemes will provide improved access across the region and better connectivity to gateways. The Programme for Government (PfG) also commits the Executive to investing over £500 million to promote sustainable modes of travel by March 2015,[103] including on projects such as accessible transport schemes and the Belfast On the Move initiatives. Finally, a New Approach to Regional Transportation[104] was launched 2012, which seeks to refocus and rebalance transportation priorities and introduces a new policy prioritisation framework mechanism to assess "policy fit" of proposed actions to deliver better informed decision making on transportation investment.

3.151 Improvements to the Northern Ireland electricity network are ongoing to connect an increasing number of renewable generators to the grid. A new electricity interconnector between Northern Ireland and the Republic of Ireland is at the planning stage. Extension of the natural gas network to a number of towns in the West and North-West of Northern Ireland is planned. The project will provide new gas infrastructure to connect around 34,000 new energy consumers to natural gas. Work to provide new gas transmission pipelines is expected to commence during 2015.

3.152 The Northern Ireland Executive is meeting its 100 per cent broadband availability commitment In line with its aim to offer a continual improvement to telecommunications infrastructure, the Northern Ireland Executive agreed a contract with a satellite provider to make available a basic broadband service to remote parts of Northern Ireland. Three year current broadband packages offer download speeds of 20 Mbps and upload speeds of 6Mbps.

[103] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf
[104] http://www.drdni.gov.uk/rts

Scotland

3.153 The Infrastructure Investment Plan[105] (IIP) sets out the priorities for infrastructure investment in Scotland up to 2030. The Plan sets out four criteria for prioritising investment: delivering sustainable economic growth; managing the transition to a low carbon economy; supporting delivery of efficient and high quality public services; and supporting employment and opportunity across Scotland. A progress report[106], published in February 2013, highlights that significant progress has been made since the publication of the Plan: over 2012, nine of the major infrastructure projects included in the IIP, with a value of £644.5 million, have been completed and are now in use. Over the three year spending period from 2012-13 to 2014-15, the Scottish Government will support infrastructure investment of more than £10 billion through the capital budget, the Non Profit Distributing (NPD) pipeline, rail investment through Network Rail's Regulatory Asset Base (RAB), and switching more than £700 million from resource into capital.

3.154 In order to continue to prioritise capital investment the Scottish Government is pursuing a range of innovative financing approaches. This includes continuing to progress the £2.5 billion Non-Profit Distributing[107] (NPD) pipeline of investment – including accelerating through NPD an additional £80 million of investment in the school building programme. NPD is the Scottish Government's preferred procurement option for financing infrastructure projects through revenue and the pipeline in Scotland is one of the largest programmes of its kind in Europe.

Stakeholder focus: Community Broadband Scotland

A key theme driving innovation in Scotland is the collaboration of national and local agencies in policy delivery. An example of this is *Community Broadband Scotland*, which is a key part of Scotland's Digital Future – Infrastructure Action Plan – and is being delivered nationwide by Highlands & Islands Enterprise, in collaboration with local and national partners.

Designed as a one-stop-shop service, CBS is providing rural community groups with the information and advice they need to find solutions for broadband delivery in their areas. A £5 million Seed Fund is being made available over three years to support rural groups in kick-starting their own broadband solutions.

The primary focus of the seed fund is to support projects that will act as case studies and generate learning, showcasing technical solutions and business models that could be replicated across Scotland. CBS will share best practice and lessons learned from existing community-led projects in Scotland and elsewhere that are delivering innovative broadband solutions in rural areas. Six pioneer projects have been awarded funding in the first round and these pose a diverse range of situations and challenges for local broadband delivery.

Community Broadband Scotland is a partnership between Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise, CoSLA, Scottish Local Authorities Economic Development Group, Carnegie UK Trust, Cairngorms National Park Authority and Loch Lomond and Trossachs National Park Authority.

[105] http://www.scotland.gov.uk/Publications/2011/12/05141922/0

[106] http://www.scotland.gov.uk/Publications/2013/02/5866

[107] http://www.scottishfuturestrust.org.uk/our-work/funding-and-finance/non-profit-distributing/

Wales

3.155 The Wales Infrastructure Investment Plan (WIIP) [108] for Growth and Jobs published in 2012 forms the catalyst for delivering Wales' major infrastructure investments. The Plan sets out how Wales will invest around £15 billion in infrastructure over the next decade and outlines the Welsh Government's seven key strategic investment priorities across both social and economic infrastructure, including improving the transport network in Wales; improving telecommunications networks; and supporting the development of the energy industry in Wales.

3.156 Energy Wales[109] forms the strategy for delivering a sustainable, low carbon economy for Wales. It aims to position Wales at the forefront of key R&D and innovation in the areas of greatest potential. Furthermore, on 1 April 2013, the Welsh Government established Natural Resources Wales bringing together three separate bodies, and forming a single entity to manage the natural resources of Wales and provide a consistent and streamlined consents process.

3.157 The Welsh Government published a prioritised National Transport Plan[110] in 2011. The prioritised Plan focuses delivery on key road and rail projects that will make a difference for jobs and growth and help tackle poverty. Investment along the major east – west routes in both North and South Wales that form part of the TEN-T network is a key priority.

Stakeholder focus: Superfast Cymru

The Welsh Government has made a commitment to ensuring that homes and businesses in Wales have access to next generation broadband by the end of 2015. They are working in partnership with BT through the Superfast Cymru programme to bring the benefits of fibre broadband to those areas outside the planned commercial footprint in Wales. This is the largest investment of its kind currently in the UK and will ensure that, when combined with commercial roll-out, 96 per cent of premises across Wales will have access to fast fibre broadband. The project, together with BT's overall investment in Wales, will see £425 million invested. Roll-out is commencing in 14 local authorities across Wales in 2013-14, expanding to all 22 local authorities by 2015-16.

This investment ensures that all parts of Wales can attract and retain businesses which increasingly rely on high speed broadband. It will ensure that firms remain in Wales and it will attract a more diverse range of high growth, high value companies across all key sectors from tourism to advanced manufacturing. A direct result of the programme BT will create 50 new skilled jobs, 100 new apprenticeships and will protect over 300 existing jobs in Wales.

[108] http://wales.gov.uk/funding/wiip2012/?lang=en
[109] http://wales.gov.uk/topics/environmentcountryside/energy/energywales/?lang=en
[110] http://wales.gov.uk/topics/transport/publications/ntp/?lang=en

4 Performance and transparency

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

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

4.3 In November 2010, the Government for the first time published business plans for each of the main Government departments. The business plans set out how each department aims to implement the reforms set out in the Programme for Government, including specific actions and deadlines and the key indicators and other data they will publish to show the cost and impact of public services. The plans have been updated each year and the latest version of each plan, updated to reflect the Government's Mid Term Review, will be published in May 2013. The public is able to track implementation progress online via the Prime Minister's website.[1]

4.4 The following section reports the UK's approach to the national monitoring and actions taken in support of the five headlines Europe2020 targets, agreed by the European Council in June 2010. As in the 2012 NRP, for each EU level target it sets out:

- the EU level target, the relationship to the Treaty, and the Integrated Guidelines;
- the Government's objective;
- the current level of performance against the objectives (all of the indicators described in the following section can be found on the Prime Minister's website unless otherwise stated); and
- the actions the Government and the Devolved Administration are taking towards meeting the objective.

Devolved Administrations

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

4.6 The Northern Ireland Executive's new Programme for Government 2011-15[2] was agreed by the Executive in March 2012 and endorsed by the Assembly. The programme is managed at three levels: programme, delivery and operational. Reports on progress against commitments are made public on a regular basis. The Programme for Government has been formulated around

[1] http://www.number10.gov.uk/transparency/find-other-government-data/

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

five inter-related priorities and is underpinned by the principles of equality, sustainability and balanced sub-regional growth.

4.7 The National Performance Framework (NPF)[3] sets out the Scottish Government's vision for Scotland and supports delivery of the Scottish Government's Purpose and priorities. The NPF, which was refreshed in December 2011, captures a wide range of economic, social and environmental indicators which cover the target areas identified in Europe 2020. Progress is monitored through Scotland Performs, the Scottish Government's online tool for reporting on progress.

4.8 In Wales, the Welsh Government's strategic plan, the Programme for Government[4] sets out how the administration will measure progress on its commitments, the key actions that will be taken to drive that progress and how it will determine whether actions are on track. An annual report will be published in early June 2013 setting out current performance on the full range of indicators identified in the Programme for Government as well as delivery against the commitments made. This will include a chapter on growth and sustainable jobs. The Programme for Government and the annual report will directly identify the Welsh Government's progress against the commitments made.

[3] http://www.scotland.gov.uk/About/Performance/purposestratobjs

[4] http://wales.gov.uk/about/programmeforgov/?lang=en

Employment

June 2010 European Council conclusions

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

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

Government Objective:

4.9 Overall, the Government will create an environment that encourages enterprise and sustained economic growth to help create sustained jobs and businesses. This provides the conditions to get Britain working, by helping the unemployed quickly into work and addressing longer-term detachment from the labour market, tackling barriers to getting and keeping a job, including for older people who choose to work longer.

4.10 Employment is a reserved power to Parliament under the devolution settlements. Details of the policies being implemented in Northern Ireland, Scotland and Wales are included in this section.

Measuring progress against objectives:

England

Indicator	Current level	Reference period
Number of people on key out of work benefits and rates of moving those from the benefits	Number of people on key out of work benefit – 4.73 million	August 2012
	Rates of people moving from that benefit (JSA) – 90.3 per cent	January 2013
Proportion of young people not in full time education who are not in employment	29.7 per cent	October – December 2012
Number of Incapacity Benefit recipients moving to Employment and Support Allowance nationally	Total reassessments or claims closed: 134,400 Total moved from IB to ESA: 85,800	December 2011 – February 2012
	Total reassessments or claims closed: 134,900 Total moved from IB to ESA: 88,700	March 2012 – May 2012
Proportion of customers for whom providers have achieved a Job Outcome payment at 12 months on the Work Programme	8.6 per cent	June 2011 referrals
	8.1 per cent	July 2011 referrals

Northern Ireland

Indicator	Current level	Reference period
Employment rate (population aged 16-64).	66.3 per cent	November 2012 – January 2013

Scotland

Indicator	Current level	Reference period
Employment rate (population aged 16-64)	71.1 per cent	November 2012 – January 2013

Wales

Indicator	Current level	Reference period
Employment rate (population aged 16-64)	68.6 per cent	September – November 2012

Policy context

4.11 The Government aims to maintain a dynamic and resilient labour market. Low levels of taxation and a carefully balanced approach to labour market regulation mean that firms can adapt to change and have incentives to create new jobs alongside new business opportunities while protecting workers. In addition, employers can offer flexible working arrangements to workers, which helps with recruitment, retention and productivity. The Government makes it easier to recruit unemployed people by using local labour market knowledge to improve claimants' readiness for work, and offering services to employers that satisfy their recruitment needs.

4.12 Employment (16-64 year olds) rose during the first quarter, and is standing at 71.5 per cent for November 2012 to January 2013. In the latest quarter, full-time employment reached the highest level since early 2009, with 73 per cent of the employed working full-time. 27 per cent work part-time, with the number (including those saying they wanted a full-time job) falling on quarter. The employment rate for women at the end of January is 66.6 per cent and the rate for all 50-64 year olds is 67 per cent.

4.13 Female employment has been growing consistently, which may in part be due to the gradual increase in state pension age for women and fewer women retiring before 65 years of age. Similarly, changes in benefit eligibility for lone parents, the majority of whom are women, mean that more are becoming active in the labour force. Rates increased also for active people with disabilities (although with smaller absolute numbers than for other groups) to 43 per cent for those with work-limiting disabilities and 49 per cent for those with disabilities that limit their day-to-day activities.

4.14 The total number of workforce jobs also rose, with the greatest increase in administrative and support service activities and the largest fall in construction, and notified vacancies increased too. Whole economy output per worker increased by 0.6 per cent between Quarters 2 and 3 of 2012, and whole economy unit labour costs fell by 0.1 per cent.

4.15 The number of people claiming Jobseekers Allowance (JSA), producing a rate of 4.7 per cent, the inactivity rate at 22.3 per cent – with the number on the main inactive benefits being the lowest figure for nearly 20 years – and ILO unemployment at 7.8 per cent, all fell on year. Of those jobseekers, 27 per cent were aged 18-24, 56 per cent were 25-49 and 17 per cent were aged 50 or over. Of the economically inactive, 25 per cent were students. In addition, 23 per cent were long-term sick and 15 per cent were people who retired before age 65, with the size of both these groups having fallen. 9 per cent[5] of all youth who are not students are unemployed (672,000), which is a lower rate than after previous recessions in 1993 (12 per cent) and 1984 (14 per cent). Surveys[6] show that of the employers who are recruiting, just under two thirds have taken on a young person in the previous year. Just over half of those recruiting for higher skill jobs have taken on a young person.

4.16 At end of January,[7] 79 per cent of those aged 18-24 were in education, training or employment (30 per cent in full-time employment (FTE) and 67 per cent (of economically active) in work). For 16 and 17 year olds, 84 per cent were in FTE and the Quarter 4 2012 (academic year start) rate for those Not In Education or Training (NET) was the lowest since consistent records began. 8.4 per cent were NEET in Quarter 4 2012[8] (the lowest comparable rate for over a decade, while NET employment saw the first increase in a final quarter since 2006), but only 1 per cent were NEET at all those ages. After age 18, participation naturally falls, so the NET employment rate affects the NEET rate more than for those aged 16-18. However, for most young people being NEET is temporary as they move between options (Youth Cohort Study, 2010[9]).

4.17 In its forecast[10] published alongside Budget 2013, the Office for Budget Responsibility revised up its employment forecast in line with the Labour Market Statistics and survey indicators, with the expectation that unemployment will peak at 8 per cent in 2014 before falling back to 6.9 per cent in 2017. Total market sector employment is expected to rise by around 2.6 million between the start of 2011 and the start of 2018, more than offsetting the total reduction in general government employment.

Actions to achieve objective

4.18 The Government is increasing participation and employability, significantly improving the opportunity for people without jobs to find work and to support themselves and their families. This includes doing more to encourage and support progression for those already in some work and also helps to deliver the Government's aim of reducing poverty. There is now a greater focus on partnership working – Jobcentre Plus, providers, local authorities, employers, and jobseekers work together to find new solutions to unemployment.

Increasing participation and the jobseeking regime

4.19 The employment support available has been increased and broadened, moving from a one-size-fits-all approach to one that is tailored and flexible. The Government is modernising service delivery by asking Jobcentre Plus staff to focus on results, thereby reducing bureaucracy and delivering outcomes rather than completing processes. Advisers at Jobcentre Plus are now able to offer a menu of help including skills provision and job search support, with access to a number of Get Britain Working measures. They have the flexibility to judge which interventions

[5] In the case of young people the ILO unemployment rate does not provide a true picture as the survey includes students (a third of the unemployment count for 16-24 year olds) who were seeking and available for work at the time. Moreover, record levels of participation in full-time education or training (FTE) in the UK (see CSR3 below) means also that the "total labour force", by which the number of unemployed is divided, is low enough to create an apparently high rate.

[6] UK Commission Employer Perspectives Survey (UKCEPS) 2012, December 2012 - http://www.ukces.org.uk/publications/er64-uk-employer-perspectives-survey-2012

[7] LMS March 2013, educational status and labour market status of people aged from 16 to 24 Summary Table (A06).

[8] NEET Statistics, Quarterly brief, Quarter 4 2012, February 2013 - http://www.ukces.org.uk/publications/er64-uk-employer-perspectives-survey-2012 http://www.education.gov.uk/researchandstatistics/datasets/a00219248/neet-statistics-quarterly-brief-quarter-4-2012

[9] http://www.education.gov.uk/rsgateway/DB/SBU/b001014/index.shtml

[10] Office for Budget Responsibility Economic and Fiscal Outlook March 2013 – http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2013/

will help the individual claimant and around £120 million has been made available for a Flexible Support Fund to allow local resources to be aligned to the needs of the local labour market.

4.20 The Government's welfare reform programme is changing the way the UK's welfare systems incentivise work and encourage people off benefits and into the labour market. Universal Credit will provide a new single system of means-tested support for working-age people in and out of work and will replace the majority of working age means tested benefits and tax credits from 2013-14, simplifying the existing complex system of benefits and tax credits. The new system will improve work incentives and make it clearer to claimants how the move into work will benefit them.

Get Britain Working and the Work Programme

4.21 The Work Programme was launched in June 2011 and is a national programme to support people at risk of long-term unemployment. Work Programme providers are free to design support, based on individual and local need. They are paid primarily for supporting claimants into sustained employment and helping them stay there for longer than ever before, with higher payments for supporting the hardest to help. The Work Programme is expected to provide personalised support to 3.3 million claimants over the life of the contract. Since its launch in June last year, around 840,000 people are being supported by the programme (data shows up to July 2012).

4.22 Get Britain Working measures can include Work Clubs to encourage people who are out of work to share experiences; Work Experience to help young unemployed people get work experience through local businesses to help them build their experience and make them more marketable; and the New Enterprise Allowance, to support those looking to start their own business by providing access to finance and support from local business mentors.

Youth Contract

4.23 In response to the challenge of youth employment the Youth Contract will provide extra help to young unemployed people to get a job. The Youth Contract, launched in April 2012, provides extra help to young unemployed people and will support up to half a million young people into education and employment opportunities, including:

- 160,000 Wage Incentives of up to £2,275 for employers to recruit 18-24 year olds from the Work Programme;
- 250,000 extra Voluntary Work Experience or sector-based work academies; and
- up to 40,000 new Apprenticeship Grants to encourage new employers to take on 16 – 24 apprentices.

Devolved Administrations

Northern Ireland

4.24 For the ten month period up to end January 2013, the Northern Ireland Employment Service had assisted 31,957 working age benefit clients into employment, against a target of 30,000 by March 2013.

4.25 Steps to Work,[11] a flexible approach to tackling individuals' barriers to employment, is the Northern Ireland Executive's main adult return to work programme. From September 2008 to

[11] http://www.delni.gov.uk/stepstowork

March 2012, Steps to Work helped over 23,500 participants into unsubsidised employment; this represents 35 per cent of participants who left the programme within that period. Of this total, over 19,200 sustained that employment for 13 weeks or more which represents 29 per cent of all leavers. The target for Steps to Work is 25 per cent of leavers to find employment (within 13 weeks of leaving the programme) and to sustain that employment for a full 13 weeks.

4.26 A revised and updated Skills Strategy, Success through Skills – Transforming Futures,[12] was published in May 2011. This looks at Northern Ireland's current skills base and examines the skills that are likely to be needed in the future to grow the economy. Its strategic goal is to increase the proportion of individuals in employment within all National Qualifications Framework levels, with a particular focus on increasing the numbers of graduates and postgraduates in economically relevant subjects. Between 2010-11 and 2011-12 the percentage of those qualifying from Northern Ireland Higher Education Institutions (HEI) in graduate and post graduate level courses in Science, Technology, Engineering and Mathematics (STEM) subjects was 18.5 per cent, against a target of 22 per cent by 2020.

4.27 Another initiative is the Skills Solutions service.[13] This aims to provide employers in Northern Ireland with a learning and skills service that identifies and helps meet the training needs of those organisations. Around 850 such engagements took place in 2012-13 against a target of 600.

4.28 Finally, Assured Skills[14] is a joint pilot project between the Department for Employment and Learning and Invest Northern Ireland. The project delivers a range of activities and interventions, so that Northern Ireland can satisfy the future training and skills needs of both potential inward investors and existing companies wishing to expand. Work has included training of lecturing staff and design of new qualifications to support local businesses, as well as tailored training and recruitment packages to support the activities of new inward investors. The programme contributed to the creation of just under 1,000 jobs between 2011 and March 2013. The target was originally 900.

Scotland

4.29 The Scottish Government is taking direct action to tackle unemployment and ensure that people who are out of work or under-employed – particularly young people – have access to the right training, skills and education opportunities. Whilst the youth unemployment rate in Scotland remains too high it declined by 6.8 percentage points over the year to December – February 2013 to 16.1 per cent.

4.30 As well as establishing a dedicated Minister for Youth Employment in December 2011, the Scottish Government has set up a suite of policy measures to address Youth Unemployment. This includes delivering 25,000 Modern Apprenticeship opportunities[15] in each year of the current parliament, and Opportunities for All,[16] which ensures that every 16-19 year old not already in work, education or training is offered a learning, or training opportunity.

4.31 The Scottish Government is delivering at least £80 million across Government and its partner agencies over the period 2012-13 to 2014-15 to support around 23,000 young people towards and into work. This includes £30 million additional funding over three years to support the Opportunities for All commitment; £25 million for recruitment incentives to support small and medium-sized businesses recruit up to 10,000 16-24 year olds; and £15 million of

[12] http://www.delni.gov.uk/success-through-skills-transforming-futures.pdf
[13] http://www.delni.gov.uk/index/successthroughskills/skillssolutions/skills-solutions-overview.htm
[14] http://www.delni.gov.uk/index/successthroughskills/skills-and-training-programmes-2/assured-skills-programme.htm
[15] http://www.skillsdevelopmentscotland.co.uk/our-services/services-for-individuals/national-training-programmes/modern-apprenticeships.aspx
[16] http://www.skillsdevelopmentscotland.co.uk/our-services/services-for-individuals/opportunities-for-all.aspx

remaining European Regional Development Funds to support business growth by investing in young people.

4.32 The Scottish Government is also continuing to deploy its initiative for responding to redundancy situations, the Partnership Action for Continuing Employment[17] (PACE). Initiated in March 2000, PACE is a national strategic framework that facilitates a consistent partnership approach which is subject to continuous improvement to enhance its operation for responding to redundancy situations. Over the period April 2012 until March 2013, PACE has provided support to 12,014 individuals and 297 employers.[18]

Wales

4.33 The Welsh Government and the Department of Work and Pensions published a Labour Market Framework[19] in 2009. The framework outlines plans for the labour market in Wales and a shared vision covering the integration of employment, skills and other programmes, to raise the employment rate. The framework aims to achieve a better mix of employment, with more high-skilled and high-earning jobs with an impact on productivity, economic growth, household incomes and child poverty. Action is facilitated through a Joint Employment Delivery Board for Wales, which advises on developments in relation to the programmes of UK and Welsh Governments and aims to achieve greater alignment, simplification, efficiency and integration of employment, skills and other programmes.

Stakeholder focus: South West Workways

South West Workways provides economically inactive and unemployed people with support to overcome the barriers which prevent them from finding employment. The project is led by Neath Port Talbot Council in collaboration with Carmarthenshire, Pembrokeshire and the City and County of Swansea. Since 2009, Workways has helped 3,109 people in South West Wales find a job.

Participants receive a range of tailored assistance including one to one mentor guidance, practical help with writing CVs, job search support and access to relevant training. If appropriate, participants are matched with local employers to help them gain the experience needed to find long term employment. During these Temporary Job Opportunities, participants are paid at least the national minimum wage. This is a particularly successful element of the project as over 50 per cent of participants who undertake a temporary job move into permanent employment at the end of their contract.

The Workways team also work closely with local businesses, helping them with their recruitment. Since 2009, Workways Employment Liaison Officers have had contact with 3,677 businesses in South West Wales. Acting on behalf of companies, Workways advertises vacancies to its pool of job ready participants, shortlists suitable candidates, organises recruitment days and explores business support avenues.

4.34 The Welsh Government has specific measures designed to address the employability of young people, such as the Jobs Growth Wales Programme and the Pathways to Apprenticeships Programme. Details of these programmes and other measures are outlined on page 27.

[17] http://www.scotland.gov.uk/Topics/Business-Industry/support/15419
[18] Note – this figure is the number of unique employers supported by PACE, the actual number of employers/sites engaged with PACE for support activities during the year was 523.
[19] http://wales.gov.uk/topics/educationandskills/publications/guidance/labourmarketframework/?lang=en

Education

June 2010 European Council conclusions

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

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

Government Objective:

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

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

Measuring progress against objectives:

England

Indicator	Current level	Reference period
Outcome of Education.	85 per cent of young people recorded as being in a sustained education destination in the year after Key Stage 4 64 per cent of young people recorded as being in a sustained education destination in the year after they took their A Level of equivalent (Key Stage 5)	2008-09 cohort going into 2009-10 destinations.
Number of government-funded learners participating in Further Education (FE) International comparison of the qualification levels of the working age population in the UK.	75.1 per cent achieving at least upper secondary (UK Level 2) and 38.2 per cent at least tertiary (UK Level 4)[20]	2010
Total achievements in full Level 2 or 3 FE of people of academic age 19 years and over.	Full level 2 qualifications 982,600 Full level 3 qualifications 494,000	2011

[20] Education at a glance 2012, OECD http://www.uis.unesco.org/Education/Documents/oecd-eag-2012-en.pdf

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	59.5 per cent	2010-11
Per cent of school leavers entitled to Free School Meals achieving 5 or more GCSEs at grade A*– C (or equivalent) including GCSE English and Maths	31.7 per cent	2010-11

Scotland

Indicator	Current level	Reference period
Proportion of 18 to 24 population who are early leavers from education and training	13.0 per cent	2012
Percentage population aged 30-34 having completed tertiary education	54.1 per cent	2012
Percentage youth aged 20-24 having attained at least upper secondary level education	79.1 per cent	2012

Wales

Indicator	Current level	Reference period
Attainment at age 16 – percentage having achieved English or Welsh first language and mathematics GCSEs at grade A*– C	51.6 per cent	2011-12
Attainment at age 19 – percentage having achieved: Level 1 Level 2 Level 3	 Level 1: 96 per cent Level 2: 74 per cent Level 3: 46 per cent	2008-09
International comparison (within the OECD) of the qualification levels of the working age population	71 per cent achieving at least upper secondary (UK level 2) and 32 per cent at least tertiary (UK Level 4)	2009

Policy context

4.37 The UK education system has important strengths but is being improved still to make opportunity more equal and to contribute more to growth, including by making up ground lost in global comparisons of workforce skills. Developing human capital in the UK is integral also to the performance of the UK labour market so as to increase and sustain employment opportunities. The Government is therefore continuing its reforms to improve attainment and raising the level of youth participation in continued education or training. Changes to the system should allow students to achieve their full potential, while enabling high quality assessment of attainment at all levels with qualifications that are the ones best recognised by employers and universities. The Government wants learners at all ages to be informed and empowered.

Actions to achieve objective

4.38 The Government has adopted a package of new measures to raise standards in education, to improve the readiness of pupils for final qualifications and to help to close current gaps in the attainment of more disadvantaged pupils when compared to their peers. A number of actions described in the section on skills, employment and social exclusion also contribute to the UK's efforts to achieving key education objectives.

4.39 In the 2012 National Reform Programme, the Government reported on its strategy to maximise the participation of 16-24 year olds in education, training and work: Building Engagement, Building Futures,[21] setting out the full range of policies that the Government is implementing to raise educational attainment and ensure that young people are prepared to progress successfully into higher education and sustainable employment. Compulsory participation in education and training up to the age of 17 comes into force this year. By 2015, this will be extended to 18 year olds. £7.5 billion in funding is available for 16-19 education and training places including apprenticeships.

4.40 Individual schools are being given the freedom to shape the whole curriculum according to all pupils' aspirations and priorities, while concentrating on essential knowledge and skills that will be improved through reform of English and maths. The Government held a public consultation on the draft National Curriculum[22], running from February until 16 April 2013. The consultation also asked for views on proposals to disapply aspects of the current National Curriculum from September 2013, so as to give schools greater flexibility as they prepare to teach the new one, and on plans to replace the existing ICT curriculum with a new computing curriculum.

4.41 Reforms that are a response to the Wolf Review[23] on vocational education, which was covered in the UK NRP 2012, will soon be completed. Post-16 performance tables will cover only quality vocational courses, good Further Education colleges are being allowed to enrol 14-16 year-olds who wish to study high-quality vocational qualifications, 16-19 funding will five schools and colleges freedom to improve vocational education, and Study Programmes[24] will include work experience opportunities. As a result of these changes, every 16 to 19 year old will have the opportunity to undertake high quality study which will help them move on to skilled work or further or higher education. Young people will be able to take up valuable work experience opportunities. Students without a GCSE grade A*C in English and mathematics – the qualifications most valued by employers – will have to continue to study those subjects to

[21] http://www.education.gov.uk/childrenandyoungpeople/youngpeople/participation/a00200853/building-engagement-building-futures

[22] https://www.education.gov.uk/schools/teachingandlearning/curriculum/nationalcurriculum2014/nationalcurriculum

[23] http://www.education.gov.uk/childrenandyoungpeople/youngpeople/qandlearning/a0074953/review-of-vocational-education-the-wolf-report

[24] https://www.education.gov.uk/publications/standard/Post16Learning/Page1/DFE-00074-2012

achieve these grades by the time they leave age 18 or 19. Moreover, the quality of the Apprenticeships programme is being expanded and improved.

4.42 The Government wants further education colleges to be more responsive to the needs of learners, employers and their broader local communities. Improvements include streamlining the adult skills system so that it is simpler as well as more demand led, with incentives for providers to deliver the greatest skills gains for their learners and for employers to increase their investment in training. A stronger entrepreneurial culture in both higher and further education will be created through providing students with the skills and support to develop and manage a business.

Devolved Administrations

Northern Ireland

4.43 Improving employability and the level, relevance and use of skills is an objective of the Northern Ireland Economic Strategy. In post primary schools, the flexibility offered by the Entitlement Framework[25] (EF) means that schools can respond to meet the needs both of young people and the economy while continuing to develop skills such as creativity, entrepreneurship, problem-solving and working with others in addition to the fundamentals of literacy, numeracy and ICT which employers demand in the workplace. The EF is about putting the needs, interests and careers aspiration of the pupil first. From September 2013, every pupil in every school is entitled to access a range of courses, both applied and general, that are economically relevant and that have clear progression routes to education, training and employment. The Entitlement Framework is a key education policy for raising standards and is the counter balance to the reduced core of the revised curriculum in post primary schools in Northern Ireland. Learners who see their time at school as relevant to them are more likely to remain engaged with education and more likely to succeed and do well. This in turn contributes to raising standards, increasing staying on rates; improving life chances of individuals; and impacting positively on the economy.

4.44 One of the Northern Ireland Executive's key strategic goals is to widen the participation in higher education of students from currently underrepresented groups, in particular students from disadvantaged backgrounds and those with disabilities and learning difficulties.

4.45 In September 2012, the Northern Ireland Executive published Access to Success[26], a new integrated regional strategy for widening participation in higher education, which includes: measures to target disadvantaged groups; a single co-ordinated approach in Northern Ireland to raising aspirations to progress into higher education; the development of non traditional routes into higher education through Adult Access Courses and increased part-time opportunities; and enhanced application procedures for stubborn pockets of under-representation.

4.46 The Executive also aims to increase the number of learners studying full-time or part-time for a Foundation Degree[27] to 2,500 in 2015 from a baseline of 1,132 in 2010. Foundation Degrees offer a close-to-home opportunity for people who face travel barriers to participation in higher education. A promotional and publicity campaign is being delivered to increase awareness and demand for Foundation Degrees among employers and their existing employees across Northern Ireland. Furthermore, the Northern Ireland Executive announced that tuition fees for Northern Ireland students in Northern Ireland universities would be maintained at existing levels, subject to an inflationary uplift. Eligible students will be able to access subsidised loans to help with their living costs and may be also to access of means-tested grants.

[25] http://www.deni.gov.uk/index/curriculum-and-learningt-new/curriculum-and-assessment-2/entitlement-framework.htm

[26] http://www.delni.gov.uk/access-to-success.pdf

[27] http://www.delni.gov.uk/index/further-and-higher-education/higher-education/role-structure-he-division/he-policy/he-foundation-degrees.htm

4.47 Since the initial publication of Further Education Means Business[28] in 2004, the Further Education Sector in Northern Ireland has undergone a period of evolution. The visible impact has been the merger of 16 standalone institutions into six larger area-based colleges. However, changes were also made to the curriculum, qualifications framework and funding regime.

4.48 Colleges are now seen as a key agent for strengthening economic development and have a crucial role to play in supporting business and innovation. FE colleges are the main providers of professional and technical education and training in Northern Ireland, and the sector plays a central role in raising literacy levels and in up-skilling and re-skilling the population, through a broad range of courses leading to recognised qualifications.

4.49 Over 90 per cent of funding is now directed at professional and technical qualifications up to and including Level 3 on the Qualifications and Credit Framework.

Scotland

4.50 As highlighted in the Government Economic Strategy[29], the Scottish Government recognises the importance of a skilled, educated and healthy workforce to build on Scotland's comparative advantages and to deliver sustainable economic growth.

4.51 Reforming post-16 education to allow more people the benefits of remaining in positive destinations remains a key commitment for the Scottish Government. The Post-16 Education (Scotland) Bill[30] provides the legislative platform to do this and will deliver improvements to governance and accountability across colleges and universities while supporting moves to widen access to higher education and helping to identify learners at risk of dropping out of education or training. It will put in place a framework to support college reforms, helping to better align provision with the needs of learners and business. Subject to the approval of Parliament, the Bill is due to come into force in the second half of 2013.

4.52 The Scottish Government is also committed to providing student support. In August 2012, the Education Secretary announced that Scottish students will benefit from a new funding package, to be introduced in 2013, which includes: an annual minimum income of £7,250, through a combination of bursaries and loans, for students with a family income of less than £17,000; a student loan of £4,500 a year for which all students will be eligible; and part-time students with a personal income of less than £25,000 can now receive full support for tuition fees as a proportion of the full-time fee equivalent.

4.53 The Scottish Government is continuing to invest in the learning environment, ensuring that school buildings are modern learning facilities that meet the needs of education, benefiting pupils, teachers and the local economy. By March 2018 the Scottish Government's £1.25 billion Schools for the Future Programme[31] will see the construction of 67 new high quality schools built for over 46,000 pupils. In partnership with local authorities, the schools will be built in every part of Scotland to ensure that all communities share the benefits of education.

Wales

4.54 To support higher level learning in academic year 2013-14, Welsh university students can take out a non means-tested tuition fee loan of £3,575 and the Welsh Government will provide a non means-tested tuition fee grant to cover the difference between the maximum fee loan available and the fee charged by a UK university. Students will also be able to access other

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28 http://www.delni.gov.uk/es/further_education_means_business_strategy_review1-2.pdf
29 http://www.scotland.gov.uk/Publications/2011/09/13091128/0
30 http://www.scotland.gov.uk/Topics/Education/post16reform/bill
31 http://www.scotland.gov.uk/Topics/Education/Schools/Buildings

targeted loans (such as a Childcare grant) to help with the cost of going to university. Further education support is provided via a means-tested Educational Maintenance Allowance – an incentive payment of £30 per week for 16-18 year olds and a means tested Assembly Learning Grant of up to £1,500 a year for students over 19. Finally, Knowledge Economy Skills Scholarships[32] (KESS) uses European Social Fund (ESF) support to deliver collaborative research projects and higher-level skills training in partnership with employers. KESS has been recognised by the European Commission as an innovative example of good practice and was cited in its publication, Connecting Universities to Regional Growth[33].

4.55 GO Wales the Graduate Opportunities Wales Programme[34] (January 2009 – December 2014) is a programme for graduate employability. The programme matches students and graduates with paid and unpaid work experience opportunities and provides support for their training and development. As such, it delivers strong and measurable outcomes. To date, it has supported 4,457 higher education students and graduates; financially supported 1,738 employers; organised 2,332 ten week paid work placements and 1,818 short unpaid work experience opportunities; and provided 214 places on its Graduate Academy (combining management training and work experience).

4.56 Reach the Heights[35] is an ESF-funded initiative for young people aged 11-19 in West Wales and the Valleys to help them to remain engaged or to re-engage with employment, education or training. It consists of two projects: 'First Footholds' works with some of Wales's most disadvantaged young people to help them defeat some of the barriers they face, and 'Routes to the Summit' aims to raise the skills and aspirations of young people so that they can make better progress in education and training and move more easily into work or higher education. By the end of the projects in March 2013, it is estimated that over 25,000 young people will have benefited directly over five years. A full evaluation of the projects will report by September 2013.

[32] http://www.higherskillswales.co.uk/kess/

[33] http://ec.europa.eu/regional_policy/sources/docgener/presenta/universities2011/universities2011_en.pdf

[34] http://www.gowales.co.uk/en/Graduate/graduateacademy

[35] http://wales.gov.uk/topics/educationandskills/allsectorpolicies/europeansocialfund/projects/reachheights/?lang=en

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:

4.57 The Government is creating a new welfare system for the 21st century, recognising work as the primary route out of poverty and eradicating child poverty. The welfare system is being reformed to make it fairer, more affordable and better able to tackle the causes of poverty, worklessness and welfare dependency. Moreover, in tackling poverty, the Government's strategy takes an ambitious approach, aspiring to deliver social justice.

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

Measuring progress against objectives:

England

Indicator	Current level	Reference period
Children in Workless Households (ONS)	14.8 per cent	2012
Children in relative income poverty (HBAI)	17 per cent (Before Housing Costs)	2010-11
Children in absolute income poverty (HBAI)[36]	10 per cent (Before Housing Costs)	2010-11
Children in combined relative income poverty and material deprivation (HBAI)	14 per cent (Before Housing Costs)	2010-11
Children in persistent poverty (Series to be confirmed) – Figures are for the UK	12 per cent (Before Housing Costs)	2005-08
Children in Workless Households (ONS)	14.8 per cent	2012

[36] This is currently based on the 1998/99 relative poverty baseline year, however figures for 2011-12 onwards will be rebased to the 2010-11 relative poverty threshold.

Northern Ireland

Indicator	Current level	Reference period
Relative Low Income: Proportion of children living in households where income is less than 60 per cent of UK median household income before housing costs	21 per cent	2010-11
Absolute Low Income: Proportion of children living in households where income is less than 60 per cent of UK median household income before housing costs adjusted for prices	13 per cent	2010-11

Scotland

Indicator	Current level	Reference period
Solidarity target: 'To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017'	14 per cent	2010-11
National Indicator: 'Reduce the proportion of individuals living in poverty'. This is measured in terms of the percentage of people living in relative poverty (below 60 per cent of median income before housing costs).	15 per cent	2010-11

Wales

Indicator	Current level	Reference period
Poverty and Material Deprivation: per cent of people living in relative income poverty as defined by 60 per cent median income after housing costs – for children, working age adults and pensioners	22 per cent	2001-02 to 2010-11
Poverty and Material Deprivation: per cent of children living in combined material deprivation and low income	20 per cent	2006-07 to 2010-11
Poverty and Material Deprivation: Persistent poverty data	11 per cent	2002-08
Improving the Skills of young People and Families: per cent of working age adults achieving NGF 2,3 and 4 +	NFG 2: 75 per cent NGF 3: 54 per cent NGF 4: 33 per cent	1999-12
Improving the Skills of young People and Families: per cent of 16-18 year olds who are not in employment, education or training	12.1 per cent	1999-11

Policy context

4.59 While the UK has maintained high levels of employment, there remain barriers to inclusive employment. The Government's overall package of welfare reform will increase incentives to work, help to make the system affordable in the longer term and reduce its complexity, which has created the clear perception that work simply does not pay. In return for receiving out-of-work benefits, the Government believes that people need to take the opportunities available to them to move into sustained work, which is beneficial for individuals and communities, as well as for growth.

Actions to achieve objective

4.60 Universal Credit[37] is being introduced from this year. It will bring together a range of working-age benefits into a single streamlined payment, a seamless in and out of work benefit for the whole household. It will make it easier and less risky for people to start and progress in work. For the first time it will be possible for the Government to work with individuals to help them stay in employment and – where appropriate – support and encourage them to increase their earnings.

4.61 Furthermore, the Government continues to support more lone parents into work having moved onto Jobseekers Allowance those whose youngest child is five or over. The education system also makes a contribution by ensuring that all children can make the most of their abilities, particularly children from low income families.

4.62 The Social Mobility and Child Poverty Commission[38] is now fully operational. It monitors the Government's progress in improving social mobility and reducing child poverty. It will also monitor the implementation of the most recent UK, Scottish, and Welsh child poverty strategies, and challenge non-government institutions such as those in higher education, business and elsewhere to improve their performance on social mobility.

4.63 The Prime Minister announced his intention to turn around the lives of 120,000 troubled families by the end of this Parliament. A pot of £450 million has been created for this purpose. The families are defined by there being at least one adult in the family not in work, children not being in school and family members being involved in crime and anti-social behaviour. The interventions will be delivered through local authorities (LAs). When LAs demonstrate they have achieved success with these families, on agreed measures, they will receive a payment from the Department for Communities and Local Government. Payments will be made for getting children back into school, reducing crime and anti-social behaviour, and getting adults into work. The division of funding, on a payment by results basis, will mean central government funding up to 40 per cent of the intervention, with LAs providing the remaining 60 per cent.

Devolved Administrations

Northern Ireland

4.64 The Programme for Government 2011-15[39] includes a commitment to help individuals and families who are facing hardship and a £13 million fund to tackle rural poverty and social isolation. It also includes a Social Investment Fund through which £40 million will be invested to improve pathways to employment, tackle systemic issues linked to deprivation and increase

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[37] http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/

[38] https://www.gov.uk/government/organisations/social-mobility-and-child-poverty-commission

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

community services, while a further £40 million will be used to address dereliction and promote investment in physical regeneration.

4.65 Delivering Social Change[40] is the Executive's comprehensive delivery framework to co-ordinate the efforts across departments to take forward work on priority social policy areas. The Framework seeks to co-ordinate key actions between Government Departments in order to: deliver a sustained reduction in poverty and associated issues across all ages, improve children and young people's health, well-being and life opportunities and break the long-term cycle of multi-generational problems. The framework's initial focus has been on the needs of children and families to ensure the most urgent and significant problems in society are addressed, such as poor educational outcomes, poor physical and mental health, economic inactivity, social exclusion and disadvantage. In line with the framework's initial focus Ministers recently agreed a Children and Young Persons Early Action Document[41] which identifies key priorities to be taken forward over the coming years under the Delivering Social Change programme.

4.66 In October 2012, the First Minister and deputy First Minister also announced, under Delivering Social Change, the development of six significant signature programmes totalling £26 million, from the recently established Delivering Social Change Fund, to be taken forward by lead Departments. The Programmes will focus on immediate actions to tackle issues such as improving literacy and numeracy levels, family support and pathways to employment for young people.

Scotland

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

4.68 Central to tackling poverty and income inequality is the Scottish Government's shift towards prevention. As one pillar of the overall approach to public service reform, the Scottish Government is committed to overseeing a shift towards prevention across Scotland's public services to help reduce inequalities, improve outcomes and reduce demand for public services over the longer term. To underpin this change, the Scottish Government has invested over £500 million in three Change Funds to support public services over the Spending Review period.

4.69 The Scottish Government's Regeneration Strategy[42] highlights the importance of taking a holistic approach by tackling the social, physical and economic factors associated with regeneration to help build resilient communities. The Scottish Government is supporting regeneration through a range of interventions and support including the People and Communities Fund specifically to promote and support community-led regeneration which supports a number and variety of community led projects. The Capital Investment Fund, worth £150 million over three years, includes SPRUCE, a £50 million investment fund, which has now provided £11.4 million of investment in two projects, supporting new business space for small to medium sized enterprises.

4.70 The first Child Poverty Strategy Annual Report[43] was laid in the Scottish Parliament in March 2012 and highlighted a range of actions the Scottish Government has taken since the publication of the strategy. The report sets out what the Scottish Government has been doing in

[40] http://www.ofmdfmni.gov.uk/index/equality/delivering-social-change.htm
[41] http://www.ofmdfmni.gov.uk/delivering-social-change-children-and-young-persons-early-action-paper.pdf
[42] http://www.scotland.gov.uk/Publications/2011/12/09110320/0
[43] http://www.scotland.gov.uk/Topics/People/tacklingpoverty/ChildPoverty/childpovertystrategy2012report

key areas in relation to the measures in the strategy, which all contribute towards meeting the income based targets in the Act, and to the goal that children in Scotland do not experience socio-economic disadvantage.

4.71 The remit of the Ministerial Advisory Group on Child Poverty[44] is to provide Scottish Ministers with advice on priorities and actions relating to child poverty. The group will act as the advisory body for the Child Poverty Strategy and the annual reports on the strategy, and for child poverty interest in related strategies, such as Achieving Our Potential, The Early Years Framework and Equally Well. It will also provide a forum for the discussion of evidence, dissemination of good practice and the development of new thinking to support the delivery of the strategy.

4.72 Scotland passed secondary legislation in November 2012 which meant that from 31 December 2012 all unintentionally homeless households will be entitled to settled accommodation. This is one of the most progressive legislative approaches in Europe. It is the culmination of 9 years work from when the Homelessness etc (Scotland) Act 2003 was passed. Local authorities have worked hard to be able to prepare for this new legal duty which expands the number of households that are entitled to settled accommodation. This mainly benefits single people.

Wales

4.73 The Welsh Government's Strategic Equality Plan (SEP) [45], published in April 2012 and the Tackling Poverty Action Plan focus on some of the root causes of poverty. Particularly relevant are the SEP objectives on stronger advice services, on tackling the gender, disability and ethnicity pay gaps, including a focus on increasing the affordability and availability of childcare, on helping 16-24 year olds who are Not in Employment, Education or Training (NEET) into jobs and on helping disabled people to live independently.

4.74 The details of the Tackling Poverty Action Plan are provided in Chapter 3. The Welsh Government's Programme for Government sets out the existing population indicators for tackling poverty.

[44] http://www.scotland.gov.uk/Resource/Doc/344949/0114783.pdf

[45] http://wales.gov.uk/topics/equality/equalityactatwork/?lang=en

Research and development 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 per cent 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:

4.75 The Government aims to promote excellent universities and research and increased business innovation[46]. To succeed in the global innovation economy, the Government recognises that the UK must strengthen its ability to accelerate the commercialisation of emerging technologies, and to capture the value chains linked to these. The Government recognises that it plays a key role in ensuring entrepreneurs, financiers and innovators have the best possible environment in which to operate.

4.76 To this end the Government aims: to ensure support for curiosity driven research in universities and the wider knowledge base that will foster scientific and technological breakthroughs; to nurture innovation in all its forms by encouraging stronger links between entrepreneurs, researchers and experts in design, intellectual property, measurement and standards; and to establish an open environment where the most promising ideas are rewarded by promoting open innovation and making data and research findings widely available.

Measuring progress against objectives:

England

Indicator	Current level	Reference period
UK share of top 1 per cent cited research-papers corrected by field.	13.8 per cent[47]	2006-10
Department for Business, Innovation and Skills expenditure on research and development.	£7.13 million[48]	2011

Northern Ireland

Indicator	Current level	Reference period
Total R&D expenditure	£568 million	2011[49]
per cent of firms who are Innovation Active	27 per cent	2010[50]

[46] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31960/12-p58-bis-2012-business-plan.pdf

[47] http://www.bis.gov.uk/ukresearchbase2011

[48] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82951/Expenditure_on_research_and_development_performed_in_higher_education.pdf

[49] http://www.detini.gov.uk/2011_r_d_publication_pub_dec2012_v2.pdf

[50] http://www.detini.gov.uk/uk_innovation_survey_2011_ni_results.pdf

Scotland

Indicator	Current level	Reference period
Gross Expenditure on research and development	1.56 per cent of Scottish GDP (£1.93 billion) [51]	2011
Proportion of innovation active firms in Scotland	33.3 per cent	2008-10

Wales

Indicator	Current level	Reference period
Gross expenditure on research and development.	£527 million	2010
Higher education bodies expenditure on research and development.	£262 million	2010

Policy context

4.77 As part of the Government's focus on reducing the deficit, restoring stability and rebalancing the economy, it will equip the UK to compete in the global race. This was confirmed by the Chancellor at Autumn Statement 2012, in which he stated that the Government will switche from current spending to capital investment in science, roads and education.[52]

4.78 The key policy document in support of Research and Innovation remains the Innovation and Research Strategy for Growth[53] (IRS) published in December 2011. In the strategy the Government commits to:

- continuing to invest in curiosity driven research in universities and the wider knowledge base;
- nurturing innovation in all its forms in recognition of the fact that developing emerging technologies is essential but insufficient; and
- encouraging stronger links through network initiatives between entrepreneurs, researchers and experts in design, intellectual property, measurement and standards.

4.79 The IRS recognises the benefits of open innovation and outlines actions to promote global collaboration and highlights the role of the public sector, as a source of data and research findings that can be exploited by innovators, as a customer of new products and services and as a sector that must be innovative in delivering public services. The IRS also recognises the importance of EU funding through Seventh EU Framework Programme for Research and Development and Horizon 2020, an important aspect of the European Research Area.

4.80 The UK Industrial Strategy, announced by the Secretary of State Vince Cable in September[54], was underpinned by a sector analysis[55]. Actions outlined include establishing a

[51] http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/research
[52] http://www.hm-treasury.gov.uk/as2012_statement.htm
[53] http://www.bis.gov.uk/assets/biscore/innovation/docs/i/11-1387-innovation-and-research-strategy-for-growth.pdf
[54] https://www.gov.uk/government/news/cable-outlines-vision-for-future-of-british-industry
[55] http://www.bis.gov.uk/assets/biscore/economics-and-statistics/docs/i/12-1140-industrial-strategy-uk-sector-analysis

new Knowledge and Innovation Centre for Synthetic Biology and a reform of Government procurement.

Actions to achieve objective

4.81 The Government's ambitious programme for research and development and innovation is based on the measures relating to:

- the IRS framework;
- the European Research Area framework;
- investment in R&D;
- R&D Tax Credits and Related Support for Innovation; and
- international engagement.

The IRS framework

4.82 The Annual Innovation Report for 2012[56] describes progress against the specific commitments of the IRS. Amongst some of the more significant achievements:

- the High Value Manufacturing Catapult is open for business, with six more Catapults aiming to be operational by April 2013;
- the Government has launched a new innovation vouchers programme, focussing on areas and sectors with relatively low levels of private sector innovation and growth;
- the Biomedical Catalyst has allocated a total of £49 million following the first round of applications with 40 SMEs and 24 universities receiving awards;
- the £300 million UK Research Partnership Investment Fund (UKRPIF), set up earlier this year, will secure £1 billion investment in university research infrastructure;
- the Open Data Institute was officially launched on 4 December 2012; and
- the Data Strategy Board has been established to create maximum value from public data for companies and people across the UK.

The European Research Area

4.83 The UK has already made significant progress in the five priority areas identified for implementing the European Research Area ERA[57]. The UK is widely recognised as having an effective national research system with an open labour market for researchers from the EU and beyond. On transnational co-operation, it is participating in 9 (out of 10) Joint Programming Initiatives, with a leading role in at least three of these. In addition, much of the progress on research infrastructures (eg two European research infrastructures awarded European Research Infrastructure Consortium (ERIC) status with many others launched or in the pipeline) has been the result of initiatives, policies and practices proposed by the UK. The UK has a clear legal framework on gender equality and initiatives are in place to promote research careers for women. Key progress has been made on open access to scientific research. Arrangements are being put in place to make publicly funded scientific research available for anyone to read for

[56] http://www.bis.gov.uk/assets/BISCore/innovation/docs/A/12-p188-annual-innovation-report-2012.pdf

[57] COM (2012 392 A Reinforced European Research Area Partnership for Excellence and Growth, 17 July 2012

free. Around 45 per cent of such research will be available in 2013-14, increasing to over 50 per cent the following year.

Investment in R&D

4.84 Previous National Reform Programmes reported that the Government would maintain the science budget in cash terms over the Spending Review period (2011–15) with resource spending of £4.6 billion a year.[58] Since the finalisation of the Comprehensive Spending Review settlement, the Government has invested an additional £1.5 billion to encourage further collaboration between research and business. During 2012 this has included: £300 million for universities to secure co-investment in research partnerships with business and Charities (UKRPIF); £120 million for space; and most recently a further £600 million announced in the 2012 Autumn Statement for science and innovation capital investment.

4.85 The £300 million capital funding for the UK Research Partnership Investment Fund will lever more than double this in private investment into higher education research facilities and stimulate strategic research partnerships between universities, businesses and charities. 14 projects have been announced so far, securing £220 million from the Fund and levering £615 million from business and charities, plus additional contributions from universities.

4.86 The majority of the investments the Government is making are in areas addressed by the "eight great technologies" identified by the Government in January[59,60] and include:

- a £150 million partnership *(£35 million from RPIF)* between Imperial College London and Voreda. The centrepiece will be the Research and Translation Hub, which will provide high specification research and incubator space for 1,000 researchers investigating next generation materials and for spin-out companies; and

- A £92 million partnership *(£15 million from RPIF*) between the University of Warwick, Jaguar Land Rover (JLR) and Tata Motors European Technical Centre (TMETC) for a new National Automotive Innovation Campus. This will develop new technologies to reduce dependency on fossil fuels. It will also address a shortage of skilled R&D staff in the automotive supply chain.

4.87 At Budget 2013, the Chancellor announced £1.6 billion in support of the industrial strategy[61] of £1 billion over seven years for an industry co-funded Aerospace Technology institute that will develop the technology for the next generation of quieter, more energy-efficient aircraft.

R&D Tax Credits and Related Support for Innovation

4.88 R&D tax credits continue to be the largest single source of Government support for business R&D. In the year ending March 2011 claims totalled £1.1 billion on £10.9 billion of expenditure. Estimates are that claims are made for around two-thirds of all business R&D spend. However, the IRS identified the need to increase awareness of R&D tax-credits. To this end a series of workshops targeting around 900 SMEs and business advisors have been and will be held to promote the Government support for innovation, including R&D tax credits. A study

[58] http://cdn.hm-treasury.gov.uk/sr2010_chapter2.pdf
[59] https://www.gov.uk/government/speeches/eight-great-technologies
[60] http://www.policyexchange.org.uk/images/publications/eight%20great%20technologies.pdf
[61] http://www.hm-treasury.gov.uk/budget2013.htm

undertaken by Her Majesty's Revenue and Customs suggests that each £1 of foregone tax-revenue for the R&D tax credit stimulates between £0.47 and £3.37 of R&D investment.[62]

4.89 In April 2012, the Government introduced the new Seed Enterprise Investment Scheme (SEIS) to encourage investment in new small companies. SEIS provides income tax relief of 50 per cent for individuals who invest in qualifying companies. To kick start the scheme, the Government also announced a capital gains tax (CGT) holiday on gains realised in 2012-13 that are invested through SEIS in the same year. At Budget 2013, the Government announced a limited extension of the CGT holiday to continue to encourage investors to take up the new scheme. Any investors making capital gains in 2013-14 will receive a 50 per cent capital gains tax relief when they reinvest those gains into seed companies in either 2013-14 or 2014-15.

4.90 The Government has also expanded the limits for the other tax-advantaged venture capital schemes. The Government increased the Enterprise Investment Scheme (EIS) annual investment limit for individuals to £1 million from April 2012 as well as increasing gross asset limit, employee limit and investment limit for both EIS and Venture Capital Trusts (VCTs). In addition, the Government increased the annual investment limit for qualifying companies to £5 million for both EIS and VCTs. The recent expansions to Venture Capital Trusts (VCTs) and the Enterprise Investment Scheme, alongside the new Seed Enterprise Investment Scheme, mean that the UK now offers generous enterprise tax reliefs to support small and growing businesses.

4.91 Budget 2013 stated that the Government will substantially expand the Small Business Research Initiative (SBRI) among key Departments so that the value of contracts through this route increases from £40 million in 2012-13 to over £100 million in 2013-14 and over £200 million in 2014-15.

International Engagement

4.92 The Government has continued to strengthen research and innovation links with countries outside the EU. As an example, in April 2012, the Government signed a Memorandum of Understanding (MoU) on innovation collaboration with China which provides a platform for the UK to work with the Chinese Government on understanding and addressing the barriers to collaboration, and putting in place new collaboration opportunities. The dialogue with key Chinese innovation bodies has increased significantly and the UK has also signed an official level MoU to continue to increase the impact of the annual Policy Dialogues. This will enable more UK businesses and universities to establish innovation partnerships that can drive expansion and accelerate innovation.

Devolved Administrations

Northern Ireland

4.93 To encourage more Northern Ireland companies and research organisations to collaborate on an international basis and bring additional research funding to Northern Ireland, a new £1.8 million Higher Education EU Support Fund[63] has been established. This Fund has facilitated the creation of a network of researcher experts who will work directly with companies and research organisations to help them succeed in EU R&D funding programmes. An expert will be appointed for each of the Grand Societal Challenges identified in Horizon 2020 and they will support researchers with their applications, or identifying potential partners etc.

[62] http://www.hmrc.gov.uk/research/report107.pdf

[63] http://www.delni.gov.uk/index/further-and-higher-education/higher-education/role-structure-he-division/he-research-policy/recurrent-research-funding/quality-related-research-funding.htm

4.94 Increased focus is also being given to using the public sector as driver of innovation, particularly in SMEs. Some of the key measures for delivering this are through the Open Data Initiative[64] and Innovative public procurement.[65] In partnership with the Technology Strategy Board, building on its track record as the first UK Devolved Administration to run a pre-commercial procurement competition (Small Business Research Initiative for tourism apps, in December 2012), the Northern Ireland Executive launched a major Small Business Research Initiative[66] (SBRI) competition to develop more sustainable solutions for poultry litter. Finding a sustainable solution is critical in order to safeguard over 6,000 jobs in this key agri-food sector. Additional resource under Northern Ireland Economy and Jobs Initiative has been allocated to lead the roll out of the SBRI across the public sector.

Scotland

4.95 The Scottish Government is fully committed to ensuring that Scotland becomes an innovation nation, and has a full portfolio of supporting actions to achieve this including:

- the establishment of a Single Knowledge Exchange Organisation[67] (SKEO) by the end of 2013. This is being led by the Scottish Funding Council (SFC) in collaboration with Scottish Enterprise and Highlands and Islands Enterprise. Total strategic funding provided in support of knowledge exchange for the 2012-13 academic year will be £15.4 million;
- continued support of Interface,[68] the free, national service which match-makes businesses with research resources in Scotland's universities and research centres. The SFC has estimated that in the last three years alone, the voucher scheme has helped 379 projects, from funding of over £1.8 million. In addition, for a three year period commencing October 2013 the Scottish Funding Council (SFC) is expected to invest £2.2 million into the Voucher Scheme, and £1.2 million into Interface;
- supporting the establishment of a number of Innovation Centres[69] where businesses and universities can work together to drive innovation in and across Scotland's key sectors. The first phase of Innovation Centres will be launched in April 2013. A second stage process to develop proposals for key sectors is underway with further Innovation Centres to be announced by August 2013. This work is being led by the SFC who has allocated up to £30 million to support Innovation Centres during 2013-14; and
- the current Spending Review, covering the period 2012-13 to 2014-15, committed a minimum of £45 million annual expenditure in each year to SMART: SCOTLAND[70]. This £45 million sum comprises funding for innovation through a number of programmes delivered through the Scottish Government, the enterprise agencies, and the Scottish Funding Council.

4.96 A Scottish Innovation and Commercialisation Steering group meets regularly to consider how best to align the programmes of support available through each organisation. As part of this, in 2012, Scottish Enterprise, Highland and Islands Enterprise and the Scottish Funding

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[64] http://www.opendatani.com/
[65] http://www.dfpni.gov.uk/index/procurement-2/cpd/cpd-policy-and-legislation/ni-pp-policy/cpd_policy_ni_public_procurement_policy_handbook/ni-ppp-handbook-v3-june-2011.pdf
[66] http://www.nibusinessinfo.co.uk/content/small-business-research-initiative
[67] http://www.sfc.ac.uk/news_events_circulars/Consultations/2012/Consultations_SFC012012C.aspx
[68] http://www.interface-online.org.uk/
[69] http://www.sfc.ac.uk/newsinformation/Circulars/2012/SFC0612.aspx
[70] http://www.scottish-enterprise.com/fund-your-business/innovation-and-rd-grants/smart-scotland.aspx

Council undertook a joint programme of work to examine all available strands of innovation and commercialisation support available across Scotland. This work resulted in a number of recommendations aimed at strengthening the impact that Scotland's public sector commercialisation and innovation investment on the economy, including: carrying out a cross-organisational review of all projects, exploring and pursuing opportunities to secure additional (non-Scottish) funding; and simplifying entry points to support mechanisms and focussing support on projects that will make a lasting change for Scotland. These recommendations will be pursued throughout 2013.

4.97 Benefiting from its Enterprise Area site status and the streamlined support it provides, the Edinburgh BioQuarter[71] is growing into one of Scotland's flagship bio-science clusters. Providing access to state of the art research and business facilities, the co-location of companies, clinicians and academics has helped increase collaboration between the biomedical research expertise from the University of Edinburgh, the clinical expertise of NHS Lothian and the innovative life sciences companies. Since its opening in 2012 the BioQuarter has seen rapid expansion with ten tenants now located at the site further increasing its attractiveness to potential investors.

Stakeholder focus: the Scottish EDGE (Encouraging Dynamic Growth Entrepreneurs)

The Scottish EDGE Fund aims to support and encourage entrepreneurial activity among young companies in Scotland. It is delivered by Scottish Enterprise and Highlands & Islands Enterprise on behalf of the Scottish Government, and in partnership with Entrepreneurial Spark, The Royal Bank of Scotland and Business Gateway.

The fund is for ambitious entrepreneurs who show they are capable of growing their business. Companies which demonstrate the most potential can win investment of up to £50,000. It is open to entrepreneurs across all of Scotland, and has a total prize fund of £2 million. Winners also receive a package of support from The Royal Bank of Scotland which may include free banking, security advice, or mentoring support as well as investor readiness, innovation or mentoring support from the enterprise agencies.

The prize fund will be awarded over a series of three competitions, the first of which took place in late 2012 and early 2013. The second competition is now open. A third competition will take place in autumn 2013.

Wales

4.98 The Welsh Government's strategy, Science for Wales,[72] sets a target for Welsh universities to increase their share of UK Research Council funding from 3.4 per cent to 5 per cent within five years. The strategy announces action in three areas: investment to attract world-class scientific talent to Wales through the £50 million Sêr Cymru (Stars Wales) programme; the creation of National Research Networks to generate critical mass in key areas of scientific research; and work in partnership with the leading Welsh universities to improve their ability to compete for UK and European research funding. Science for Wales places a focus on three Grand Challenge priority areas: life sciences and health; low carbon, energy and environment; and advanced engineering and materials.

[71] http://www.edinburghbioquarter.com/

[72] http://wales.gov.uk/topics/businessandeconomy/publications/130319sfw/;jsessionid=F92EF4F825E77EA645188B4349620CEA?lang=en

4.99 In 2012, Wales relaunched its R&D and innovation grant support to business as Smart Cymru,[73] complementing the Smart scheme run by the Technology Strategy Board at UK level. Smart Cymru is primarily aimed at SMEs already operating in Wales. Business finance is offered to help businesses carry out research and development work that will lead to technologically innovative products or processes. The Programme aims to provide support to 325 enterprises, which should lead to 125 new products processes or services launched. 126 projects are currently either underway or completed, with 38 products, processes or services launched and a further 47 projects in the immediate pipeline.

4.100 The current ERDF funded Academic Expertise for Business (A4B) programme,[74] which provides funding to academia to engage with industry in collaborative R&D and commercialise academic intellectual property, has been extended for an extra year, now to end in 2015. The programme has provided support for 272 projects with a total value of £35.7 million, which have in turn delivered 888 Collaborative R&D Projects and 281 new or improved products, processes or services launched against targets of 533 and 202 respectively. The funding has also assisted in securing significant research council funding and private sector investment.

4.101 The existing Knowledge Transfer Partnership (KTP) programme[75] has successfully facilitated the transfer of knowledge and ideas between Welsh businesses and higher and further education institutions. In 2012, Wales launched an enhanced KTP in partnership with the Technology Strategy Board, which will build on that success and allow key companies in Wales, particularly the anchor companies and their associated supply chains, to engage at high level with their international offices and overseas academic institutions. The enhanced KTP projects will be of three years duration at a PhD level. The anchor companies will benefit from a high level of knowledge transfer that will accelerate applied research, embed innovation and enhance business and specialist skills of recently qualified graduates.

[73] http://business.wales.gov.uk/growing-business/welsh-government-support-1/support-innovation-0

[74] http://business.wales.gov.uk/growing-business/welsh-government-support-1/support-innovation-0

[75] http://business.wales.gov.uk/growing-business/welsh-government-support-1/support-innovation-0

Climate change and energy

June 2010 European Council conclusions:

Reducing greenhouse gas emissions by 20 per cent compared to 1990 levels; increasing the share of renewables in final energy consumption to 20 per cent; and moving towards a 20 per cent 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:

4.102 In line with the EU Climate and Energy Package adopted in June 2009, the UK will reduce greenhouse gas emissions by at least 34 per cent compared to 1990 levels and in line with the EU Renewables Directive will increase the share of renewable energy to 15 per cent by 2020. Over the period the Government will also act to enhance the energy efficiency of homes, business and transport.

Measuring progress against objectives:

United Kingdom

Indicator	Targets	Current level	Reference period
Reduction in total emissions of greenhouse gases from the UK in comparison with 1990 levels.	34 per cent reduction by 2020 on 1990 levels	-29.1 per cent[76]	2011
Energy consumed in the UK that has been produced from renewable sources.	15 per cent of energy to come from renewable sources by 2020	3.8 per cent[77]	2011
Energy efficiency installations	No target	15.5 million homes had loft insulation of at least 125mm (66 per cent of homes with lofts). 13.1 million homes had cavity wall insulation (69 per cent of homes with cavity walls). 153,000 homes had solid wall insulation (2 per cent of homes with solid walls)[78].	Figures accurate as of October 2012

[76] DECC final 2011 emissions release (February 2013)
[77] UK Renewable Energy Roadmap Update 2012
[78] Statistical release: estimates of home insulation levels in Great Britain: October 2012

Northern Ireland

Indicator	Targets	Current level	Reference period
Indigenous renewable energy sources	10 per cent of Renewable Heat by 2020 from baseline position of 1.7 per cent 40 per cent of electricity consumption from renewable sources by 2020.	13.6 per cent.	2012
Greenhouse Gas Emissions	Continue to work towards a reduction in greenhouse gas emissions of at least 35 per cent by 2025 based on 1990 levels.	15 per cent	2010

Scotland

Indicator	Targets	Current level	Reference period
Greenhouse Gas Emissions	Reduce emissions by at least 42 per cent by 2020 and at least 80 per cent by 2050, compared to a 1990 base year	1990-2010 fall in total Greenhouse Gas emissions (including International Aviation & Shipping) of 24.3 per cent (after taking account of ETS)	2010
Indigenous Renewable Energy Sources	Generate the equivalent of 100 per cent of electricity consumption by 2020 is to come from renewable sources	36.3 per cent	2011
Heat Demand	11 per cent of Scotland's heat demand from renewables by 2020	3.8 per cent	2011
Energy Efficiency	Reduce final energy end-use consumption by 12 per cent by 2020 (against a 2005-2007 average baseline)	6.2 per cent lower than baseline	2010

Wales

Indicator	Targets	Current level	Reference period
Greenhouse Gas Emissions.	Reduce all Welsh emissions by 40 per cent from 1990 levels by 2020.	15 per cent below base year.	2010
Greenhouse Gas Emissions	Reduce emissions within areas of devolved competence by 3 per cent each year from 2011, against a baseline of average emissions over the period 2006-2010.	Currently in baseline period. Baseline emissions for the 3 per cent target are 32.85 Mt CO_2 e.	2010
Energy efficiency installations	The Welsh Government's ongoing Arbed 2 ERDF project is targeted to make improvements to 4790 homes by March 2015.	In 2013-14, it is expected that approximately 3000 properties will receive measures under this programme.	March 2010 – March 2015 (Arbed)
	Over the next three years, Welsh Government investment in its Nest scheme is expected to help around 15,000 households per annum, with around 4,000 households receiving a package of energy efficiency improvements.	In 2013-14, it is expected that approximately 4000 properties will receive measures under this programme.	April 2011 – March 2016 (Nest)

Policy context

4.103 The Government aims to make significant progress towards decarbonising the UK economy, while maximising the opportunities for businesses to take advantage of the growing market for low carbon goods and services. The Annual Energy Statement 2012 summarises the Government's achievements so far in achieving its objectives in energy policy.

4.104 The Department of Energy and Climate Change has been working in partnership with the Department for Business, Innovation & Skills and UK industry to produce three outward facing Energy Sector Strategies as part of the Government's Industrial Strategy. These strategies cover Oil and Gas, Nuclear and Offshore Wind and are some of the first to be launched as part of the Industrial Strategy: the Nuclear Strategy and the Oil and Gas strategy were published in March 2013. The Offshore wind sector strategy will be launched shortly. In addition, a Nuclear Supply Chain Action Plan was delivered in December 2012, which is targeted at maximising UK economic activity and growth from the Nuclear sector at both National and local level.

Actions to achieve objective

Greenhouse Gas Emissions

4.105 The 2008 Climate Change Act[79] established the world's first legally binding climate change target with an aim to reduce the UK's greenhouse gas emissions by at least 80 per cent (from the 1990 baseline) by 2050. The UK is also committed to taking its share of responsibility for reducing global greenhouse gas emissions by developing negotiations on a post-2012 international climate change agreement.

4.106 The Carbon Plan, [80] published in December 2011, sets out the UK's approach to achieving its first four carbon budgets. The document sets out sectoral plans for reducing emissions from buildings, transport, industry, electricity and agriculture, land use, forestry and waste. The EU Emissions Trading System (ETS) plays a key part in ensuring the UK complies with its legally binding carbon budgets. The legal framework for the EU ETS is set out in the EU ETS Directive and the UK Greenhouse Gas Emission Trading Scheme Regulations[81]. The UK has around 1,100 EU ETS participants. The 'traded sector', ie sectors covered by the EU ETS, will account for over 50 per cent of the emissions reductions needed to meet UK targets between 2013 and 2020.

4.107 Measures for Electricity Market Reform, set out in the Energy Bill,[82] intend to deliver a low-carbon, secure and affordable electricity supply. The Bill, which was introduced into Parliament in November 2012, completed its committee stage in February 2013. It introduces policies to attract the estimated £110 billion of capital investment needed in the electricity sector over the next decade. This investment will be critical in increasing the proportion of electricity provided by low carbon sources. The Bill also includes provisions for an Emissions Performance Standard[83], to act as a regulatory backstop on the amount of carbon emissions new fossil fuel power stations can emit, and help deliver the Government's commitment to ensuring that any new coal fired power station is constructed and operated in a way consistent with the UK's decarbonisation objectives.

4.108 From April 2013 the Government will establish a Carbon Price Floor,[84] which will provide greater certainty and support to the carbon price faced by the sector, thus giving a credible long-term signal that the Government is serious about encouraging investment in low-carbon electricity generation now. This will be a tax on fossil fuels used in the generation of electricity. This will be achieved through changes to the existing Climate Change Levy (CCL) regime in the case of gas, solid fuels and liquefied petroleum gas (LPG) used in electricity generation.

4.109 The UK is also supporting the development of Carbon Capture and Storage (CCS), an essential technology to decarbonise fossil fuel power generation and industrial sources of CO_2. The CCS Roadmap published in April 2012 set out a comprehensive package of measures designed to take the UK to cost competitive CCS in the 2020s. The key components are: a CCS Commercialisation Programme with £1billion in capital funding; a £125m, 4-year, co-ordinated research, development and innovation programme; commitments to work with industry to overcome barriers and an international engagement programme focussed on sharing knowledge from the UK programme and learning from other projects around the world. Future CCS projects will also benefit from the wider Electricity Market Reforms being made.

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79 http://www.legislation.gov.uk/ukpga/2008/27/contents

80 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/47613/3702-the-carbon-plan-delivering-our-low-carbon-future.pdf

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

82 http://services.parliament.uk/bills/2012-13/energy.html

83 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/68778/Energy_Bill_-_Emissions_Performance_Standard.pdf

84 http://www.hm-treasury.gov.uk/consult_carbon_price_support.htm

4.110 The UK's CCS Competition aims to support practical experience in the design, construction and operation of commercial scale Carbon Capture and Storage. £1billion capital funding is available, together with additional support from low-carbon Contracts for Difference. Eight bids were received when the competition closed in July 2012. As part of Budget 2013 the Chancellor announced two Preferred Bidders (the Peterhead gas project in Aberdeenshire and the White Rose coal project in Yorkshire) as well as two Reserve Bidders. The aim is to agree and sign FEED contracts by the summer; which will inform decisions in early 2015 to construct up to two full projects.

4.111 The government remains firmly committed to its efforts to ensure that the conditions are right for investment in new nuclear power in the UK. The UK's new nuclear programme is advancing positively with three projects currently being taken forward by NNBGenCo, NuGen and Horizon Nuclear Power. These projects have set out plans to develop around 16GW of new nuclear power in the UK.

4.112 Significant progress is being made and planning consent was given by the SoS on 19th March 2013 for construction for NNB GenCo's planned multi-billion pound project at Hinkley Point in Somerset, which will generate enough low carbon electricity to power the equivalent of five million households, making it one of the largest power stations in the UK. Up to 6,000 jobs are expected to be directly supported during construction at each site, with a further 1,000 permanent jobs at each site once operational. An estimated 14,000-19,000 direct jobs in the nuclear supply chain could be created by 16GW of new build capacity at the peak of construction activity, with industry investment equating to around £60 billion.

Renewable energy

4.113 Increasing the amount of energy the UK gets from low-carbon technologies such as renewables will help the Government to: make sure the UK has a secure supply of energy; reduce greenhouse gas emissions to tackle climate change; and stimulate investment in new jobs and businesses.

4.114 The aforementioned Electricity Market Reform included in the Energy Bill sets out a blueprint for encouraging investment in low carbon electricity generation (an estimated £110 billion of capital investment will be needed in the electricity sector over the next decade). Measures to be introduced include:

- Contracts for Difference, to reduce risk barriers to investment in low carbon technologies;
- Carbon Price Floors, to give a credible long-term signal encouraging investment in low-carbon electricity generation; and
- transitional arrangements for renewables, recognising the significant investments which have already been made.

4.115 Existing support for renewable energy includes:

- Renewables Obligation[85] (RO) – introduced in 2002, this provides incentives for large-scale renewable electricity generation by making UK suppliers source a proportion of their electricity from eligible renewable sources;

[85] https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/the-renewables-obligation-ro

- Feed-in Tariffs[86] (FITs) scheme – introduced in April 2010, this scheme pays energy users who invest in small-scale, low-carbon electricity generation systems for the electricity they generate and use, and for unused electricity they export back to the grid;
- Renewable Heat Incentive[87] (RHI) – launched in November 2011, the RHI pays commercial, industrial, public, not-for-profit and community generators of renewable heat for a 20-year period. A domestic RHI scheme will offer support to individual households from spring 2014;
- Renewable Heat Premium Payment[88] (RHPP) – this gives one-off payments to householders, communities and social housing landlords to help them buy renewable heating technologies like solar thermal panels, heat pumps and biomass boilers;
- UK Renewable Energy Roadmap[89] – this sets out a plan for accelerating the use of onshore wind, offshore wind, marine energy, solar photovoltaics, biomass electricity and heat, ground source and air source heat pumps, and renewable transport; and
- Renewable Transport Fuel Obligation[90] – this came into effect in April 2008, with an obligation that 2.5 per cent by volume of suppliers' fuel should be from biofuels. The obligation level increases each year to a maximum of 5 per cent in 2013=14. Renewable transport is on track to meet the interim transport target, as defined by the Renewable Transport Fuel Obligation, of around 5 per cent by 2013-14.

4.116 Considerable progress was made in the area of renewable energy deployment during 2012, with the share of electricity generation from renewable sources a record 11.3 per cent. Total renewable electricity generation was 41.1 TWh in 2012, an increase of 20 per cent from 2011. This generation increase coincided with a capacity increase of 26 per cent, reaching 15.5 GW at the end of 2012. Between 1 April 2011 and 31 July 2012, DECC collated renewable industry announcements totalling around £12.7 billion confirmed and planned investments, with the potential support of around 22,800 jobs. The UK's first coal-fired to biomass-fired electricity generation conversion opened during 2012 at Tilbury, and a second has followed in 2013 at Ironbridge. Solar photovoltaics recorded the highest growth with a five and a half times increase in capacity to 1.4 GW by the end of June 2012 compared to June 2011.

Energy efficiency

4.117 Large public and private sector organisations in the UK are sensitive to rising energy prices because energy can account for a large part of their operating costs. These sectors are also responsible for a significant proportion of the UK's greenhouse gas emissions. The Carbon Plan states that if the UK is to cut its greenhouse gas emissions by 80 per cent by 2050, energy efficiency will have to increase across all sectors to the extent that energy use per capita is between a fifth and a half lower than it is today.

4.118 As required by Article 3 of the Energy Efficiency Directive, by 30 April 2013 the UK will adopt an indicative national energy efficiency target expressed as an absolute level of primary or final energy consumption in 2020.

[86] https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/feed-in-tariffs-scheme
[87] https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/renewable-heat-incentive-rhi
[88] https://www.gov.uk/renewable-heat-premium-payment-scheme
[89] https://www.gov.uk/government/publications/uk-renewable-energy-roadmap-update
[90] https://www.gov.uk/renewable-transport-fuels-obligation

4.119 The Energy Efficiency Strategy[91], published in November 2012, sets out how the UK will improve its energy efficiency and make the most of the decarbonisation and growth opportunities this provides. The Strategy sets out measures to address the main barriers to energy efficiency development: embryonic markets, a lack of salient information, misaligned financial incentives and the undervaluing of energy efficiency. Key elements of the UK's energy efficiency strategy include:

- the Green Deal, which lets businesses and other non-domestic organisations pay for some or all of the cost of energy-saving property improvements through savings on their energy bills over time. By 2020 the Green Deal could reduce UK household and business carbon emissions by 4.5 million tonnes per year;
- the Electricity and Gas (Energy Companies Obligation, ECO) Order 2012,[92] passed by Parliament on 4 December 2012 and now in effect. The ECO will run until March 2015, supporting the installation of energy efficiency measures in low-income households and areas, and in properties that are harder to treat. Up to the end of February 2013, 1,803 Green Deal Assessments had been lodged; 77 Green Deal Assessor Organisations and the 619 GD advisors they employ had been accredited; and £26.9 million worth of contracts had been let through the ECO brokerage system;[93]
- the CRC Energy Efficiency Scheme,[94] a mandatory reporting and pricing scheme to improve energy efficiency in large public and private organisations;
- Climate Change Levy,[95] a tax on the taxable supply of specified energy products (taxable commodities) for use as fuels that is for lighting, heating and power, by business consumers; and
- Climate Change Agreements,[96] giving energy-intensive industries a discount on the Climate Change Levy as long as they meet government-agreed energy efficiency improvement targets. This will deliver an overall 11.0 per cent energy efficiency improvement across all industry sectors by 2020 against agreed baselines.[97]

Devolved Administrations

Northern Ireland

4.120 The Northern Ireland Executive's Strategic Energy Framework 2010[98] aim is to achieve a competitive, sustainable future for energy in Northern Ireland and includes objectives for 40 per cent renewable electricity consumption and 10 per cent renewable heat by 2020. It also provides for further development of the natural gas network.

4.121 The Northern Renewable Heat Incentive[99] (RHI) was launched in November 2012 with the objective of supporting the achievement of 10 per cent renewable heat by 2020 from a baseline

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[91] https://www.gov.uk/government/publications/energy-efficiency-opportunities-in-the-uk
[92] https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/energy-companies-obligation-eco
[93] https://www.gov.uk/government/publications/green-deal-and-energy-company-obligation-eco-monthly-statistics-march-2013
[94] https://www.gov.uk/government/policies/reducing-demand-for-energy-from-industry-businesses-and-the-public-sector--2/supporting-pages/crc-energy-efficiency-scheme
[95]http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageExcise_InfoGuides&propertyType=document&id=HMCE_CL_001174
[96] https://www.gov.uk/government/policies/reducing-demand-for-energy-from-industry-businesses-and-the-public-sector--2/supporting-pages/climate-change-agreements-ccas
[97] http://www.govtoday.co.uk/energy-news/15483-industry-agree-stretching-energy-efficiency-targets-with-government
[98] http://www.detini.gov.uk/strategic_energy_framework__sef_2010_-3.pdf
[99] http://www.nidirect.gov.uk/rhi

of 1.7 per cent in 2010. The Northern Ireland RHI is similar in nature to the scheme in place in Great Britain. However, it has been specifically tailored to account for the differences between the Northern Ireland and Great Britain energy/heat markets. A second phase of the scheme, to consider more innovative renewable heat technologies and the extension of support to the domestic market, is scheduled to be implemented before the end of 2013. In advance of a domestic RHI being in place, the Renewable Heat Premium Payment scheme has offered grant support since May 2012 for householders wishing to switch to renewable heating. It has been assessed that DETI's support for the renewable heat sector could deliver up to 10.9 per cent renewable heat by 2020, equating to potentially up to 20,000 new renewable heat installations.

4.122 In February 2011, the Executive approved a Northern Ireland Greenhouse Gas Emissions Reduction Action Plan,[100] which examined relevant policies and actions across the Northern Ireland Government Departments, identifying the projected impact on emissions and the economy and thereby providing an overall indication of how Northern Ireland emissions will look in 2025. One of the actions identified in the Action Plan was for the Cross Departmental Working Group on Climate Change to provide annual reassurance to the Executive that appropriate progress is being made in terms of greenhouse gas emission reductions and preparing for the impacts of climate change. The first Annual Report was presented to Executive Ministers in May 2012.[101]

Scotland

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

4.124 Report on Policies and Proposals 2 (RPP2), published in January 2013,[102] details climate change strategies, which build on Scotland's current low carbon action plan, to meet its world leading and ambitious climate change targets up to 2027. By 2010, Scotland was more than halfway to meeting the 2020 target of cutting greenhouse gas emissions by 42 per cent. The RPP2 shows how Scotland will step up its effort from the first RPP to deliver even greater emissions reductions. Plans include a new decarbonisation target to cut carbon emissions from electricity generation by more than four-fifths by 2030; a commitment to deliver the equivalent of at least 100 per cent of gross electricity consumption from renewables by 2020; a National Retrofit Programme to transform older and colder homes into energy efficient homes; and a £50 million Warm Homes Fund providing grants and loans for renewable energy measures to heat homes.

4.125 The Scottish Government is also supporting businesses to develop their own solutions to meeting their skills and workforce needs including the Nigg Skills Academy[103] developed by Global Energy Group which will provide 100 Modern Apprenticeship starts in 2012-13 and general training for 3,000 people by 2015; and the Renewable Skills Training Academy[104] (TRESTA) which will provide training for up to 60 trainees in its first year and to offer training for more than 120 people over the next two years. The Low Carbon Skills Fund[105] (LCSF) has

[100] http://www.doeni.gov.uk/northern_ireland_action_plan_on_greenhouse_gas_emissions_reductions.pdf
[101] http://www.doeni.gov.uk/northern_ireland_greenhouse_gas_emissions_reductions_action_plan_1st_annual_progress_report.pdf
[102] http://www.scotland.gov.uk/Publications/2013/01/3958
[103] http://www.skillsdevelopmentscotland.co.uk/media/6786/NeilClaytonGlobalEnergyGroup.pdf
[104] http://www.tresta.org/
[105] http://www.skillsdevelopmentscotland.co.uk/our-services/services-for-employers/training/low-carbon-skills-fund.aspx

provided over 2,000 training places for SME businesses across Scotland since 2010, allowing them to up skill their existing workforce in low carbon areas.

4.126 The Resource Efficient Scotland[106] programme will provide support to businesses, third sector and public sector organisations to reduce overheads through improved energy, material resource and water efficiency. It will simplify the energy and resource efficiency advice and support landscape and help organisations across Scotland to realise potential annual savings in the region of £85 million through the implementation of resource efficiency measures. It will be operational from April 2013. Scotland's enterprise agencies are working in partnership with Resource Efficient Scotland to support companies to become more competitive by increasing their resource efficiency. Key actions include:

- the Scottish Manufacturing Advisory Service (SMAS) provides expert advice, one-to-one support, training and events for manufacturing businesses of all sizes throughout Scotland; and
- a team of sustainability specialists uses its expertise to deliver bespoke advice to companies in the areas of energy use, waste reduction, water utilisation and renewable energy technologies.

4.127 The Scottish Government is providing £79 million of funding in 2013-14 for new programmes to transform thousands of properties across Scotland into warmer, environmentally friendly homes which are easier and cheaper to heat. This funding is expected to help lever in around £120 million of investment from major utility companies under the Energy Company Obligation to deliver the projects. To help with the design of the area-based element of these programmes, pilots were announced in December 2012. There are now 13 projects progressing across Scotland with significant leverage from major utility companies.

Stakeholder focus: European Funding: ISLES (Irish Scottish Links on Energy Study)

ISLES (Irish Scottish Links on Energy Study) is a €2 million project funded through the EU supported Cross Border Cooperation (CBC) Programme which was completed in November 2011. The aim of the project was to facilitate the development of offshore renewable energy sources, such as wind, wave and tidal energy, and renewable energy trade between Scotland, Republic of Ireland and Northern Ireland. It assessed the feasibility of creating an integrated offshore transmission network connecting the renewable energy projects' sites located off the west coast of Scotland, north and east coasts of Northern Ireland, west coast of the Republic of Ireland and in the Irish Sea with onshore grids. It was a joint project between the governments of Scotland, Ireland, and Northern Ireland.

An ISLES 2 project building on work accomplished in ISLES 1 is anticipated to get underway in 2013. It has again been funded through the CBC and is expected to report on its findings in 2015.

Wales

4.128 The Climate Change Strategy for Wales[107] was launched in October 2010. It sets out how the Welsh Government intends to reduce greenhouse gas emissions, invoke meaningful behaviour change and adapt to the impacts of climate change. In particular, the Strategy

[106] http://www.scotland.gov.uk/Topics/Business-Industry/Energy/Action/energy-efficiency-policy/ResourceEfficientScotland
[107] http://wales.gov.uk/topics/environmentcountryside/climatechange/publications/strategy/?lang=en

outlines the actions to be taken to realise the Welsh Government's objective of 3 per cent annual reductions in carbon reduction-equivalent emissions in areas of devolved competence from 2011. The Welsh Government has also adopted a target that all greenhouse gas emissions in Wales should be reduced by at least 40 per cent by 2020 on a 1990 baseline.

4.129 The first annual progress report[108] on delivery of Wales' Climate Change Strategy was published in March 2012. The report concluded that the Welsh Government has made good progress in delivering on plans to reduce emissions and prepare for a changing climate. Some key initiatives were outlined including the success of the Welsh Government's strategic energy scheme, Arbed[109], which along with the boiler scrappage scheme and the home energy efficiency programme, helped to make 25,000 Welsh homes easier and cheaper to heat. It also outlined the development of the Sustainable Travel Centre initiative, which is delivering better-integrated transport networks whilst promoting health and well-being, and the ongoing support and advice that the Welsh Government is giving to businesses on energy efficiency and low carbon opportunities.

[108] http://wales.gov.uk/topics/environmentcountryside/climatechange/publications/firstprogressreport/;jsessionid=BCF98C4FCB07984F97C4E181BC18E0FD?lang=en
[109] http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en

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