Europe 2020: UK National Reform Programme 2012

HM Government

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Foreword

The UK 2012 National Reform Programme (NRP) articulates the actions that the Government is taking to address the major structural reform challenges facing the UK identified by the European Council in June 2011. The NRP is presented under the Europe 2020 Strategy and is an essential element of the European Semester.

In the wake of the global economic crisis, which has had a chilling effect on the European Union (EU) as a whole and in particular on the euro area economies, it is more urgent than ever for Member States to present credible plans for reform and growth alongside their plans for fiscal consolidation. Returning to sustainable economic growth and boosting employment is the only way for EU Member States to pay down their debts, regain lost competitiveness and achieve lasting prosperity in the longer term.

The 2012 European Semester will therefore be pivotal in ensuring that Member States continue to prioritise the most pressing structural reforms. In June 2011, the European Council identified the following issues as constraining UK growth and employment in the medium-term: a large budget deficit; a poorly functioning housing market; a shortage of the right skills; workless households; and the flow of credit to the private sector. The Government agrees with these findings, which are also in line with the analyses of the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF).

At Budget 2011, Autumn Statement 2011 and, most recently, at Budget 2012 the Government took a wide range of actions to address these challenges. The UK 2012 NRP reports progress on those measures included in the 2011 NRP where this is possible. It also provides further detail on the measures announced since the 2011 NRP and their impacts.

However, addressing these challenges will take time. In particular, the private sector has a critical role to play in creating the jobs needed for sustainable growth and in restoring normal patterns of lending. The Government therefore highlights the importance of continuity in the 2012 European Semester and implementation of existing commitments. Other EU Member States face similarly tough challenges and have been taking difficult decisions to prioritise structural reforms.

The 2012 European Semester will be pivotal since it incorporates the Macroeconomic Imbalances Procedure (MIP) for the first time. With the prospects of every Member State so closely tied to the prosperity of others, it is right for the prevention and correction of excessive imbalances to play an increasingly central role in EU policy-making. The UK therefore supports the aims of the MIP. In light of the global economic crisis, the Government believes that the MIP should focus on those Member States not taking effective action.

At a time of severely constrained public finances and weak economic growth, cost-effective EU-level policy actions to stimulate growth are an essential adjunct to the reform efforts of individual Member States. The Government looks forward to working with other Member States, the European Commission and the European Parliament to deliver on the commitments set out in the March 2012 European Council conclusions. It also notes the need for urgent action in areas such as: reinforcing Single Market governance; concluding Free Trade Agreements with global partners; reducing further the burden of EU regulation; and driving innovation and technological change.

1 Introduction

Context

1.1 The financial crisis of 2008 and 2009 exposed an unsustainable and unbalanced model of economic growth. As a result of that crisis and of high levels of public spending, the Government inherited the largest deficit since the Second World War and the UK experienced the biggest recession of almost any major economy. Over the course of 2010 and 2011, the economy was hit by further shocks – with commodity price driven inflation reducing real incomes, the impact of the euro debt crisis damaging confidence and the ongoing structural impact of the financial crisis weakening economic recovery.

1.2 The announcements made at Budget 2010, Spending Review 2010,[1] Budget 2011, the Autumn Statement 2011 and Budget 2012[2] demonstrate that the Government is taking decisive action to achieve its economic objectives of strong, sustainable and balanced growth. The Government has undertaken a determined programme of fiscal consolidation to return the public finances to a sustainable position and meet the Government's fiscal mandate. The Government is also tackling long-term fiscal challenges associated with an ageing population.

1.3 Further priorities for reform have included reforming taxation to make the UK one of the best places to do business and a comprehensive package of microeconomic reforms to rebalance and strengthen the economy for the future. At the heart of this agenda is the Plan for Growth[3], including an ambitious package for infrastructure investment. This strategy lays the foundation for a more stable economy, built on enterprise and private sector investment, with UK exporters being able to take full advantage of increasing global opportunities and the UK well placed to compete in the knowledge-based world economy.

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

- the Northern Ireland Executive and Assembly have agreed a new Programme for Government 2011-15[4] and an Economic Strategy[5], which aim to strengthen competitiveness through a focus on export-led economic growth. Through the Programme for Government, the Executive aims to provide the groundwork for economic and social recovery. The Programme for Government sets out the actions the Executive will take up to 2015 to deliver its number one priority of a vibrant economy which can transform society while dealing with the problems of deprivation and poverty.
- the Scottish Government published an updated Government Economic Strategy[6] on 12 September 2011, which sets out how the Scottish Government will continue to make full use of the levers devolved to the Scottish Parliament in order to accelerate

[1] The 2010 Spending Review covers the fiscal years 2010-11 to 2014-15.
[2] http://www.hm-treasury.gov.uk/budget.htm
[3] http://www.hm-treasury.gov.uk/ukecon_growth_index.htm
[4] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf
[5] http://www.northernireland.gov.uk/ni-economic-strategy-revised-130312.pdf
[6] http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy

recovery, drive sustainable growth and develop a more resilient and adaptable economy; and

- the Welsh Government's Programme for Government 2011-16[7] sets out actions to strengthen the conditions that will enable business to create jobs and sustainable economic growth in Wales. Progress with the Programme for Government will be monitored through annual updates. This builds on Economic Renewal: a new direction[8] published in July 2010, which sets out the role that devolved government can play up to 2016 in providing the best conditions and framework to enable the private sector to grow and flourish.

UK 2012 National Reform Programme

1.5 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.

1.6 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 2011-12 Convergence Programme document;

- actions taken to address the five country-specific recommendations addressed to the UK by the European Council in June 2011; 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.

1.7 The 2012 NRP draws on publicly available information, including the Autumn Statement 2011, the Plan for Growth and Budget 2012 and other relevant documents and announcements. The NRP itself sets out major actions. Further details are available in the original documents, which are referenced throughout.

1.8 The 2012 NRP emphasises reporting on 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.

1.9 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.[9] They also follow the broad orientations for structural reforms provided by the European Commission's 2012 Annual Growth Survey and the March 2012 European Council conclusions.

1.10 The Scottish Government has contributed fully to the development of the UK National Reform Programme. In order to help provide the European Commission with more detail on the unique characteristics of Scotland and the distinct approach taken, the Scottish Government has also produced a distinct Scottish National Reform Programme 2012. This report is intended to

[7] http://wales.gov.uk/about/programmeforgovernment/?lang=en
[8] http://wales.gov.uk/docs/det/report/100705anewdirectionen.pdf
[9] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:0047:0200:en:PDF

complement the UK NRP and is in line with the Scottish Government's commitment to engage positively with EU Institutions and fully represent Scottish interests and highlight particular Scottish strengths.[10]

Stakeholder engagement

1.11 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 not subject to formal consultation.

1.12 In the context of preparing the 2012 NRP, stakeholder events were held by the Scottish Government in Edinburgh on 17 February 2012 and by the Welsh Government in Cardiff on 8 March 2012. These events were attended by representatives from the Government, the European Commission, Devolved Administrations and other interested stakeholders.

1.13 The Government has engaged closely with Parliament on the European Semester more broadly. In particular, the House of Commons EU Scrutiny Committee held debates on the UK's 2011 Convergence Programme (27 April 2011), the 2011 Country-Specific Recommendations addressed to the UK (11 July 2011) and the Commission's 2012 Annual Growth Survey (20 February 2012). The House of Lords debated the 2011 Convergence Programme and National Reform Programme together on 12 May 2011. The 2012 Convergence Programme was debated on 25 April 2012 in the House of Commons and 26 April 2012 in the House of Lords.

1.14 The focus of the 2012 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.

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

2 Macroeconomic Context

2.1 This section sets out the independent Office for Budget Responsibility's (OBR) economic forecasts for 2011-16.[1] This includes forecasts for aggregate Gross Domestic Product (GDP) growth, the components of GDP, inflation and the labour market. More detail can be below and in the UK's Convergence Programme 2011-12. All data is correct as of 21 March 2012.

Detailed summary of the OBR's March 2012 economy forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2010	2011	2012	2013	2014	2015	2016
World economy							
World GDP at purchasing power parity	5.1	3.8	3.3	4.1	4.7	4.8	4.9
Euro Area GDP	1.8	1.5	-0.3	1.1	1.6	1.7	1.7
World trade in goods and services	12.4	6.3	4.1	6.4	6.9	6.9	7.0
UK export markets[1]	12.1	6.2	3.6	6.1	6.3	6.2	6.3
UK economy							
Gross domestic product (GDP)	2.1	0.8	0.8	2.0	2.7	3.0	3.0
Expenditure components of GDP							
Domestic demand	2.9	-0.8	0.3	1.5	2.4	2.8	2.9
Household consumption[2]	1.2	-0.8	0.5	1.3	2.3	3.0	3.0
General government consumption	1.5	0.3	0.5	-1.1	-2.1	-2.8	-2.7
Fixed investment	3.1	-1.7	-0.3	6.2	8.6	8.9	8.7
Business	-2.1	0.2	0.7	6.4	8.9	10.2	10.1
General government[3]	7.8	-13.0	-5.0	-3.6	0.1	0.4	-1.4
Private dwellings[3]	13.3	2.4	0.2	10.5	11.6	9.9	9.7
Change in inventories[4]	1.3	-0.1	-0.1	0.0	0.0	0.0	0.0
Exports of goods and services	7.4	4.8	2.9	5.3	5.7	5.5	5.3
Imports of goods and services	8.6	0.6	1.4	3.8	4.6	4.8	4.9
Balance of payments current account							
£ billion	-49	-38	-27	-21	-20	-15	-11
Per cent of GDP	-3.3	-2.5	-1.7	-1.3	-1.2	-0.8	-0.6
Inflation							
CPI	3.3	4.5	2.8	1.9	1.9	2.0	2.0
RPI	4.6	5.2	3.2	2.3	2.5	3.6	4.0
Terms of trade[5]	-0.6	-1.5	-0.2	0.2	0.2	0.0	-0.1
GDP deflator at market prices	2.9	2.3	2.5	2.5	2.5	2.5	2.5
Labour market							
Employment (millions)	29.0	29.2	29.1	29.2	29.4	29.7	30.0
Wages and salaries	2.2	1.5	2.0	3.5	5.1	5.5	5.6
Average earnings[6]	2.4	1.2	2.6	3.1	4.3	4.5	4.5
ILO unemployment (% rate)	7.9	8.1	8.7	8.6	8.0	7.2	6.3
Claimant count (millions)	1.50	1.53	1.65	1.64	1.52	1.35	1.19
Household sector							
Real household disposable income	-0.2	-1.4	0.2	0.5	1.9	2.4	2.5
Saving ratio (level, per cent)	7.2	6.3	6.6	5.9	5.6	5.2	5.0
House prices	7.2	-0.7	-0.4	0.1	2.5	4.5	4.5
Nominal indicators							
Nominal GDP	5.0	3.1	3.3	4.6	5.3	5.6	5.6
Non-oil PNFC profits[7]	-1.0	11.9	4.7	6.9	9.6	9.4	9.2

[1] Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.
[2] Includes households and non-profit institutions serving households.
[3] Includes transfer costs of non-produced assets.
[4] Contribution to GDP growth, percentage points.
[5] Ratio of export to import prices.
[6] Wages and salaries divided by employees.
[7] Private non-oil non-financial corporations' gross trading profits.

Source: Economic and Fiscal Outlook, Office for Budget Responsibility, March 2012.

[1] http://budgetresponsibility.independent.gov.uk/wordpress/docs/economic_and_fiscal_outlook_23032011.pdf

Economic prospects

2.2 The OBR's forecast for UK growth and inflation is broadly unchanged from its November 2011 forecast. It continues to forecast subdued but positive growth, consistent with experience from past financial crises, with the recovery likely to be particularly uneven this year. The OBR forecasts that the economy will avoid recession, as does the Bank of England's February Inflation Report. It forecasts that quarterly growth will be affected by the additional bank holiday in June 2012 and the Olympic Games in London in summer 2012.

2.3 The OBR expects Consumer Price Index (CPI) inflation to continue to fall back sharply through the remainder of 2012 and fall further, to close to the 2 per cent target from early 2013, as the upward pressure from commodity prices fades and spare capacity weighs on inflation. This forecast is consistent with those of the Bank of England and other external forecasters.

2.4 Unemployment has risen in recent months, following the euro area crisis and resulting economic slowdown, with labour market conditions particularly challenging for younger people. The claimant count is now forecast to peak at 1.67 million by the end of 2012, compared with the peak of 1.8 million in the OBR's November 2011 forecast, in part following better than expected data.[2] Consistent with the OBR's November 2011 assessment, International Labour Organisation unemployment is forecast to peak at 8.7 per cent in 2012 and fall back to around 6.3 per cent by 2016.

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

	Percentage change on a year earlier, unless otherwise stated					
	Forecast					
	2011	2012	2013	2014	2015	2016
GDP growth	**0.8**	**0.8**	**2.0**	**2.7**	**3.0**	**3.0**
Main components of GDP						
Household consumption	-0.8	0.5	1.3	2.3	3.0	3.0
Business investment	0.2	0.7	6.4	8.9	10.2	10.1
Dwellings investment[2]	1.8	0.2	10.5	11.6	9.9	9.7
Government[3]	-1.1	0.0	-1.3	-1.9	-2.5	-2.6
Change in inventories[4]	-0.1	-0.1	0.0	0.0	0.0	0.0
Net trade[4]	1.2	0.4	0.5	0.3	0.2	0.1
CPI inflation (Q4)	**4.6**	**2.3**	**1.9**	**2.0**	**2.0**	**2.0**

[1] All figures in this table are rounded to the nearest one 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 buildings, and the statistical discrepancy.
[2] The sum of public corporations and private sector investment in new dwellings and improvement to dwellings.
[3] The sum of government consumption and general government investment.
[4] Contribution to GDP, percentage points.
Source: Office for Budget Responsibility.

2.5 Table 2.B shows that the economy is forecast to rebalance in the coming years. The OBR forecasts that:

- net trade, which made a negative contribution to growth over the pre-crisis decade, will make a positive contribution to growth in each year of the forecast;
- business investment will pick up and make an increasingly strong contribution to growth in each year of the forecast as confidence builds and credit conditions ease; and

[2] A full explanation of the data and methodological reasons for the OBR's claimant count forecast revision is available in Chapter 3 of the OBR's March 2012 *Economic and fiscal outlook*.

- as fiscal consolidation continues, government spending will decline in real terms.

2.6 The OBR's assessment of the broad risks around its central economic forecast are consistent with those identified at Autumn Statement 2011:

- the situation in the euro area remains a major risk to the forecast, with the possibility that further intensification of the crisis could affect the UK economy through trade, financial and confidence channels;
- the potential for externally-driven inflationary pressures, including from further oil price rises; and
- uncertainty over the degree of spare capacity in the economy and the medium-term rate of potential output growth.

Potential output growth

2.7 The OBR substantially revised down its estimate of the level of potential output in November 2011. While the OBR highlights the difficulties in quantifying underlying productivity, it suggests the reduction is consistent with evidence that financial crises are typically associated with large output losses that persist for many years.

2.8 In November 2011, the OBR projected the trend rate of growth to average 1.1 per cent a year in 2011 and 2012, rising to 2.0 per cent in 2013 and 2.3 per cent thereafter. That compares with 2.35 per cent a year over that period projected at Budget 2011. The OBR's potential growth assumptions are unchanged from November. As Table 2.C shows, potential output is expected to grow by 0.8 per cent in 2012 and 2.0 per cent in 2013, reverting to a growth rate of 2.3 per cent from 2014 onwards. The OBR's assumption of a structural unemployment rate of around 5.25 per cent throughout the forecast remains unchanged.

Table 2.B: Potential output growth forecasts (annual growth rate, per cent)

	Potential productivity[1]	Potential average hours	Potential employment rate[2]	Potential population[2]	**Potential output**
2012[3]	0.6	-0.2	-0.3	0.7	**0.8**
2013	1.6	-0.2	-0.2	0.7	**2.0**
2014	2.1	-0.2	-0.2	0.5	**2.3**
2015	2.2	-0.2	-0.2	0.5	**2.3**
2016	2.2	-0.2	-0.2	0.5	**2.3**

[1] Output per hour.
[2] Corresponding to those aged 16 and over.

Source: Economic and Fiscal Outlook, Office for Budget Responsibility. March 2012

3 Country-Specific Recommendations

Actions to address the UK Country-Specific Recommendations

3.1 The Government agrees with the country-specific recommendations addressed to the UK by EU Heads of State or Government at the June 2011 European Council, which are to:

- implement the planned financial consolidation aiming at a deficit of 6.2 per cent of GDP in 2012-13, in line with Council recommendations on correcting the excessive deficit and setting the high public debt ratio on a downward path when the excessive deficit is corrected by the end of the programme period. Ensuring no slippage from the ambitious spending reduction targets, thereby strengthening long-term sustainability; and, subject to this, prioritise growth-enhancing expenditure.
- develop a programme of reform which addresses the destabilising impact of the house price cycle on public finances, the financial sector and the economy, with a view to alleviating problems of affordability and the need for state subsidy for housing. A broad set of measures and policy instruments could be considered including reforms to the mortgage market, financial regulation, property taxation and the planning system in order to prevent excess volatility.
- take steps by 2012 to ensure a higher share of young people enter the labour market with adequate skills and to improve the employability of 18-24 year olds who left education or training without qualifications. Address skills shortages by increasing the numbers attaining intermediate skills, in line with labour market needs.
- take measures, within current budgetary plans, to reduce the high proportion of jobless households by targeting those who are inactive because of caring responsibilities, including lone parents; and
- implement measures already announced and continue work to improve the availability of bank and non-bank financing to the private sector and in particular to small and medium-sized enterprises (SMEs), while recognising potential challenges on the demand side. Encourage competition within the banking sector and explore with the market ways to improve access to non-bank financing such as venture and risk capital and debt issued on public markets.

3.2 These challenges are in line with those identified by the OECD and the IMF. They are also consistent with the Government's structural reform priorities as set out in the Plan for Growth.

3.3 This section sets out how the Government is addressing these recommendations. The Government is on track to meet its structural reform commitments as set out in Budget 2011 and Autumn Statement 2011. Where possible, the 2012 National Reform Programme (NRP) details the impact of individual measures taken. In a number of cases, however, given the medium-term nature of these challenges, it is too early to gauge impacts. In those cases and where new policies have been announced at Budget 2012, the NRP highlights projected impacts, including those set out in the relevant impact assessments.

Implementing the planned fiscal consolidation

Recommendation 1:

Implement the planned financial consolidation aiming at a deficit of 6.2 per cent of GDP in 2012-13, in line with Council recommendations on correcting the excessive deficit and setting the high public debt ratio on a downward path when the excessive deficit is corrected by the end of the programme period. Ensuring no slippage from the ambitious spending reduction targets, thereby strengthening long-term sustainability; and, subject to this, prioritise growth-enhancing expenditure.

3.4 The Government is committed to taking decisive action to protect the economy and has set out a comprehensive strategy to address the economic challenges facing the UK, to restore stability and to achieve its economic objective for strong, sustainable and balanced growth that is more evenly shared across the country and between industries.

3.5 The Government's comprehensive strategy is based on:

- fiscal consolidation, returning the public finances to a sustainable position, meeting the Government's fiscal targets and ensuring that fiscal credibility underpins low long-term interest rates;
- monetary activism supporting the recovery, focused on meeting the inflation target, increasing the availability of credit to businesses and encouraging private sector investment;
- financial sector reform, enhancing the resilience of the system and reducing risks to the taxpayer;
- tax reform to make the UK one of the most competitive places to do business; and
- a comprehensive package of microeconomic reforms to rebalance and strengthen the economy for the future and including an ambitious package of infrastructure investment.

3.6 Chapter 2 of the UK's 2011-12 Convergence Programme provides further details.

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

Fiscal framework

3.8 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.

3.9 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.

3.10 The Government's fiscal strategy has been endorsed by the OECD, the IMF and UK business organisations.[1] The pace of the Government's planned fiscal consolidation is in line with international practice, given the UK's high budget deficit.[2]

3.11 Fiscal consolidation is critical for the UK to maintain market confidence and minimise risks to economic stability. Fiscal consolidation allows more activist monetary policy to support the economy, while currency flexibility can support net exports.

3.12 Reversing the historic rise in public debt will strengthen the UK's medium-term growth prospects, with recent studies showing that high levels of debt damage growth through a number of channels, including by reducing national savings, increasing levels of taxation and by increasing uncertainty. The Government's fiscal plans ensure that debt as a percentage of GDP is set on a downward trajectory in 2015-16.

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

- the OBR forecasts that departments will exceed savings targets and deliver underspends of around £6 billion in 2011-12;
- at the end of April 2012, almost 40 per cent of the annual fiscal consolidation planned for the Spending Review 2010 period will have been achieved, with almost 30 per cent of the spending and two-thirds of the tax consolidation in place;
- at the end of April 2012, the Government will have implemented measures to deliver almost three-quarters of the total savings expected from reforms to the welfare system;[3] and
- the vast majority of tax consolidation measures have been legislated.

3.14 The Government has made significant progress in reducing the deficit and reversing the unprecedented increase in borrowing between 2008 and 2010:

- the deficit in the cyclically-adjusted primary balance, a measure of the structural deficit excluding debt interest payments, has been halved over the last two years, falling from -7 per cent of GDP in 2009-10 to -3.4 per cent of GDP in 2011-12. The OBR forecasts that this measure of the deficit will approach balance in 2014-15; and
- the rolling 12-month total of public sector net borrowing has fallen from a peak of £157 billion in May 2010 to £120 billion in the twelve months to January 2012.

3.15 At the Autumn Statement 2011, the Government set out plans for public spending growth in 2015-16 and 2016-17 to continue at the same rate as in the Spending Review 2010 period.

3.16 The Government plans a total consolidation of £155 billion per year by 2016-17, consisting of total spending reductions of £126 billion and a net tax increase of £29 billion. Taking the consolidation as a whole, 81 per cent of the total consolidation will be delivered by lower

[1] For example, *Article IV Staff Report*, IMF, July 2011; Economic Outlook, OECD, November 2011; and, *A vision for rebalancing the economy — A new approach to growth, Confederation of British Industry*, December 2011.
[2] *Fiscal Monitor Update*, IMF, January 2012.
[3] Based on net savings in 2014-15.

spending in 2016-17. This is consistent with IMF and OECD research, which suggests that fiscal consolidation efforts that are focused on spending are more likely to be successful[4].

Addressing long-term policy challenges

3.17 At the Autumn Statement 2011, the Government brought forward the rise in the state pension age to 67 to between April 2026 and April 2028 in response to changes in demography. This is expected to save around £60 billion in today's prices between 2026-27 and 2035-36.

3.18 The Government is also taking further steps to address long-term fiscal challenges associated with an ageing population. Budget 2012 announced that the Government would commit to ensuring the state pension age is increased in future to take into account increases in longevity and will publish proposals at the time of the OBR's 2012 Fiscal sustainability report, which is due in July 2012.

A fairer, more efficient and simpler tax system

3.19 The Government is committed to creating a more sustainable tax system that is fair and supports growth. Budget 2012 announced wide-reaching reforms that further this goal, including reforms to:

- reward work and support families, particularly by increasing the income tax personal allowance to £9,205 in April 2013, which will lift an additional 840,000 people out of paying any income tax;
- reduce tax rates to increase competiveness, including reducing the main rate of corporation tax from 26 per cent to 24 per cent in April 2012, to 23 per cent in April 2013 and to 22 per cent in April 2014;
- encourage entrepreneurship and the personal tax competitiveness of the UK by reducing the top rate of income tax to 45 per cent, while restricting tax reliefs and ensuring everyone pays the tax they owe, including by capping tax reliefs at 25 per cent of income for anyone seeking to claim more than £50,000 tax relief and announcing a consultation on new anti-avoidance legislation; and
- make the tax system simpler and more sustainable overall, for instance by introducing a new simplified basis for small unincorporated businesses to calculate tax from April 2013 and closing loopholes in the Value Added Tax system from October 2012.

Reforms to support growth

3.20 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 over 250 economic reforms and investment in infrastructure to help build a stronger and more balanced economy in the medium term.

3.21 Work is well underway on all commitments and as part of Budget 2012, the Government published an update of progress on all measures announced through the Growth Review so far.[5] Updates on infrastructure measures announced in the National Infrastructure Plan and Autumn

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[4] See Economic Outlook, OECD, June 2007; *OECD Economic Survey: United Kingdom 2011, OECD, March 2011; and UK Article IV Consultation*, IMF, May 2009.

[5] http://cdn.hm-treasury.gov.uk/growth_implementation_update.pdf

Statement 2011 were also published alongside Budget 2012.[6] In its 2011 Economic and Fiscal Outlook,[7] the OBR recognised that the structural reform policies announced could have a positive effect on growth. The Growth Review is a rolling programme of reform which will last for the whole of this Parliament.

Rebalancing the economy

3.22 Rebalancing of expenditure in the UK away from government and consumer spending towards net trade and investment has been progressing, in spite of global economic uncertainty. Budget 2012 announced further measures to increase exports, including expanding the overseas role of UK Export Finance to enable it to develop finance packages that could help UK exporters. The Government has also continued to increase UK Export Finance's regional presence in the UK to support small and medium sized businesses seeking trade finance.

3.23 The value of UK exports has risen by 29 per cent since the second quarter of 2009 and is now above its pre-crisis peak. For 2011 as a whole, the UK's total trade balance improved by £8.7 billion. In the March 2012 Economic and Fiscal Outlook, the OBR forecast exports of goods and services to increase by 2.9 per cent in 2012 and 5.3 per cent in 2013.

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

[7] http://budgetresponsibility.independent.gov.uk/wordpress/docs/economic_and_fiscal_outlook_23032011.pdf

Reforming the housing sector

Recommendation 2:

Develop a programme of reform which addresses the destabilising impact of the house price cycle on public finances, the financial sector and the economy, with a view to alleviating problems of affordability and the need for state subsidy for housing. A broad set of measures and policy instruments could be considered including reforms to the mortgage market, financial regulation, property taxation and the planning system in order to prevent excess volatility.

3.24 The Government has an ambitious reform agenda to increase house building, stabilise the housing market and enable more people to own their own home. This will support the Government's economic policy, as adequate levels of housing are vital for future economic competitiveness, enabling a mobile workforce and making a direct and immediate positive impact on GDP through new job creation and impact on the wider supply chain.

3.25 The Government is implementing the actions set out in Laying the Foundations: A Housing Strategy for England,[8] published in November 2011. This section focuses on reforms to stabilise the housing market, including by:

- increasing housing supply;
- reforming the mortgage market;
- significantly refocusing planning policy to prioritise economic growth; and
- enabling more people to own their own home.

3.26 Housing and planning policy is fully devolved to Scotland, Wales and Northern Ireland and each Devolved Administration is responsible for its own policies in this area.

Housing supply

3.27 Housing completions are at an historic low. In 2009-10, there were 115,000 housing completions in England. However, the number of households is forecast to grow by 232,000 per year up to 2033.

3.28 In March 2012, the Government launched the New Buy indemnity scheme,[9] which will enable prospective purchasers to buy a new build property with a 5 per cent deposit. The focus on new build properties will help to stimulate economic activity and lead to an increase in supply. The Government has made provision to support up to 100,000 prospective purchasers. The Home Builders Federation estimates that 25,000 additional homes will be supported over the three year scheme.[10]

[8] http://www.communities.gov.uk/publications/housing/housingstrategy2011
[9] http://www.communities.gov.uk/housing/homeownership/newbuy/
[10] http://www.hbf.co.uk/fileadmin/documents/briefings/National_Planning_Policy_Framework_Fact_Sheet_01.pdf

Stakeholder focus: NewBuy Guarantee Scheme

The NewBuy Guarantee scheme was developed jointly by the Home Builders Federation (HBF) and the Council of Mortgage Lenders (CML). The scheme enables lenders to offer mortgages of up to 95 per cent loan to value and is backed by a builder indemnity fund. For each home sold under the scheme, the builder contributes 3.5 per cent of the sale price into an indemnity fund, with the Government providing a further guarantee of 5.5 per cent of the sale price. If a property is repossessed within seven years, lenders can call on the builder indemnity fund to cover the majority of any losses. When this indemnity fund is depleted, the lender can then call on the Government's guarantee. Lenders pay a fee to reflect the protection offered by the Government's guarantee which has been designed to cover expected losses.

The Government has agreed to a contingent liability of £1 billion, which will support up to 100,000 home purchases. The scheme is expected to be self financing and the Home Builders Federation predict that there could be 25,000 additional homes built as a result of NewBuy. This would give an economic benefit of £750 million and support up to 50,000 additional jobs.

3.29 The Government announced in November 2011 that it would launch a new £420 million Get Britain Building investment fund,[11] which will support firms in need of development finance. Budget 2012 announced that an extra £150 million would be provided. This will help to drive progress on currently stalled sites which have planning permission, but where shortfalls in developer finance have led to stalled development. Over the next two years, this fund is expected to unlock up to 16,000 homes on sites that are currently stalled and help create up to 30,000 jobs in construction and related industries.

3.30 The Government is also introducing financial incentives for local authorities to promote house building. Through the New Homes Bonus,[12] communities are being offered significant incentives to build new houses. Over the Spending Review period, almost £1 billion has been set aside, including nearly £200 million in 2011-12 and £250 million for each of the following three years, with funding also taken from the local government formula grant on top of this.

3.31 The Government has also committed to reducing the cumulative cost of regulation over the Spending Review period, so that building costs per house are reduced. This has already resulted in changes: building standards for public and private homes are now the same and revisions to lifetime homes standards have made them more practical for large developers

3.32 Over 300,000 homes in the UK have been empty for longer than six months. Bringing empty homes back into use can increase the housing supply to meet local needs; help tackle homelessness; prevent neighbourhood decline; and regenerate areas. The Government has committed £100 million through the Affordable Homes Programme. Almost £70 million of this funding has already been allocated, and will bring over 5,600 properties back into use across the country. In the Housing Strategy, the Government committed a further £50 million to tackle concentrations of poor quality, empty homes in low demand areas, with each bid for funding required to bring at least 100 homes back to use.

[11] http://www.homesandcommunities.co.uk/ourwork/get-britain-building
[12] http://www.communities.gov.uk/housing/housingsupply/newhomesbonus/

Mortgage market

3.33 The Financial Services Authority (FSA), the independent non-governmental body that regulates the financial services industry in the UK, is taking action to support financial stability and the flow of credit by conducting a wholesale review of mortgage regulation in the UK, the Mortgage Market Review. The FSA published their latest consultation paper on their proposed package of reforms in December 2011.[13]

3.34 The FSA's proposals 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.

3.35 Following the consultation, the FSA will make a decision on the final rules in summer 2012,[14] 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

3.36 The Government has introduced a new presumption in favour of sustainable development within a new, consolidated and pro-growth National Planning Policy Framework.[15] 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.

3.37 The Government will also introduce a number of measures to streamline the planning applications and related consents regimes, removing bureaucracy from the system and speeding it up, making it more growth focused and more responsive to demand. This will include a twelve month guarantee for the processing of all planning applications, including any appeals, proposals to liberalise the rules around change of use and a number of other measures.

3.38 The Government is accelerating the release of public sector land and has identified sufficient land to provide for over 100,000 new homes by April 2014. This is expected to support as many as 25,000 jobs. A progress report setting out further details will be published by summer 2012. The Government is also taking forward pilots of land auctions for public sector land, with the aim of having two sites ready for market by the end of 2012.

Enabling more people to buy their own homes

3.39 The Government has announced a reinvigorated Right to Buy scheme to support two million social tenants who aspire to own their own home, by increasing the discounts that they receive to make it attractive to tenants across England.[16] For every additional home bought under Right to Buy, a new affordable home will be built. The Government will use the receipts to

[13] http://www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf
[14] Further information can be found at http://www.fsa.gov.uk/Pages/About/What/mmr/index.shtml
[15] http://www.communities.gov.uk/planningandbuilding/planningsystem/planningpolicy/planningpolicyframework/
[16] http://www.communities.gov.uk/housing/homeownership/righttobuy

fund more affordable housing for rent, in addition to plans to deliver up to 170,000 affordable homes, including those through the new Affordable Homes Programme by 2015.

Devolved Administrations

Northern Ireland

3.40 The Northern Ireland Executive is investing over £100 million in affordable housing over the four years to 2014-15 to help first time buyers. This will enable over 2,400 homes to be purchased through the Co-Ownership Scheme.[17] Buying a home through this scheme 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. This also boosts the construction industry, as it is envisaged that this should stimulate the sale of additional new homes and create more jobs within the sector.

3.41 The Executive will also continue to work with Housing Associations to explore and bring forward new affordability models which will assist those who want to get on the housing ladder but cannot afford to do so. Intermediate housing pilots are in their early stages and include mixed tenure social/affordable schemes and affordable homes being built on surplus sites. With each affordability project proposal, the Executive will agree a suitable affordable housing model, with set eligibility criteria, to ensure an attractive form of affordable intermediate housing is provided. The administration is also exploring ways to ensure developer contributions towards affordable housing.

Scotland

3.42 Homes fit for the 21st Century,[18] the Scottish Government’s strategy and action plan for housing for the decade to 2020, was published in February 2011. Key elements of the Scottish Government’s overall approach include:

- support for social housing, including a commitment to deliver 30,000 affordable homes by 2016, with at least 20,000 of these being for social rent, including 5,000 council houses;
- development of a range of innovative approaches to lever in the maximum possible investment from sources other than the Scottish Government;
- a three year mortgage indemnity scheme for new build housing, which will increase availability of lending; and
- making better use of the existing housing system, for example, increasing the use of empty or under occupied homes. The Scottish Government is committed to achieving the statutory target that, from December 2012, all unintentionally homeless people will be entitled to settled accommodation.

3.43 The National Planning Framework is a strategy for the long-term development of Scotland's towns, cities and countryside and identifies key strategic infrastructure needs to ensure that each part of the country can develop to its full potential. The National Planning Framework 2 (NPF2) was launched in June 2009 and sets the spatial strategy for Scotland's development to 2030. The National Planning Framework 2 – Monitoring Report 2012,[19] published in March 2012, provides an update on progress in delivering the strategy set out in the NPF2. The document reports on

[17] http://www.co-ownership.org/
[18] http://www.scotland.gov.uk/Publications/2011/02/03132933/0
[19] http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/npf

progress in implementing the strategy set out in NPF2, including the 14 strategic infrastructure projects designated as national developments and including the replacement Forth River Crossing; a High Speed Rail Link to London; the Grangemouth Freight Hub and electricity grid reinforcements to support renewable energy development and ensure security of energy supply.

Wales

3.44 The Welsh Government is committed to providing more housing, improving the quality of homes and providing better housing-related services and support. The Welsh Government will publish a Housing White Paper in May 2012, which will inform a Housing Bill in 2013.

3.45 Additionally, the Welsh Housing Partnership,[20] established in 2011, provides additional options for those who can currently afford full market rents in the private sector but who may be in a position to purchase the property after five years. It has provided 100 homes to rent to date.

3.46 In 2011-12, the Welsh Government's main capital programme, the *Social Housing Grant*, invested an additional £18 million over the initial budget to deliver affordable homes.[21] This is in addition to £5 million of new money for a recyclable loans fund 'Houses into Homes' to help bring empty properties back into habitable use.

[20] http://www.welshhousingpartnership.co.uk/
[21] http://wales.gov.uk/newsroom/housingandcommunity/2012/120319shg/?lang=en

Improving the employability of 18-24 year olds

Recommendation 3:

Take steps by 2012 to ensure a higher share of young people enter the labour market with adequate skills and to improve the employability of 18-24 year olds who left education or training without qualifications. Address skills shortages by increasing the numbers attaining intermediate skills, in line with labour market needs.

3.47 The Government is committed to ensuring that young people do not become detached from the labour market and disengaged from society and is, therefore, working to increase the participation rates of 18-24 year olds in education, employment and training through an ambitious programme of investment in youth skills and employability, including:

- improving educational attainment, increasing employability through reforming the school system and increasing the availability of high quality work based training;
- increasing the number of apprenticeships and voluntary work experience schemes available to young people; and
- helping young people enter and progress within the labour market through creating the conditions for a strong economy, maintaining a flexible and dynamic labour market and offering encouragement and guidance to take up opportunities.

3.48 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 18-24 year olds.

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

Supporting disengaged 16-17 year olds and training for 18-24 year olds

3.50 According to the latest official figures, at the end of 2010, 96.1 per cent of 16 year olds and 87.2 per cent of 17 year olds were participating in education or work based learning. This is the highest level ever recorded. However, the Government recognises that repeating the mistakes of the past could mean losing generations to worklessness and exclusion. In November 2011, the Government published Building Engagement, Building Futures,[22] a strategy designed to maximise the participation of 16-24 year olds in education, training and employment.

3.51 Alongside the Government's existing programme of reforms to raise the age of compulsory participation in education or training to 17 in 2013 and 18 in 2015, increase the number of apprenticeship opportunities and reform vocational education for young people, the Government has introduced a new Youth Contract,[23] worth almost £1 billion. This will support some of the most vulnerable 16-17 year olds to re-engage in education, apprenticeships or other jobs with training and to provide wage incentives and voluntary work experience places for up to 410,000 18-24 year olds over the next three years.

3.52 In the fourth quarter of 2011, 958,000 young people in England aged 16-24 were not in education, employment or training. Of these, 85,000 were 16-17 year olds who may need additional opportunities or support to re-engage in education or training. The Government is

[22] http://www.dwp.gov.uk/docs/building-engagement-building-futures.pdf
[23] http://www.dwp.gov.uk/youth-contract

investing £150 million over the next three years (£126 million of it in England) to get disengaged and disadvantaged 16-17 year olds into education or training. The Government will pay providers of employment programmes[24] according to the results they deliver:

- full-time education or training leading to an accredited qualification;
- an apprenticeship; or
- full-time employment with part-time training equivalent to at least 280 guided learning hours per year (around one day per week).

3.53 The Government remains committed to ensuring that young people are positive about their future and have the skills and confidence to make the transition from education to sustainable employment. Young people up to age 24 are entitled to full fee compensation to complete, take or re-take their first full level 2 (equivalent to five General Certificates of Secondary Education (GCSE) at grades A*-C) or first full Level 3 education (equivalent to two Advanced Level General Certificates of Education (A-Levels). Full funding is also available for young adults to undertake Foundation Learning (Entry Level and Level 1), where they need this to be able to take up their entitlement to a National Qualification Framework Level 2 qualification and for GCSE English and Maths qualifications.

3.54 The new National Careers Service, launched in April 2012,[25] is designed to help young people and adults make informed and positive choices about their career paths.

Apprenticeships

3.55 The Government has placed apprenticeships at the heart of the skills system. Apprenticeships can help businesses across all sectors to harness talent and provide apprentices with an opportunity to earn, learn and gain professional qualifications. The financial benefits of apprenticeships to young people can be considerable; those with an advanced level apprenticeship can earn between £77,000 and £117,000 more over their lifetime than those with intermediate level qualifications.[26]

3.56 The Government is increasing the availability and take-up of apprenticeships. Over 100,000 employers currently offer apprenticeships in more than 160,000 locations. There are currently around 250 apprenticeship frameworks and over 1,200 job roles available.

3.57 The Government is making a substantial investment in these schemes. Funding for apprenticeships in 2011-12 was in excess of £1.4 billion; this will increase to over £1.5 billion in 2012-13. This funding includes £25 million to support the development of around 25,000 higher apprenticeships over the next four years. Overall, in 2010-11, there were 457,200 apprenticeships, an increase of 63.5 per cent on 2009-10.[27]

3.58 In addition to wider efforts to create more apprenticeship opportunities and to grow the programme amongst SMEs, the Government has introduced incentive payments of £1,500 for small employers who take on their first new apprentice aged 16-24. The number of incentive places available in 2012 will total 40,000.

3.59 The Government also introduced 'Access to Apprenticeships' in August 2011,[28] providing up-front help and support for young people who need extra help in moving into employment as

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24 .The Young People's Learning Agency is currently running a tendering exercise to identify providers for the programme. Contracts will be let in June 2012 and provision will be put in place as soon as possible thereafter.
http://www.contractsfinder.businesslink.gov.uk/Common/View%20Notice.aspx?site=1000&lang=en&NoticeId=433033

25 https://nationalcareersservice.direct.gov.uk/Pages/Home.aspx

26 Returns to Intermediate and low level vocational qualifications: http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/r/11-1282-returns-intermediate-and-low-level-vocational-qualifications.pdf

27 http://www.bis.gov.uk/news/topstories/2012/Feb/apprenticeships-week-2012

28 http://www.apprenticeships.org.uk/Partners/Policy/~/media/Documents/NAS-AccesstoApprenticeships-QAs-v3.ashx

an apprentice. This may include assistance with literacy and numeracy, job specific practical skills, employability skills and behaviours and work experience with employers. The majority of time will be spent in the workplace, so that young people can convince prospective employers of their employability and aptitude, with a maximum six month stay. Up to 10,000 places will be made available in the first year and a similar number in each year thereafter.

Stakeholder Focus: Hull College

Hull College has received funding under Round One of the Higher Apprenticeship Fund to develop a Level 5 Higher Apprenticeship framework in Express Logistics. The College is working with Skills for Logistics and logistics firm TNT to develop a framework which will support the expanding express logistics industry. The aim is to have 250 individuals starting by the 2014-15 academic year.

The industry employs 1.95 million people, with an expectation that this sector will expand by 6.7 per cent over the next ten years. Currently only 54 per cent of the workforce is qualified to Level 2; the introduction of the Higher Apprenticeship will provide a pathway for progression within the industry and increase business benefits. The framework will be available from the 2012-13 academic year.

Making the transition from education to work

3.60 Alongside improving skills, the Government aims to ensure that people are able to enter into and progress within the labour market. The Government expects the Work Programme to offer personalised support to 1.4 million people by the end of 2013. Through this and other Get Britain Working provisions, the Government is strengthening partnerships with business and the education sector to enable young people to get attached to the world of work. Two of the measures offered through Get Britain Working include:

- Work Experience to help young unemployed people obtain valuable work experience through a placement with a local business. Work experience also provides young unemployed people with a potential new route to getting onto an apprenticeship. As of November 2011, over 34,000 benefit claimants have started a Get Britain Working voluntary work experience placement; and
- New Enterprise Allowance to support those looking to start their own business by providing access to finance and support from local business mentors. By the end of November 2011, 880 claimants had started working with a New Enterprise Allowance business mentor and 1,960 claimants had started claiming the New Enterprise Allowance weekly allowance.[29]

Youth contract

3.61 The Government launched the 'Youth Contract' in April 2012. The programme will be worth £940 million over the Spending Review period and aims to help young unemployed people find employment. Following the launch of sector-based work academies in August 2011 for benefit claimants aged 18 years and over, the Youth Contract will provide an extra 250,000 sector-based work academy or Voluntary Work Experience places over the next three years, in addition to the original 50,000 places offered. These offer sector-based pre-employment training, a work-experience placement with an employer in that sector and a guaranteed job interview. The training includes accredited provision leading towards units on the Qualifications and Credit Framework appropriate to the entry requirements for intended jobs.

[29] http://www.dwp.gov.uk/adviser/updates/new-enterprise-allowance/#questionsnea

Wage incentives

3.62 The Government will fund wage incentives for 160,000 young people to make it easier for private sector employers to take them on; at least 40,000 incentive payments for small firms to take on young apprentices; extra support from Jobcentre Plus for unemployed 18-24 year olds; an offer of a work experience or a Sector Based Work Academy place for every unemployed 18-24 year old who wants one after three months on Jobseeker's Allowance; and a new £50 million a year programme to support some of the most disadvantaged 16-17 year olds into education, an apprenticeship or a job with training.

Devolved Administrations

Northern Ireland

3.63 A consultation on a draft strategy to tackle issues surrounding those who are not in education, employment or training was launched in March 2011 and a final strategy is expected by spring 2012.[30] This new strategy will complement the region's plans to develop a new employment programme as a replacement for Steps to Work when the current contract expires in March 2013 and will allow Northern Ireland both to build on the successes of Steps to Work and also incorporate best practice from the Work Programme and policies from Australia and the USA.

3.64 A revised and updated Skills Strategy, Success through Skills – Transforming Futures[31] 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 qualifying from local higher education institutions with graduate and post-graduate science, technology, engineering and maths qualifications by between 25-30 per cent in 2020.

3.65 An Employer Engagement Plan[32] was launched in March 2012 and sets out how the Department for Employment and Learning will work with employers to encourage them to buy into the strategy set out in Success though Skills – Transforming Futures. The Employer Engagement Plan sets out how government, local colleges, universities and training organisations will work with employers to help address the skill needs of the Northern Irish economy.

3.66 An integral part of the strategy is the Skills Solutions service.[33] 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. In the 2011-12 financial year, almost 85 projects to increase the skill levels of nearly 1,050 existing employees were completed under Skills Solutions at a cost of £670,000. A further £255,000 was invested in 39 Bridge to Employment programmes, where 227 unemployed people completed pre-employment training, matching the skills required by employers, with 188 (83 per cent) of those successfully obtaining jobs. Eleven projects are currently being funded in the new round of the Northern Ireland Union Learning Fund, all offering essential skills in the workplace, at a cost of £289,000. This includes numeracy, literacy and information and communications technology skills.

3.67 'Assured Skills' 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. In the 2011-12

[30] http://www.delni.gov.uk/index/consultation-zone/archived-consultations/archived-consultations-2011/neetconsultation.htm
[31] http://www.delni.gov.uk/success-through-skills-transforming-futures
[32] http://www.delni.gov.uk/es/employer-engagement-plan
[33] http://www.delni.gov.uk/skillssolutions

financial year, the programme was expected to contribute to projects, creating over 1,000 jobs. Preliminary results suggest that this number is likely to be exceeded.

Scotland

3.68 The Scottish Government is taking forward a range of measures to support young people, including Opportunities for All, which will ensure that every 16-19 year old not already in work, education or training is offered a learning or training opportunity. Major actions include delivery of a record 25,000 modern apprenticeship starts in 2011-12. A dedicated Minister for Youth Employment portfolio role, established in December 2011, supported by an additional £30 million budget to be invested in helping Scotland's young people into training, work or education: £18 million will be invested in the year 2012-13, with £6 million in each of the following two years.

3.69 The Scottish Government also published its draft Youth Employment Strategy[34] in January 2012. The strategy sets out plans to prioritise spending and work across the Scottish Government as well as other important actions such as developing a single simple national offer to employers and working with a wide range of partners who can make a difference. It has a particular focus on helping hard-to-reach groups, as well as supporting those who are closest to the job market and will benefit from simple measures to help them into employment. A final version will be produced in spring 2012.

Wales

3.70 The Welsh Government Programme for Government (2011-16)[35] sets out a range of actions under a section entitled 'Improving Welsh skills for employment' that outlines the specific commitment to improving employment opportunities for young people. In January 2011, the Welsh Government published the Youth Engagement and Employment Action Plan (2011-15)[36] which aims to reduce the number of young people who are, or who are at risk of becoming, not in education, employment or training in Wales. The strategy aims to support young people's entry to the labour market, for instance through the introduction in August 2011 of two new 'employability' programmes: Traineeships[37] (16-18 year olds) and Steps to Employment[38] (18 and above and unemployed). These programmes aim to support young people in gaining confidence and motivation in improving their skills and acquiring work experience.

3.71 Apprenticeships[39] are the Welsh Government's flagship initiative to increase employment and training for young people and adults at low, intermediate and high skills levels. The Welsh Government's 'Young Recruits'[40] initiative offers a £50 per week wage subsidy to employers to recruit and train additional apprentices (16-24 year olds). The Welsh Government aims to increase the number of apprenticeships, including higher apprenticeships (at Level 4 and above. Higher apprenticeships work towards work-based learning qualifications such as National Vocational Qualification Level 4 and, in some cases, a knowledge-based qualification such as a Foundation degree. As Higher level apprenticeships represent a new policy approach in Wales no financial or other targets have yet been set.

3.72 The Jobs Growth Wales[41] programme was launched in April 2012. The programme will invest £75 million over three years until 2015, offering paid six-month work experience for 'job-ready' unemployed 16-24 year olds, helping them to progress into sustained employment or an apprenticeship. The programme is expected to create 4,000 job opportunities each year until 2015.

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[34] http://www.employabilityinscotland.com/draftyouthemploymentstrategy.aspx
[35] http://wales.gov.uk/about/programmeforgovernment/?lang=en
[36] http://wales.gov.uk/topics/educationandskills/publications/guidance/yeeap/?lang=en
[37] http://wales.gov.uk/topics/educationandskills/skillsandtraining/traineeships/?lang=en
[38] http://wales.gov.uk/topics/educationandskills/skillsandtraining/stepstoemployment/?lang=en
[39] http://wales.gov.uk/topics/educationandskills/skillsandtraining/apprenticeships/?lang=en
[40] http://wales.gov.uk/topics/educationandskills/skillsandtraining/apprenticeships/youngrecruitsprogramme/?lang=en
[41] http://wales.gov.uk/topics/educationandskills/skillsandtraining/jobsgrowthwales/whatisjgw/?lang=en

Reducing the proportion of workless households

Recommendation 4:

Take measures, within current budgetary plans, to reduce the high proportion of jobless households by targeting those who are inactive because of caring responsibilities, including lone parents.

3.73 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 implementation of two reforms to achieve this objective:

- a single employment programme, the Work Programme, which will replace ineffective and poorly targeted programmes with an integrated, personalised package of support to get people into work, including those furthest from the labour market; and
- simplification of the welfare system through Universal Credit, which will help people into work and ensure that that work always pays.

3.74 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.

3.75 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.

Help for workless households

3.76 One of the key disincentives to work has been the complexity of current benefit systems and the financial penalties faced by people wishing to take up work. Some low-income families keep as little as five pence in every additional pound earned, while 70,000 families face deduction rates over 90 per cent. Universal Credit, due to start in 2013, will provide greater incentives to work by simplifying the working age benefit system, providing one streamlined payment. The Government is changing the rules so that couples in workless households in receipt of benefits will need to be available for and seeking work, unless there are dependent children under five years old or other factors, such as ill health.

3.77 In recognition of the commitment to helping parents with the costs of childcare, the Government will invest an additional £300 million so that support for the costs of childcare within Universal Credit will be available to all lone parents and couples, where both members are in work, regardless of the number of hours they work. It will mean around 80,000 extra families will be eligible to receive childcare support.

3.78 The Government recognises that some families face much higher barriers to participation in the workforce and that a wider approach is needed. The Government will invest £448 million in the Troubled Families programme, which adds value to the European Social Fund investment, and will work with local authorities on a payment by results basis to turn around the lives of 120,000 troubled families by the end of the Parliament.[42]

Stakeholder focus: Lincolnshire County Council

As part of the Prime Minister's stated ambition to turn around the lives of 120,000 troubled families, Lincolnshire County Council is working with nine local public sector partners to develop a Community Budget of £1 million to fund a team that provides intensive support to 65 families. Each family has a dedicated worker who builds a strong and trusted relationship with the family and works with them to implement their plan, coordinating the support of other agencies and arranging meetings and activities as required. The level of Key Worker support is based on the family's needs, but is intensive and can involve several visits a week.

Early findings suggest that potential cost savings are considerable at £1 million per annum, with additional one-off savings of £5.4 million through avoiding escalation of family issues (based on working with 65 families). Families Working Together (FWT), Lincolnshire's Community Budget delivery arm, has a success rate of 75 per cent for families with problems related to crime and anti-social behaviour, and a 67 per cent success rate for families with problems related to employment and education. FWT is aligned with other projects within Lincolnshire that are funded by the European Social Fund.

Source: Lincolnshire County Council / Local Government Association

Extra help for lone parents

3.79 Helping lone parents into work is at the heart of the Government's ambition to tackle worklessness and poverty. Evidence shows that the child of a lone parent who works part-time is almost three times less likely to be living in poverty than a child of a lone parent who is not working.[43] A child of a lone parent who works full-time is five times less likely to be in poverty than a child of a lone parent who is not working.

3.80 The Government is, therefore, implementing a range of measures to encourage the participation of lone parents in the labour market, including:

- increased financial incentives to work through Universal Credit;
- asking lone parents to leave inactive benefits and move into the labour market when the child begins full-time education rather than when they are twelve (from May 2012);
- in England, allowing voluntary early access to the work programme;
- offering more help with childcare to those who take up part-time work; and
- giving parents the right to request flexible working.

Extra help for carers

3.81 Most carers of working age want to retain a foothold in the labour market. The Universal Credit will include a carer element which will continue for as long as the carer provides care for at least 35 hours per week for a severely disabled person. This aims to remove the discontinuity for those whose earnings mean they are no longer entitled to Carer's Allowance. Carers who are

[42] http://www.dwp.gov.uk/newsroom/press-releases/2012/jan-2012/dwp001-12.shtml
[43] Households Below Average Income, 2009-10.

in receipt of the carer element will fall into the no conditionality group[44] in Universal Credit – which means that no work related conditions will be applied. For other carers, different levels of conditionality may apply. Access to the Work Programme will depend on the carer's conditionality group. Carer's Allowance will continue to exist as a separate benefit outside of Universal Credit.[45]

Early access to the Work Programme

3.82 To help lone parents and carers progress into employment, they can volunteer to enter the Work Programme early. They can also access extra help through Jobcentre Plus support, including access to the Get Britain Working[46] measures and provision through the European Social Fund.

Reforming the welfare system

3.83 The Government is embarking on the most ambitious programme of reform since welfare was introduced. In a context of constrained public finances, the Government is investing £2 billion over the Spending Review period to deliver Universal Credit. For the first time, this single working age benefit will enable people to make the transition from benefits into work in the knowledge that they will always be better off working. The Universal Credit will be rolled out from 2013 and the Government expects that all claims will be through the system by 2017.

3.84 In parallel, the Government is devolving more autonomy to those delivering frontline services, whether in the public employment services or through the private and voluntary sector. The Government focus on what works and the funding models – payment by results – will ensure that the right support can be offered to help people get into sustainable and rewarding work, while delivering value for money for the taxpayer.

3.85 The Government is also making concrete progress in terms of transferring unemployed people off 'passive' benefits (where no conditionality is attached) and onto 'active' benefits (where claimants are obliged to seek employment):

- in May 2011, 595,400 lone parents in Great Britain were receiving Income Support, whereas the provisional estimate for the number of lone parents receiving Income Support in September 2011 is 590,000;
- the Government is reassessing Incapacity Benefit claimants' ability to work; of the first 141,000 claimants to face assessment, 37 per cent of those whose claims had been concluded were fit for work; and
- a recent study by the Department for Work and Pensions[47] found that 68 per cent of those ending a claim for Job Seekers' Allowance immediately entered work.

Devolved Administrations

Northern Ireland

3.86 Northern Ireland's Local Employment Intermediary Service (LEMIS) is a community-led initiative based in areas of high levels of social and economic deprivation and multiple disadvantages. It is designed to help those further from the labour market who are not presently

[44] Individuals with a disability or health condition that prevents them from working, carers, lone parents or lead carers with a child under the age of one.
[45] http://www.dwp.gov.uk/docs/ucpbn-7-carers.pdf
[46] http://www.dwp.gov.uk/docs/back-to-work-support.pdf
[47] http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep791.pdf

using statutory job finding services. LEMIS is a low cost, high output service which secures an ‘into employment’ success rate of 26 per cent.[48]

3.87 LEMIS has been in operation since April 2007. Of the 1,802 cases handled by LEMIS in the year to March 2012, 454 individuals moved into full-time permanent employment, 36 into part-time permanent employment and 59 into temporary employment. The unit cost for into full-time permanent employment in 2011-12 was £3,546.

3.88 LEMIS is currently developing a new approach to assisting workless households through the introduction of family liaison officers, mentors and motivational courses to break the cycle of inter-generational worklessness.

Scotland

3.89 The Scottish Government has recently announced a number of measures aimed at expanding early learning and childcare provision, including:

- in October 2011, a £4.5 million Community and Family Fund was announced as part of the Early Years Change Fund.[49] From 2012-13 the fund will empower local communities to shape local provision for children and families;
- £1.5 million per year is being made available for local authorities in their role as corporate parent from April 2012 and over the Parliamentary term until 2015 for or additional early learning and childcare places; and
- in March 2012 it was announced that the 2013 Children’s Bill would include an extension of early learning and childcare provision funded by the Scottish Government, from the current level of 475 hours per year to a minimum of 600 hours.

3.90 The Scottish Government also published, in July 2011, guidance on taking forward ‘Public Social Partnerships’ (PSP), in the areas of early learning and childcare. The particular focus of these PSPs is likely to be parents on low incomes and/or in poverty, parents and carers who work shifts, out of school care (including holiday clubs), rurality issues and outdoor/nature kindergartens. In June 2012, a National Business Summit will be convened to explore new ways to encourage more flexible working in the private sector, to make it easier for parents and young children, including the promotion of childcare vouchers. For the long term, the Scottish Government will work with the Early Years Task Force to set out and develop the steps needed to make early learning and childcare accessible and affordable for all, in particular supporting parents seeking to enter or sustain employment, break cycles of poverty and balance family and work.

3.91 In January 2012 the Scottish Government launched the £1.8 million Developing Markets for Third Sector Suppliers programme which will increase awareness of the third sector and the role it can play in the design and delivery of services. The programme will also increase the knowledge and use of techniques such as Community Benefit clauses and Public-Social Partnerships which involve the third sector in ensuring that services meet the needs of those that use them and maximise social benefit.

Wales

3.92 The ‘Want to Work’ project is a joint Welsh Government and Jobcentre Plus Wales initiative developed to test a range of measures, including work-focused interviews, bespoke training, careers guidance and financial support, to help those people already claiming benefit who express an interest in finding work to make the move into employment. It is funded through a

[48] http://www.nidirect.gov.uk/lemis
[49] http://www.scotland.gov.uk/Publications/2011/09/08102006/6

mix of European Social Fund, Job Centre Plus Wales and Welsh Government funds and has been fully operational since February 2008. Delivery is through outreach provision in local community outlets and with the active engagement of local partners, including Careers Wales and Community Next Partnerships. Over its lifetime, Want to Work aims to engage with a minimum of 11,500 individuals and help at least 3,300 of these people to find durable employment. As of the end of March 2012, Want to Work had engaged with 10,755 participants, of whom 3,605 has been helped into work.

3.93 In addition, Wales has developed a project called 'Genesis Wales 2'. The project will predominantly target lone parents and will assist them to overcome a variety of barriers including childcare costs, financial barriers to participation, transport, advice and guidance, low confidence, poor educational achievements, lack of self-esteem, low aspirations and poor life development skills. The project will move individuals closer to the labour market via progression routes on to training, other strategic projects such as 'Want to Work' or directly into employment/self employment or volunteering opportunities. The project aims to engage 15,000 of the hardest to reach individuals and to provide 1,000 individuals with work-limiting health conditions to remain in work.

Access to finance

Recommendation 5

Implement measures already announced and continue work to improve the availability of bank and non-bank financing to the private sector and in particular to SMEs, while recognising potential challenges on the demand side. Encourage competition within the banking sector and explore with the market ways to improve access to non-bank financing such as venture and risk capital and debt issued on public markets.

3.94 The Government is committed to making the UK one of the best places in Europe to start, finance and grow a business and recognises the importance of access to finance, particularly for small innovative companies, as key to promoting private investment and delivering sustainable economic recovery.

3.95 The Government is, therefore, keen to ensure that there are a wide range of sources of finance for businesses to grow and invest in the UK. Its action aims to:

- ease the flow and reduce the cost of credit to businesses;
- increase the supply of capital through non-bank lending channels;
- in the longer term, help to diversify the sources of finance available to businesses; and
- foster diversity and competition in the banking sector.

3.96 The Government has already taken significant steps to increase the availability of finance for businesses, as stated in the 2011 NRP. In addition to this, the Autumn Statement 2011[50] included a package of credit easing interventions worth up to £21 billion to improve the flow of credit to businesses that do not have ready access to capital markets.

3.97 Credit easing will provide support to the economy. In the short term, it will relieve constraints on the supply of bank lending and enhance the demand for credit by reducing the price of loans for eligible companies. In the medium term, it will help to tackle the long-standing problems in the supply of finance to smaller and mid-sized businesses in the UK.

3.98 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.

Financing and growing a business

3.99 At the Autumn Statement 2011, the Government announced a new Seed Enterprise Investment Scheme[51] from April 2012 which aims to incentivise seed investment from individuals in start-up companies, offering 50 per cent income tax relief on investments and a capital gains tax exemption on gains realised in 2012-13 and then invested through SEIS in the same year.

3.100 The Government had previously announced, in March 2011, that it would encourage business angel groups and the Government's SMEs investment arm, Capital for Enterprise Ltd, to put together a bid to the Regional Growth Fund for a Business Angel Co-Investment Fund. This

[50] http://cdn.hm-treasury.gov.uk/autumn_statement.pdf
[51] http://www.hm-treasury.gov.uk/d/seed_enterprise_investment_scheme.pdf

Fund was launched at the Autumn Statement 2011 and will enable equity investment into early stage innovative SMEs.

3.101 These measures follow on from other Government action to provide support for SMEs. As stated in the 2011 NRP, in March 2011 the Government announced a series of measures to improve access to finance as part of its commitment, in the Plan for Growth, to make the UK the best place in Europe to start, finance and grow a business.

3.102 These included significant reforms of the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) scheme to encourage greater investment in SMEs with high growth potential including exploring further support for seed investment. The Government secured European Commission approval to increase the EIS tax deduction rate to 30 per cent from April 2011 and to enact the doubling of the investor limits from April 2012. Work is ongoing to secure approval for the remaining reforms, including increasing the qualifying company size to medium sized enterprises and increasing the annual investment per company to £5 million.

3.103 The Government's measures to support the availability of equity finance also include:

- increasing the Government's share of Enterprise Capital Funds (ECFs) by £200 million, in order to enable investment into the equity gap of more than £300 million for early stage innovative SMEs with the highest growth potential. Nearly £300 million is now invested in earlier tranches of ECFs. Since no ECFs have yet completed their investment cycle, it is too early to assess their impact; and
- a new bank-led £2.5 billion Business Growth Fund to provide equity finance to established SMEs that need capital to secure their plans for growth. The fund made its first investments in October 2011.

Access to bank financing

3.104 As part of the package of credit easing interventions worth up to £21 billion announced at the Autumn Statement 2011 to improve the flow of credit to businesses that do not have access to capital markets, the Government launched the National Loan Guarantee Scheme (NLGS)[52] in March 2012, to provide cheaper bank finance for smaller businesses. Barclays, Lloyds Banking Group, the Royal Bank of Scotland and Santander are participating in the scheme. Aldermore, a new bank, has also agreed in principle to join the scheme. The Government is providing up to £20 billion of guarantees on unsecured bank debt, of which the first tranche is worth around £5 billion. The guarantees enable participating banks to borrow at a cheaper rate from the financial markets and pass the entire benefit that they receive to smaller businesses through cheaper loans.

3.105 NLGS loans are only available to businesses that have annual group turnover of not more than £50 million. Businesses that take out an NLGS loan will receive a reduction in the cost of that loan equivalent to 1 percentage point compared with the interest rate that they would have been charged by that bank outside the scheme. Businesses have already started to benefit from the discounted loans and one bank, Barclays, has already issued guaranteed debt under the scheme. Banks retain the full credit risk of NLGS loans and have sole responsibility for making credit decisions.

3.106 As stated in the 2011 NRP, in February 2011 the major UK banks agreed to make available £190 billion of new credit to business in 2011, £76 billion of which is specifically for SMEs. The final results showed that in 2011 UK banks lent over £214 billion to British businesses – a 20 per cent increase compared with 2010 and exceeding the overall lending target by £24 billion. The

[52] http://www.hm-treasury.gov.uk/nlgs

final figures also show a 13 per cent increase in SME lending compared with 2010, with SME lending rising to over £74 billion.

3.107 The Government also continues to support the Enterprise Finance Guarantee (EFG)[53] scheme to enable £2 billion of lending to businesses with insufficient collateral or track record over the next four years. EFG was extended from January 2012 to include businesses with up to £41 million annual turnover and a number of new lenders. In addition, at Budget 2012, it was announced that for 2012-13, the Government would raise the level of lenders' EFG loan portfolios to which the 75 per cent Government guarantee applies from 13 per cent to 20 per cent. In 2011, Government guarantees made it possible for businesses to borrow £350 million.

Access to non bank finance

3.108 As a further element of the credit easing package announced at the Autumn Statement 2011, the Government committed to helping businesses raise funds from non-bank sources by making a total of £1.2 billion available through a Business Finance Partnership.[54] It was announced at Budget 2012 that the Government intends to invest £700 million with some or all of seven shortlisted loan fund managers.[55] £100 million will also be allocated to invest through other non-traditional lending channels that can reach smaller businesses, such as peer-to-peer platforms and supply chain finance.

3.109 At the Autumn Statement 2011, it was also announced that an industry working group[56] would explore how further to develop access to non-bank lending channels, including forms of bond issuance, for SMEs and mid-sized businesses. The group reported in March 2012.[57] The industry and Government will take forward a number of the working group's recommendations.

Demand-side measures

3.110 The Government recognises that there are some demand-side problems affecting the flow of credit to SMEs. According to a Bank of England survey,[58] demand for credit from SMEs fell sharply in the fourth quarter of 2011 and continued to fall in the first quarter of 2012. In the Plan for Growth, the Government, therefore, set out its priorities to give businesses the confidence to grow and invest including through economic stability as well as a competitive tax system, support for exports, a skilled workforce and specific support for business.

3.111 The Government announced further steps towards this at Budget 2012, for example further reducing the Corporation Tax rate from 28 per cent to 26 per cent and 23 per cent by 2014 with a view to making the UK tax system the most competitive in the G20. The Government has also introduced deregulatory measures estimated to save business over £3 billion in 2012 alone, including a moratorium exempting micro-entities and SMEs from many new regulations. A full-scale review of legislation, including employment law, is also being conducted to tackle unnecessary burdens through the Red Tape Challenge.

Competition in the banking sector

3.112 The Government is committed to fostering diversity and promoting competition in the banking sector. The 2011 NRP stated that the Government had asked the Independent Commission on Banking (ICB) to make recommendations by the end of September 2011. The Government published its response to the ICB in December 2011.[59]

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53 http://www.bis.gov.uk/efg
54 http://www.hm-treasury.gov.uk/d/business_finance_partnership.pdf
55 Alcentra Ltd, Ares Management Ltd, Cairn Capital, Haymarket Financial, M&G Investment Management, Palio Capital Partners and Pricoa Capital.
56 http://www.bis.gov.uk/businessfinance
57 http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/12-668-boosting-finance-options-for-business.pdf
58 http://www.bankofengland.co.uk/publications/Documents/other/monetary/creditconditionssurvey120105.pdf
59 http://cdn.hm-treasury.gov.uk/govt_response_to_icb_191211.pdf

3.113 The Government strongly supports the ICB's three key financial stability objectives of making banks better able to absorb losses; making it easier and less costly to sort out banks that, nevertheless, get into trouble; and curbing incentives for excessive risk-taking. The Government also supports the ICB's dual approach of ring-fencing vital banking services and increasing banks' loss-absorbency. The Government considers that the ICB recommendations will help to address competition concerns and has already set out its intention to implement them, so that banks no longer receive a competitive advantage by being 'too big to fail'.[60]

Devolved Administrations

Northern Ireland

3.114 Access to finance, particularly for SMEs, is a major issue that is constraining growth in Northern Ireland. Data provided by the British Bankers' Association highlights significant falls in bank lending and the cost of credit has risen substantially since the financial crisis and recession. The Northern Ireland Finance Minister has, therefore, been engaging with the UK and Irish governments and Northern Irish banks to ensure that the steps that are taken nationally to improve liquidity and access to finance are also effective in Northern Ireland. The Northern Ireland Executive has also been working with local banks to introduce an appeals process for individuals and businesses who feel that they have been unfairly denied access to credit.

Scotland

3.115 The Scottish Government is committed to continuing to monitor credit conditions in Scotland through its own survey on SME access to finance, which fills an important gap in the evidence base for credit conditions in Scotland. The latest 'SME Access to Finance Survey', the third report in the series, published in March 2011, surveyed 1,004 SMEs in November 2010. There was evidence of some improvement in credit conditions for firms which were renewing existing credit facilities with fewer businesses experiencing problems than in 2009. However, the reduction in the supply of new lending remains a critical issue particularly in terms of firms being able to access new finance for investment and growth which will be key to economic recovery. A fourth Access to Finance Survey will be published in early summer 2012.

3.116 The Scottish Investment Bank,[61] formed in December 2010, is delivering existing early stage equity schemes and a new loan fund, supported by the European Regional Development Fund, aimed at innovative technology bases companies and established growth and exporting companies. The three equity funds it delivers operate on a fully commercial basis with private sector partners leading on investment and the public sector contribution invested on the same commercial terms. In 2010-11, the SIB invested £23 million in 109 Scottish companies and leveraged £53.7 million of private sector investment.

Wales

3.117 Access to commercial finance remains a critical issue for businesses in Wales, with a recognised gap in the provision of growth finance for SMEs. The Welsh Government is taking action to address market failures in this area.

3.118 Finance Wales, a company wholly owned by the Welsh Government, provides debt and equity finance to Welsh SMEs. Since April 2009, Finance Wales has operated Europe's first Joint European Resources for Micro to Medium Enterprises (JEREMIE) fund.[62] This uses funding from

[60] http://www.hm-treasury.gov.uk/fin_stability_regreform_icb.htm
[61] http://www.scotland.gov.uk/news/releases/2009/04/21131755
[62] http://www.financewales.co.uk

the European Investment Bank and the EU Structural Funds to provide £150 million of financing to small and medium-sized enterprises by means of equity, loans or guarantees.

3.119 The Welsh Government announced in February 2012 that it would boost the Wales Economic Growth Fund[63] from £15 million to £30 million to provide short-term, fast-track funding for business, providing immediate access to capital funding for investments that will create and retain jobs. By April 2012, the Fund had supported over 90 SMEs with a total investment of over £26 million. It is expected to support over 100 SMEs and aims to create and safeguard over 2,500 jobs. Specific funds are also being made available for investments in life sciences and growth capital for micro-businesses.

Stakeholder Focus: Communities Investment Fund

Wales Council for Voluntary Action's £6 million Communities Investment Fund (CIF) will support over 100 third sector organisations in the Convergence area of Wales with access to finance that they would not be able obtain commercially. Access to finance is often a barrier to third sector organisations seeking to expand or take on new work. CIF is working to remove that barrier and lend to organisations that have sound revenue generating plans but lack the financial history or assets to secure commercial finance to put those plans into action. CIF aims to create 100 jobs, 30 new enterprises and induce a further £20 million of investment which will result in a total profit benefit of £5 million for the organisations supported. As CIF loans are repaid, the money can be re-invested into other organisations and therefore multiplying the impact of the original support received through European Regional Development Fund and Welsh Government.

[63] http://wales.gov.uk/topics/businessandeconomy/help/economicgrowthfund/?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 new framework represents a step change by replacing 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 published business plans for each of the main government departments. These set out how each department aims to implement the reforms 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 were updated in May 2011 and will continue to be refreshed on an annual basis. The plans, along with updates on each department's progress in implementing them, are available on 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 headline Europe 2020 targets, agreed by the European Council in June 2010. As in the 2011 NRP, for each EU level target it sets out:

- the EU level target, the relationship to the Treaty, the Integrated Guidelines and the Annual Growth Survey;
- 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 Administrations 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 A final Delivery Report in respect of the Northern Ireland Executive's Programme for Government 2008-11 was published in February 2012. This provides an update on the levels of progress achieved by Northern Ireland Departments up to the end of March 2011.

4.7 The Northern Ireland Executive's new Programme for Government 2011-15[2] was agreed by the Executive in March 2011 and endorsed by the Assembly. It is intended that the programme

[1] http://www.number10.gov.uk/transparency/find-all-other-government-data/
[2] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf

will be managed at three levels: programme, delivery and operational. Reports on progress against commitments will be made public on a regular basis.

4.8 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,[4] the Scottish Government's online tool for reporting on progress.

4.9 In Wales the Programme for Government 2011-16[5] sets out how the Welsh Government will measure progress against its commitments, the key actions that will be taken to drive progress and how it will determine whether actions are on track. An annual report on progress will be published, 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.

[3] http://www.scotland.gov.uk/About/scotPerforms/NPFChanges

[4] http://www.scotland.gov.uk/About/scotPerforms

[5] http://wales.gov.uk/about/programmeforgovernment/?lang=en

EU headline target: 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.

Annual Growth Survey: Priority 4: tacking unemployment and the social consequences of the crisis.

Government Objective:

4.10 The Government is committed to increasing employment opportunities for all by providing support mechanisms and benefits systems that incentivise work and reduce worklessness, to ensure that individuals can fulfil their potential within the labour market.

4.11 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.

Current level of performance against objectives:

England

Indicator	Current level	Reference period
Proportion of children living in workless households.	15.8 per cent	Proportion of children living in workless households.
Number of people on out of work benefits.	4.75 million	January 2012

Northern Ireland

Indicator	Current level	Reference period
Employment rate (population aged 16-64).	68 per cent	November 2011-January 2012

Scotland

Indicator	Current level	Reference period
Employment rate (population aged 16-64).	71.38 per cent	December 2011-February 2012

Wales

Indicator	Current level	Reference period
Employment rate (population aged 16-64)	68. 4 per cent	November 2011-January 2012

Policy context

4.12 The Labour Market Statistics release in April 2012 gave an employment rate of 70.4 per cent for the quarter December 2011-February 2012.[6] The latest OBR forecast (March 2012)[7]

6 http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market

estimated that total employment would increase by around 1 million by 2017, with a 1.7 million rise in market sector employment partly offset by a 700,000 fall in general government employment.

4.13 In the UK, although unemployment is at 2.65 million, over 4 million jobs were notified to Jobcentre plus in 2011. This represents only a proportion of vacancies in the wider economy. In February 2012, there were 4.75 million people on out of work benefits. There are currently around 3.9 million workless households in the UK and 1.8 million children live in workless households.[8]

4.14 A number of the actions detailed in the sections on skills, workless households, education and social exclusion contribute to the UK's efforts towards achieving identified key employment objectives.

Actions to achieve objective

4.15 The UK has had a historically high employment rate with a flexible labour market and strong activation measures. The Government's welfare reform programme will change the way the UK's welfare systems incentivise work and encourage people off benefits and into the labour market. The Work Programme will offer more personalised and targeted support, coupled with stronger conditionality. 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. Jobcentre Plus advisers have the flexibility to judge which interventions will help claimants at the most appropriate point in their job seeking journey, tailoring this to individual need.

Welfare that works

4.16 The Welfare Reform Act was enacted in March 2012 and makes the most fundamental reforms to the social security system for 60 years. It will deliver a system that is simpler, fairer and ensures that work always pays. Some of the key provisions are set out below.

Universal Credit

4.17 Universal Credit[9] provides a new single system of means-tested support for working-age people in and out of work. Support for housing costs, children and childcare costs will be integrated in the new benefit. It will also provide additions for disabled people and carers. The system will be simpler and more efficient, making benefits easier to understand. This will lead to an increased take up of benefit and reductions in poverty. For those in work, financial support will be withdrawn at a single transparent rate as earnings increase to ensure that work always pays and is seen to pay.

Disability Living Allowance Reform

4.18 Disability Living Allowance will be replaced by a new non-means-tested benefit for extra costs. This will be called Personal Independence Payment. This will contribute to the extra costs of overcoming the challenges faced by some disabled people to enable them to lead full, active and independent lives.[10]

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[7] http://cdn.budgetresponsibility.independent.gov.uk/March-2012-EFO.pdf

[8] Workless households are households (with at least one member who is aged 16 to 64) where no-one is currently working. The figure excludes student households. Respondents are asked to discount periods of casual and holiday work. Office of National Statistics, 2011, *Working and Workless Households*.

[9] http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-bill-2011/universal-credit-briefing/

[10] http://www.dwp.gov.uk/policy/disability/personal%2Dindependence%2Dpayment/

Benefit Cap

4.19 It is not reasonable or fair that households on out-of-work benefits should receive a greater income from benefits than the average income of working households. The Welfare Reform Act therefore, caps the amount of benefits a household may receive so that these are in line with average weekly earnings. In order to increase the incentive to find employment, those entitled to Working Tax Credit will be excluded from the benefit cap.

Get Britain Working and the Work Programme

4.20 The Work Programme was launched in June 2011 and is now in place nationally. Work Programme providers are free to design support based on individual and local need. They will be paid primarily for supporting claimants into employment and helping them stay there for longer than ever before, with higher payments for supporting the hardest to help. For the first time, providers will be paid partly out of the benefit savings they help deliver when they support claimants into sustained employment.

4.21 The Work Programme is expected to provide personalised support to 3.3 million claimants over the life of the contract:[11]

- from June to October 2011, there were 370,000 referrals to the Work Programme;
- from June to October 2011, there were a total of 332,000 attachments to the Work programme; and
- by the end of 2012-13 the Work Programme is expected to be supporting 1.4 million people.

4.22 Get Britain Working[12] 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.

[11] http://www.parliament.uk/deposits/depositedpapers/2012/DEP2012-0132.doc
[12] http://www.dwp.gov.uk/policy/welfare-reform/get-britain-working/

Stakeholder Focus: The Oldham Work Club Network

Work Clubs help give support to those who are out of work while they are unemployed and do everything possible to get them back into the world of work as quickly as possible. Over 300 have been set up across the UK in the past two years. The Oldham Work Club Network has been established to represent the strategic interests of the Work Clubs established or in development across the Borough of Oldham.

The Network has come a long way since the first Work Club was established on the Crossley Estate in Central Chadderton by the current Chair, Richard Outram, in May 2011. There are currently ten operational Work Clubs in the Borough, an Enterprise Club and one on-line virtual work club. Six others are in the process of development. A Work Club at the International Learning Centre in the heart of Oldham was the latest to join the Network, opening on 22 March 2012.

The Oldham Work Club Network has adopted a work plan for the coming year with objectives of promoting Work Clubs as a free resource of advice and practical help to all local jobseekers looking for work; increasing referrals from the Job Centre, other training providers and housing associations; developing excellence amongst providers by sourcing information and training for members and to share best practice; and developing links with the local business community in order to develop a job broking service.

Devolved Administrations

Northern Ireland

4.23 In the 11 months up to the end of February 2012 the Northern Ireland Employment Service had assisted 34,917 working age benefit clients into employment, against a target of 35,000 individuals by March 2012. The target is associated with Priority 2 of the Northern Ireland Programme for Government, 'Creating Opportunities, Tackling Disadvantage and Improving Health and Wellbeing'.[13]

4.24 Steps to Work, a flexible approach to tackling individuals' barriers to employment, is the Northern Ireland Executive's main adult return to work programme.[14] By June 2011, Steps to Work had assisted over 15,000 people into work and 27 per cent of Steps to Work leavers had moved to unsubsidised employment (with 22 per cent sustaining that employment for a minimum of 13 weeks). By December 2011, almost 76,000 people had participated in the Steps to Work programme (over a quarter of whom were voluntary participants).[15]

Scotland

4.25 The Scottish Government is establishing four Enterprise Areas in Scotland with the aim of boosting economic growth and stimulating new job creation, often in areas of economic need and under-performance. The locations are strategic sites across Scotland where natural resources and knowledge offer clear, realisable opportunities to build an international competitive advantage in a number of growth sectors. The Government Economic Strategy identifies the significant opportunities for Scotland from aligning investments towards export promotion to take advantage of the significant growth opportunities from emerging international markets.

[13] http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf
[14] http://www.delni.gov.uk/stepstowork
[15] http://www.delni.gov.uk/steps-to-work-statistical-bulletin-statistics-to-december-2011.pdf

Scotland's Trade and Investment Strategy 2011-15,[16] published in March 2011, sets out key actions to support International Trade and Investment.

4.26 Partnership Action for Continuing Employment (PACE) is the Scottish Government's national strategic partnership framework for responding to redundancy situations. Through providing skills development and employability support, PACE aims to minimise the time people affected by redundancy are out of work, through a range of support tailored to meet individual needs and local circumstances. Skills Development Scotland co-ordinates PACE at a national level and facilitates local level response teams in conjunction with other key partners including Jobcentre Plus to provide tailored help and support for those facing redundancy situations. PACE has provided support to over 13,000 individuals and 365 employers during the period April 2011 to March 2012.

Wales

4.27 The Welsh Government and the Department of Work and Pensions published a Labour Market Framework[17] 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.

[16] http://www.sdi.co.uk/resources/reports/international-trade-and-investment-strategy-2011-2015.aspx

[17] Labour Market Framework: http://wales.gov.uk/topics/educationandskills/publications/guidance/labourmarketframework/?lang=en

EU headline target: 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.

The European Council emphasises the competence of Member States to define and implement quantitative targets in the field of education.

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

Annual Growth Survey: Not applicable

Government objective

4.29 The Government is undertaking reforms to improve schools and help reduce the number of young people not in education, employment or training. The Government is also committed to expanding and improving the quality of the apprenticeships programme, enabling individuals to choose the learning pathway that will help them achieve their goals.

4.30 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
Attainment at age 16 - percentage achieving English and Maths at GCSEs at grade A*-C[18]	59.5 per cent	2010-11
Attainment at age 19 – percentage qualified to at least UK Level 2[19]	81.5 per cent	2010
International comparison (within the OECD) of the qualification levels of the working age population in the UK[20]	74 per cent achieving at least upper secondary (UK Level 2) and 37 per cent at least tertiary (UK Level 4)	2009

[18] Department for Education Statistical First Release 02/2012: www.education.gov.uk/rsgateway/DB/SFR/s001056/sfr02-2012.pdf
[19] Department for Education Statistical First Release 04/2011: http://www.education.gov.uk/rsgateway/DB/SFR/s000995/index.shtml
[20] Source: Education at a Glance 2011, OECD

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[21]	59 per cent	2009-10
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[22]	31.3 per cent	2009-10

Scotland

Indicator	Current level	Reference period
Proportion of 18 to 24 population who are early leavers from education and training[23]	13.8 per cent	2010
Percentage population aged 30-34 having completed tertiary education[24]	49.8 per cent	2011
Percentage youth aged 20-24 having attained at least upper secondary level education[25]	77.8 per cent	2011

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[26]	50.8 per cent	2010-11
Attainment at age 19 – percentage having achieved: Level 1 Level 2 Level 3[27]	 96 per cent 74 per cent 46 per cent	2008-09
International comparison (within the OECD) of the qualification levels of the working age population[28]	67 per cent achieving at least upper secondary (UK level 2) and 28 per cent at least tertiary (UK Level 4)	2007

[21] http://www.deni.gov.uk/qualifications_and_destinations_2009_10.pdf
[22] http://www.deni.gov.uk/qualifications_and_destinations_2009_10.pdf
[23] Source: Eurostat (European Labour Force Survey)
http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/dataset?p_product_code=EDAT_LFSE_16
[24] Source: Labour Force Survey, Jan-Mar quarters, ONS, not seasonally adjusted
[25] Source: Labour Force Survey, Jan-Mar quarters, ONS, not seasonally adjusted
[26] Source: 'Educational Attainment of Young People by Age 19, 2008/09' experimental statistics bulletin was published in December 2010:
http://wales.gov.uk/docs/statistics/2010/101215sdr2202010en.pdf
[27] Source: 'Educational Attainment of Young People by Age 19, 2008/09' experimental statistics bulletin was published in December 2010:
http://wales.gov.uk/docs/statistics/2010/101215sdr2202010en.pdf
[28] Source: The last 'International Comparisons of Education Indicators' article was published in February 2010:
http://wales.gov.uk/docs/statistics/2010/100225comparisons07en.pdf

Policy Context

4.31 In December 2011, the Government set out its strategy to maximise the participation of 16-24 year olds in education, training and work, Building Engagement, Building Futures.[29] This set 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.

4.32 The Government is committed to creating a world-class state education system working to improve the opportunities and experiences available to children and the education workforce. Among its priorities is increasing the level of participation in education and training by young people post-16, which will benefit young people, the economy and wider society and increase the likelihood of young people attaining higher levels of qualifications and earnings.

4.33 Every sector of the economy relies on the higher education sector producing well educated, highly skilled and competent graduates to deliver their business and services. The Government's reforms will deliver a higher education system that is fair and affordable to students, responsive to the needs of business and sustainable for the long term.

Actions to achieve objectives

4.34 A number of the actions detailed in the sections on skills, employment and social exclusion contribute to the UK's efforts towards achieving identified key education objectives.

Reducing early school leaving

4.35 In December 2011, the Government set out its strategy to maximise the participation of 16-24 year olds in education, training and work, Building Engagement, Building Futures[30]. This set out the full range of policies that the UK Government is implementing to raise educational attainment and ensure that young people are prepared to progress successfully into higher education and sustainable employment.

4.36 The most important factor in influencing young people's participation is good attainment at age 16. The Government's schools reforms will help to raise standards for all pupils, as well as providing additional support for disadvantaged young people through the Pupil Premium. The Government is committed to raising the age of compulsory participation in education or training in England to 17 in 2013 and 18 in 2015. The Government will provide £7.5 billion of funding in 2012-13 for 16-19 education and training places, including £833 million for apprenticeships.

4.37 The Government has prioritised funding for 19-24 year olds to complete, take or re-take their first full level 2 (equivalent to five GCSEs at grades A*-C) or first full level 3 (equivalent to two A-levels).

4.38 Following the Wolf Review of vocational education[31], the Government is reforming vocational education to ensure that this offers high quality opportunities for young people. Local authorities in England have statutory responsibilities to support young people in their area to participate in education or training. The Government has announced investment of £126 million over the next three years in England to provide additional support to help the most disengaged 16-17 year olds into education or training, paying organisations according to the results that they achieve.[32]

[29] http://www.education.gov.uk/16to19/participation/a00200853/building-engagement-building-futures
[30] http://www.education.gov.uk/16to19/participation/a00200853/building-engagement-building-futures
[31] http://www.education.gov.uk/a0074953/review-of-vocational-education-the-wolf-report
[32] http://www.education.gov.uk/inthenews/inthenews/a00203715/timebomb

Higher education

4.39 The Government's higher education reforms will sustain the higher education system, by ensuring it is sustainably financed, that the quality of teaching remains world class and that universities remain accessible to anyone who has the talent to succeed. The Government has rebalanced funding to reduce the burden on the taxpayer and ask graduates, who benefit most from their higher education, to finance their studies, but only when they are able so to do. The Government will provide loans to fund tuition costs and graduates will repay when they are earning a reasonable salary – no eligible undergraduate student will be asked to pay for tuition upfront.[33] Under the new arrangements, a larger proportion of funding will flow into institutions from the student via their subsidised student loans. This means that revenue streams to universities are protected during tough times, but that access to higher education continues to be based on ability not on ability to pay.

4.40 Key to the Government's overall reforms is an improved student experience. In June 2011, the Government published the White Paper, Students at the Heart of the System[34] setting out a vision for Higher Education where students can make more informed choices about learning and where the sector is more responsive to student demand. Student choice will drive the behaviour of institutions in terms of their provision and student experience as they become more reliant on the bulk of their funding flowing from tuition fees.

4.41 From autumn 2012, universities in England will be able to charge up to £9,000 a year for courses, but those charging more than £6,000 will need to participate in the National Scholarship Programme and meet much tougher conditions on widening participation set by the Office for Fair Access.[35] The Government is committed to fairness in its higher education funding reforms, therefore repayment of student loans will only commence when students have completed their learning and are earning a salary of £21,000 or more (increased annually in line with earnings from 2016) and any outstanding repayments will be written off after 30 years.[36]

4.42 The Government is also putting in place a more progressive maintenance package for new full-time students starting their courses in autumn 2012, with an increased Maintenance Grant worth £3,250 for all those from households with an income of £25,000 or less and increased loans for living costs of up to £5,500 for students living away from home and studying outside London (up to £7,675 for students living away from home and studying in London or up to £4,375 for students living at home). An interim impact assessment was published in November 2010.[37]

Devolved Administrations

Northern Ireland

4.43 The Northern Ireland Executive's strategy document Further Education Means Business,[38] which sets out the vision for the further education sector in Northern Ireland, identifies its primary objective as supporting economic development. This will be envisaged through a sharper and greater focus on the provision of skills for the economy and provision of a qualifications based curriculum which is more clearly related to economic requirements. Further education colleges deliver a wide selection of professional and technical courses at levels 2 and 3, higher education programmes and provision, aimed at upskilling and re-skilling employees.

[33] http://www.bis.gov.uk/assets/biscore/higher-education/docs/h/11-944-higher-education-students-at-heart-of-system.pdf
[34] http://www.bis.gov.uk/assets/biscore/higher-education/docs/h/11-944-higher-education-students-at-heart-of-system.pdf
[35] http://www.offa.org.uk/universities-and-colleges/introducing-access-agreements/
[36] Understanding Finance: www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/@educ/documents/digitalasset/dg_200475.pdf
[37] http://www.bis.gov.uk/assets/biscore/higher-education/docs/i/10-1309-interim-impact-assessment-he-funding-and-student-finance.pdf
[38] http://www.delni.gov.uk/fe_means_business_implementation_plan_-_june_06.pdf

4.44 Around 95 per cent of further education provision funded by the Department for Employment and Learning (DEL) concerns courses leading to qualifications on the regulated qualifications frameworks: around 90 per cent on the Qualifications and Credit Framework (vocational qualifications) and 5 per cent on the National Qualifications Framework (primarily GCSs and GCSEs). In the 2010-11 academic year, retention and achievement rates for DEL funded Further Education professional and technical (vocational) provision were 88 per cent and 80 per cent respectively.

4.45 In relation to higher education, 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. The fee in academic year 2012-13 is £3,465, with eligible students entitled to receive a fee loan to cover the full amount. Northern Ireland students who opt to study in other parts of the UK will be able to access subsided loans of up to £9,000 to cover the higher fees charged elsewhere. Eligible students will be able to access subsidised loans to help with their living costs and may also be able to avail of means-tested grants.

Scotland

4.46 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, benefitting pupils, teachers and the local economy. The £1.25 billion Schools for the Future Programme is expected to enable the construction of around 65 new schools across Scotland by 2018. This will help to deliver the Government's aim of reducing by half the number of pupils being taught in crumbling schools from 120,000 to 60,000 by the end of the current Parliament. The joint Scottish Government and Convention on Scottish Local Authorities school estate strategy, Building Better Schools: Investing in Scotland's Future which was published in 2009, sets out the national and local governments' shared vision, aspirations and principles for the efficient and effective management of the school estate.

4.47 The Scottish Government has retained the Education Maintenance Allowance (EMA) in Scotland and is providing £31.6 million per year 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. 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 2010-11, of whom 61 per cent were school pupils and 39 per cent college students.

Wales

4.48 To support higher level learning, Welsh university students currently pay a contribution of £3,290 a year in fees. The Welsh Government will provide a tuition fee grant or waiver to cover the difference in university fees. Students will also be able to access subsidised loans to help with the cost of going to university and, if eligible, a means tested Assembly Learning Grant of up to £5,000 will be available to help pay for studies.

4.49 Knowledge Economy Skills Scholarships (KESS)[39] 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.[40]

4.50 GO Wales,[41] the Graduate Opportunities Wales Programme (January 2009 - December 2014), is a programme for graduate employability. The programme is in line with Europe 2020

[39] http://www.higherskillswales.co.uk/kess/index.php.en?menu=0&catid=0

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

[41] http://www.gowales.co.uk

priorities, helping to improve the employability of students and graduates and the retention of graduate skills in Wales. It is mainly funded by the Welsh Government and ESF (£34 million, of which £16.7 million is from the ESF and the remainder is from the Higher Education Funding Council for Wales and higher education and employers' match funding).

4.51 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 10-week paid work placements and 1,818 short unpaid work experience opportunities;
- provided 214 places on its Graduate Academy (combining management training and work experience) and 202 places on its Freelancer Academy to help graduates get started on a freelance career; and
- delivered 833 training opportunities specifically for graduates employed in SMEs.

4.52 'Reach the Heights'[42] 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. The 'Routes to the Summit' project 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. Total spend over the two projects is up to £37 million, of which up to £20 million is provided by the ESF. It is expected that over 28,000 young people will have benefited directly by the end of the projects. There has not been a full evaluation to date but a wide range of anecdotal evidence points to the positive impact on individuals involved in the projects.

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

EU headline target: social exclusion

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.

Annual Growth Survey: not applicable.

Government Objective

4.53 The Government is committed to making wide-ranging social reforms, including transforming children's life chances, reforming welfare systems, improving education, increasing social mobility and tackling child poverty.

4.54 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.

Current level of performance against objectives:

4.55 The latest indicators that the Government identified in the Child Poverty Strategy are set out in the table below:

Indicator[43]	Target	Current Level	Reference Period
Relative low income: proportion of children living in workless households where income is less than 60 per cent of median household income before housing cost for the financial year.	Less than 10 per cent by 2020-21	20 per cent	2009-10
Absolute low income – proportion of children who live in households where income is less than 60 per cent of median income before housing costs in 2010-11 adjusted for prices.	Less than 5 per cent by 2020-21	11 per cent	2009-10
Low income and material deprivation – proportion of children who experience material deprivation and live in households where income is less than 70 per cent of median household income before housing costs for the financial year.	Less than 5 per cent by 2020-21	16 per cent	2009-10

[43] http://research.dwp.gov.uk/asd/index.php?page=hbai

Persistent poverty – proportion of children living in households where income is less than 60 per cent of median household income before housing costs for the financial year in at least three of the previous four years.	To be defined in regulations by 2015	12 per cent	2005-08
Relative low income: proportion of children living in workless households where income is less than 60 per cent of median household income before housing cost for the financial year.	Less than 10 per cent by 2020-21	20 per cent	2009-10

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 median income for the financial year.	28 per cent	2009-10
Absolute low income - proportion of children living in households where income is less than 60 per cent of median household income of 2010-11 adjusted for prices (currently measured against incomes 1998-99).	16 per cent	2009-10
Combined low income and material deprivation – proportion of children who experience material deprivation and live in households where income is less than 70 per cent of median household income for the financial year.	23 per cent	2009-10
Relative low income – proportion of children living in households where income is less than 60 per cent of median income for the financial year.	28 per cent	2009-10
Absolute low income - proportion of children living in households where income is less than 60 per cent of median household income of 2010-11 adjusted for prices (currently measured against incomes 1998-99).	16 per cent	2009-10

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'.	13-14 per cent.	2009-10[44]
National Indicator: 'Decrease 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).	17 per cent	2009-10[45]

[44] Proportion of total equivalised income going to the bottom three income deciles.
[45] Proportion of individuals living in private households with an equivalised income of less than 60 per cent of the UK median before housing costs

Wales:

The Programme for Government contains the indicators the Welsh Government will use to measure progress against objectives; the indicators themselves are being reviewed in the context of the development of the new Anti-Poverty Action Plan[46].

Indicator	Current Level	Reference Period
Children living in relative low income households (households below average income)	32 per cent	2006-07 to 2008-09
Children living in workless households	19.9 per cent	2009
Children living in in-work poverty	26.7 per cent	2008-09

Policy Context

4.56 The Government remains committed to eradicating child poverty, increasing social mobility and ensuring social justice, as set out in the coalition's Programme for Government[47]. Welfare and education reform aspects of the Government's approach to tackling social exclusion are covered in more detail in the employment, education and workless households sections of this document. The following section therefore provides relatively more coverage of child poverty aspects of the Government's overall approach.

Actions to achieve objective

4.57 The Government aims to achieve this objective by:

- taking actions that will focus on prevention and early intervention;
- concentrating interventions on recovery and independence, not maintenance;
- promoting work for those who can as the most sustainable route out of poverty, while offering unconditional support to those who are severely disabled and cannot work;
- recognising that the most effective solutions will often be designed and delivered at a local level; and
- ensuring that interventions provide a fair deal for the taxpayer.

Child poverty strategy

4.58 The Government is firmly committed to eradicating child poverty, as agreed in the coalition's Programme for Government and published its strategy to tackle child poverty in April 2011.[48] The strategy underpins the Government's ambition for every child to realise their potential and reflects its belief that reducing poverty is about more than lifting families' incomes above an arbitrary line. It demonstrates that the Government is making a sustained, long-term attempt to lift people out not only of income poverty, but also poverty of aspiration and poverty of outcomes. At its heart are the principles of work, fairness, responsibility and support for the most vulnerable.

[46] The latest set of published indicators for child poverty can be found at http://wales.gov.uk/topics/statistics/headlines/social2010/101125/?lang=en
[47] http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187876.pdf
[48] https://www.education.gov.uk/publications/eOrderingDownload/CM-8061.pdf

4.59 The Government stated its aims also in the Social Mobility strategy[49], published in April 2011, and in the Social Justice strategy,[50] published in March 2012, which complement each other and emphasise the importance of social renewal and joined-up approaches to reform.

4.60 The Government considers that work is the best route out of poverty for those who can work and that for those who are unable to work, a proper level of support should be provided. Ensuring that people are skilled to undertake and to progress in work, is a key part of the Government's plan to end child poverty. In the longer term, the Government is taking steps to improve education, improve parenting skills and promote early intervention where possible, thereby equipping the children of today with the skills and abilities that mean that no child in the future should be consigned to a life of poverty simply through the circumstances of its birth.

4.61 The Government also considers that local solutions to problems are most likely to succeed and it is empowering local authorities to tackle the issues that confront them. The Localism Act[51] sets out a series of measures with the potential to achieve a substantial and lasting shift in power away from central government and towards local people. This will mean that local authorities are accountable to local people for solutions and should ensure that the problems facing particular communities are effectively tackled.

4.62 Since the publication of the Child Poverty strategy in April 2011, the Government has been implementing the policies it identified as key to the challenge of eradicating child poverty. Particularly important in these reforms are the Welfare Reform Act 2012,[52] the introduction of the Work Programme, publishing the Housing Strategy, further developing the Community Budget programme, extending the offer of 15 hours a week free early education for two-year-olds, refocusing Sure Start Children's Centres on those most in need, introducing the pupil premium and raising standards in schools, including by introducing Free Schools.

Welfare Reforms

4.63 The Welfare Reform Act was enacted in March 2012 and will make fundamental changes to the welfare system in the UK. The new Universal Credit (see the employment section for detail) will replace current working age means tested benefits. The simpler system, easier and fairer than before, should mean that households will be more likely to claim their full entitlement. This should result in some 900,000 individuals, including 350,000 children and 550,000 working age adults, being lifted out of poverty[53]. Overall, it is estimated that 2.8 million households will have a higher entitlement, with 1.3 million receiving over £25 per week more[54].

Education Reforms

4.64 The Government's Fairness Premium, worth over £7.2 billion between 2011 and 2015, will provide 15 hours free nursery care to 40 per cent of two year olds. The Pupil Premium gives schools in England an extra £430 for each pupil that they take whose parents have an annual income of less than £16,000 from April 2011. This will be worth £2.5 billion a year by 2014-15.[55]

4.65 In September 2011, 24 Free Schools opened and 70 more are on course to open in September 2012. Free Schools are all-ability state-funded schools set up in response to local people's views in order to improve education for children in their community. These schools

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[49] http://www.dpm.cabinetoffice.gov.uk/sites/default/files_dpm/resources/opening-doors-breaking-barriers.pdf
[50] http://www.dwp.gov.uk/docs/social-justice-transforming-lives.pdf
[51] http://www.legislation.gov.uk/ukpga/2011/20/contents
[52] http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted
[53] Universal Credit – Impact Assessment http://www.dwp.gov.uk/docs/universal-credit-wr2011-ia.pdf
[54] Universal Credit – Impact Assessment http://www.dwp.gov.uk/docs/universal-credit-wr2011-ia.pdf
[55] Spending Review: http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

enjoy the freedom and flexibility to help them deliver an excellent education and drive up standards.

4.66 Building on the Plan for Growth, the Government announced in the Autumn Statement 2011 that it would invest an extra £600 million to fund 100 additional Free Schools by 2014-15. This will include new specialist maths Free Schools for 16-18 year olds, supported by strong university maths departments and academics. An additional £600 million has been committed to support those local authorities with the greatest demographic pressures. This funding is enough to deliver an additional 40,000 school places.

Social Justice Strategy

4.67 The Government's strategy for social justice was published on 13 March 2012.[56] The strategy sets out the Government's commitment to giving individuals and families facing multiple disadvantages the support and tools they need to turn their lives around. Rather than focusing on increases in income alone to bring people above the poverty line, this strategy takes a much wider approach, exploring how to tackle the root causes of poverty to promote real and sustained changes in peoples' lives. The strategy embeds the principle of early intervention into the heart of Government policy making to help prevent problems arising in the first place. It also sets out a vision for a second chance society so that when problems do arise support is available and focused on recovery and independence, not on maintaining people in the situation in which they are.

Devolved Administrations

Northern Ireland

4.68 The Programme for Government 2011-15 identifies the Northern Ireland Executive's most immediate challenges as supporting economic recovery and tackling disadvantage. In particular, it strives to rebuild the labour market and continue to rebalance the economy to increase living standards. The Northern Ireland Executive is committed to growing a sustainable economy and investing in the future, tackling disadvantage, improving health and wellbeing, protecting people and the environment, building a strong and shared community and delivering high quality services.

4.69 The Programme for Government 2011-15 is underpinned by the principles of equality and sustainability. All policies and programmes will be built upon the values of equality and fairness and the ethics of inclusion and good relations. With a view to tackling disadvantage, the Programme for Government includes a Social Protection Fund 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 community services, while a further £40 million will be used to address dereliction and promote investment in physical regeneration.

4.70 The Programme for Government also sets out the 'Delivering Social Change' framework, including strategic actions to reduce child poverty based on a poverty outcomes model and to address intergenerational poverty; implementation of a strategy for integrated and affordable childcare; and legislation to tackle age discrimination.

[56] http://www.dwp.gov.uk/policy/social-justice/

Scotland

4.71 Achieving Our Potential[57] outlines the key actions required by the Scottish Government and its partners to tackle poverty and income inequality. Broadly, this framework aims to tackle income inequality by making work pay, maximising the potential for people to work and maximising income for all. It also sets out long-term measures to tackle poverty and inequality and to support those experiencing poverty by both reducing the financial pressure on people in poverty and by building their financial capability.

4.72 A good level of engagement exists between Scottish stakeholders - including third sector, academic and local government - and the Scottish Government. Many of the key decisions affecting poverty levels and the impact of living in poverty on individuals' wellbeing, are taken at local level. The Scottish Government is keen to ensure poverty is a priority at a local as well as a national level and works closely with local authorities and Community Planning Partnerships in Scotland to develop local solutions.

Stakeholder Focus: the Tackling Poverty Stakeholder Forum

Since 2009 the Scottish Government has supported the development of the Tackling Poverty Stakeholder Forum (TPSF). The TPSF was established by the Poverty Alliance, the anti-poverty network in Scotland, to bring together individuals with experience of poverty, voluntary organisations working on poverty issues and officials from local and national government.

The aim of this forum has been to establish an active dialogue around the development and monitoring of Scotland's anti-poverty framework Achieving Our Potential. By meeting twice a year and establishing a range of active working groups, the TPSF has afforded the opportunity to contribute to key areas of anti-poverty policy, including community regeneration, child poverty and health inequalities. It has also allowed for the development of innovate responses to issues such as the stigma associated with poverty.

At times of economic difficulties, the active and ongoing engagement of all stakeholders becomes even more crucial in ensuring that issues of poverty and social exclusion remain high on the policy agenda. The TPSF has become and effective and efficient model of good practice on the issue of participation in national policy development. [58]

4.73 The Scottish Government has signed up to the UK Child Poverty Act 2010 and has committed to doing everything possible to eradicate child poverty by 2020. The new Child Poverty Strategy for Scotland[59] sets out the Scottish Government's approach to tackling child poverty. This builds on the strategic direction set out in Achieving Our Potential. The two key aims of this strategy are to: maximise household resources, particularly for low income families; and to improve children's wellbeing and life chances. The first annual report on the Child Poverty Strategy for Scotland was published in March 2012.[60]

4.74 The Scottish Government is implementing a shift to preventative spending, including specific funding of £500 million for three change funds over the three year period to 2014-15 to encourage joint working across the public sector in adult social care, early years and tackling re-offending. The funding will support a transition across public services away from dealing with the symptoms of disadvantage and inequality towards tackling their root causes. The third

[57] http://www.scotland.gov.uk/Publications/2008/11/20103815/0
[58] For more information visit: www.povertyalliance.org/epic/tpsf
[59] http://www.scotland.gov.uk/Publications/2011/03/14094421/0
[60] http://www.scotland.gov.uk/Topics/People/tacklingpoverty/ChildPoverty/childpovertystrategy2012report

sector has a crucial role to play in delivery, because of its specialist expertise, its ability to engage with vulnerable groups and its flexible and innovative approach.

4.75 On 10 December 2008, the Early Years Framework[61] was launched, signifying the Scottish Government and the Convention of Scottish Local Authorities' (COSLA) commitment to giving all children the best possible start in life. An update report on progress was published in January 2011.[62] The Early Years Framework sets out 10 elements of transformational change, to be realised over a ten-year time horizon and covers the period from pre-birth to age eight.

4.76 The establishment of the £272 million Early Years Change Fund represents a significant shift to preventative spend over the current Parliamentary term. The fund is made up of contributions from National Health Service boards and local authorities, alongside a Scottish Government contribution of £50 million. The Early Years Change Fund, and corresponding activity, is being overseen by the Early Years Taskforce[63] which has been established to develop the strategic direction for the early years agenda and co-ordinate policy across government and the wider public sector to ensure that early years spending is prioritised by the whole public sector.

4.77 The Scottish Government's Regeneration Strategy[64], launched in December 2011, sets out an approach to achieving the Scottish Government's vision of a Scotland where all places are sustainable and people want to live, work and invest. The strategy outlines three key elements to achieve this vision: tackling area-based deprivation by reforming how mainstream resources are used and working together with local government, private and third sector partners more effectively; a stronger focus on community-led regeneration; and realising the economic potential of Scotland's communities through focussed funding and other support mechanisms.

4.78 The strategy contains a range of interventions and support including a People and Communities Fund, worth £24 million over three years, specifically to promote and support community led regeneration and a Capital Investment Fund worth £150 million over three years which includes SPRUCE, Scotland's £50 million Joint European Support for Sustainable Investment in City Areas (JESSICA) fund, which will provide loan funding to support revenue-generating regeneration projects.

Wales

4.79 In keeping with Welsh Government commitments to long-term well being, poverty prevention is a key aim, especially through investment that seeks to ensure children are provided with the best possible start in life, from conception through to early adulthood. This objective is striving to reduce inequalities at the earliest possible stage and break the link between socio-economic disadvantage, educational underachievement and the impairment these have on life chances.

4.80 The Welsh Government recognises that one of the primary routes out of poverty is employment and, to that end, is seeking to assist people improve their skills and enhance the relevance of their qualifications.

4.81 The commitments identified in the Welsh Government's 'Programme for Government' have introduced new employment programmes to support young people gain valuable training and work experience by increasing the number of apprentices and investing in skill and the implementation of 'Jobs Growth Wales' from 1 April 2012 will create 4,000 job opportunities per year for young people aged 16-24 with the support of the private sector.

[61] http://www.scotland.gov.uk/Publications/2009/01/13095148/0
[62] Early Years Framework – Progress So Far, http://www.scotland.gov.uk/Publications/2011/01/13114328/0
[63] http://www.scotland.gov.uk/Topics/People/Young-People/Early-Years-and-Family/earlyyearstaskforce
[64] http://www.scotland.gov.uk/Publications/2011/12/09110320/0

4.82 In recognition that even being in work is no guarantee of escaping relative poverty, the Welsh Government has instigated policies that will have an immediate impact. For example, by tackling fuel poverty individual and family costs will be reduced, thereby increasing economic and overall well-being and lessening the impact on the environment.

Stakeholder Focus: Wales Council for Voluntary Action's Engagement Gateway

The Wales Council for Voluntary Action's £34.4 million Engagement Gateway project, part funded by the European Social Fund (£18.2 million), supports over 500 projects to help economically inactive and unemployed people gain skills, qualifications and employment. Individuals who face substantial barriers to engaging with their 'journey' to employment are being encouraged to take vital first steps through a variety of individual projects including arts projects, football skills training, work tasters and rural crafts.

The Engagement Gateway enables organisations from the third, public and private sector to provide projects tailored to their unique knowledge and understanding of participants' needs, by matching European funding with their own income, resources and volunteer time. By June 2012 it is expected that over 25,000 people who are furthest from the labour market will have been supported by the project. Of these, it is expected that at least 2,500 will have entered sustainable employment, that more than 7,000 qualifications will have been gained and that over 7,000 people will progress onto further learning opportunities.

EU headline target: 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.

Annual Growth Survey: Not applicable

Government Objective

4.84 The Government will improve the framework conditions for research and innovation to facilitate greater private sector investment over the period.

4.85 Research policy is a partly reserved matter under the UK's devolution settlements, under which the Devolved Administrations have policy responsibility for university research. EU research policy is reserved to Parliament. Information on the approach taken by Northern Ireland, Scotland and Wales is included in this chapter.

Measuring progress against objective

UK

Indicator	Current level	Reference period
UK share of top 1 per cent cited research-papers corrected by field.[65]	13.8 per cent	2006-10
Department for Business, Innovation and Skills expenditure on research and development.[66]	£7.23 billion	2009-10

Table 4.A: Northern Ireland

Indicator	Current Level	Reference Period
Business expenditure on research and development.[67]	£344.0 million	2010
Higher Education expenditure on research and development.[68]	£161.8 million	2010

[65] http://www.bis.gov.uk/ukresearchbase2011
[66] http://www.bis.gov.uk/transparency/quarterly-data-summary
[67] http://www.detini.gov.uk/r_d_2010_december_2011.pdf
[68] ibid

Scotland

Indicator	Current level	Reference Period
Gross expenditure on research and development.	1.58 per cent of Scottish GDP	2010
Proportion of innovation active firms in Scotland.	54.8 per cent	2006-08

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

4.86 The Government remains committed to prioritising spending on science and innovation while pursuing fiscal consolidation, reflected in the commitment to maintaining the £4.6 billion ring-fenced for science and research funding in addition to new funding for science capital projects – the total increase in capital funding since December 2010 is £495 million[69]. The gross domestic expenditure on research and development in 2010 was 26.4 billion.[70]

Actions to achieve objective

4.87 The key policy development in research, development and innovation was the publication in December 2011 of the Government's Innovation and Research Strategy[71], supported by an Economics Paper[72] by the Department for Business Innovation and Skills, which provides supporting analysis and evidence. The Innovation and Research Strategy puts forward those policies and actions the Government has and will put in place to ensure a recovery led by the private sector that is robust and sustainable. It provides monitoring plans for the actions, including timescales.

Discovery and Development

4.88 The Government will continue to support investment in high-technology sectors. A key aspect will be the establishment by the Technology Strategy Board (TSB) of a network of seven elite technology and innovation centres, now branded as Catapults[73], to act as a bridge between academia and business and to support the commercialisation of technologies in areas where there are large global market opportunities and a critical mass of UK capability to take advantage.

4.89 The TSB is investing more than £140 million over six years in the first Catapult, which focuses on High Value Manufacturing. The second Catapult, which focuses on Cell Therapy, will be based in London, receive up to £50 million over the next five-year period and will begin operations in summer 2012. The third Catapult, Offshore Renewable Energy, will be headquartered at the University of Strathclyde in Glasgow with an operational centre at the National Renewable Energy Centre in the North East of England, will receive up to £50 million over the next five-year period and is expected to begin operations in summer 2012. Four further Catapults are under development: Satellite Applications; the Connected Digital Economy; Future Cities; and Transport Systems – the last two were announced in Budget 2012.[74] The network will be fully operational in 2013.

69 http://www.bis.gov.uk/assets/biscore/innovation/docs/i/11-1387-innovation-and-research-strategy-for-growth.pdf
70 http://www.ons.gov.uk/ons/dcp171778_258505.pdf
71 http://www.bis.gov.uk/assets/biscore/innovation/docs/i/11-1387-innovation-and-research-strategy-for-growth.pdf
72 http://www.bis.gov.uk/assets/biscore/innovation/docs/e/11-1386-economics-innovation-and-research-strategy-for-growth.pdf
73 http://www.innovateuk.org/deliveringinnovation/catapults.ashx
74 http://cdn.hm-treasury.gov.uk/budget2012_complete.pdf

4.90 In December 2011, the Government launched the UK Life Sciences Strategy[75] which sets out how it will bring together business, researchers, clinicians and patients to translate discoveries into clinical use and providing an environment and infrastructure that supports pioneering researchers and clinicians to bring innovations to market earlier. As part of the strategy, the Government will invest £180 million over the next three years in a Biomedical Catalyst Fund to be managed by the Medical Research Centre (MRC) and the TSB. This will provide seamless support for taking research in universities through to innovation and commercial development in SMEs.

4.91 In March 2012, the Engineering and Physical Sciences Research Council (EPSRC) announced a commitment of over £950 million to support contemporary science challenges[76]. This investment will be across the EPSRC portfolio, through both managed calls and applications for discovery-led research.

4.92 As well as investing in areas of existing technology strength, the Government will invest in new technologies emerging from the knowledge base. Although the UK cannot develop all emerging technologies, the Government will invest in those where the UK has the research and business capability to accelerate their commercialisation and build value chains in the UK. For example, the Government is investing £50 million in the development of a graphene Global Research and Technology Hub to accelerate the development of commercial applications for graphene. The hub will connect UK researchers and businesses and provide specialist equipment and expertise, and embed a significant proportion of the value chain in the UK.

Innovative Businesses

4.93 The UK's 2011 NRP reported that the Government had committed to publishing a response to the consultation on the Research and Development Tax Credit scheme. The research and development tax credit is the largest programme of support for business innovation in the UK, providing support of over £1 billion in 2009-10 through both the SME and large company schemes.

4.94 The response was published in June 2011.[77] In advance of the publication of the response some of the comments received during the consultation were reflected in the 2011 Budget announcement including increasing the level of the small company research and development tax credit from 175 per cent to 225 per cent by April 2012. The response included proposals to make the research and development tax credit 'above the line' from April 2013,[78] to encourage large company research and development.

4.95 There are now 12 EPSRC centres for innovative manufacturing operating.[79] The centres feature strong collaboration with industry and are working with the Technology Strategy Board and are seeking funding from EU-level programmes. A new competition for a further four centres will open shortly.

4.96 The success of UK's SMEs is a key part of the Government's plans for growth. At the heart of this approach is a £75 million package of funding for research-intensive and innovative SMEs, which includes the re-launch of Grant for Research and Development under the Smart brand, expansion of the Small Business Research Initiative, Innovation Vouchers and the extension of the TSB's Launchpad to support SME innovation in defined geographic areas.

[75] http://www.bis.gov.uk/assets/biscore/innovation/docs/s/11-1429-strategy-for-uk-life-sciences
[76] http://www.epsrc.ac.uk/newsevents/news/2012/Pages/fundingcommitment.aspx
[77] http://www.hm-treasury.gov.uk/d/consult_r_d_tax_credits.pdf
[78] http://www.hm-treasury.gov.uk/consult_r_d_tax_credits.htm
[79] http://www.epsrc.ac.uk/funding/centres/innovativemanufacturing/Pages/default.aspx

Knowledge and Innovation

4.97 Since January 2011, the Government has committed an additional £495 million to capital projects to increase the impact of the research-base on growth. Included in this investment is £145 million to boost e-infrastructure and make the UK a world leader in scientific and business use of supercomputing; and £61million for a range of essential science base infrastructure capital projects.

4.98 The Government's Patent Box, which will allow companies to apply a ten per cent rate of corporation tax on profits attributed to patents, will come into operation in April 2013. The Government proposes that the regime will extend to all existing patents, rather than being restricted to patents first commercialised after 29 November 2010 as originally proposed.

4.99 In 2011, Professor Sir Tim Wilson was commissioned by the Government to undertake an independent Review of Business-University Collaboration. The review,[80] which was published in February 2012, makes 30 'substantive recommendations' and 24 'reflective recommendations'. The Government's formal response to the Review will be published in summer 2012.

4.100 Budget 2012 announced £60 million to establish a UK Centre for Aerodynamics to support the commercialisation of innovation in aircraft design.[81]

Global Collaboration

4.101 The Intellectual Property Office's (IPO) inaugural International Strategy[82] was published in August 2011. The Strategy has been used to underpin the IPO's recent business planning activity and inform its engagement with international institutions including the EU (particularly on the Unitary Patent), the World Intellectual Property Organisation and partners in key economies including the USA and China.

4.102 The Government will extend its relationship with China and other high growth economies. This includes launching a jointly funded pilot initiative with the Chinese Ministry of Science and Technology to support bilateral research projects in key areas of mutual interest, with the aim of developing mechanisms to support long term research partnerships. The Government will continue to seek measures that can facilitate businesses' and institutions' ability to collaborate with key innovation hotspots around the world.

New Innovation Challenges

4.103 The public sector generates and holds vast quantities of data, through the research it funds and the services it delivers. Analysis by the European Commission suggests the commercial value of public sector data in the UK could be around £16 billion per annum, while citizen access to online personal information is expected to be worth up to £20 billion by 2020.

4.104 To stimulate the use of this data to drive innovation the Government will provide up to £10 million over five years to establish an Open Data Institute (ODI). The ODI will be developed by the Technology Strategy Board and will involve business and academic institutions.

[80] http://www.wilsonreview.co.uk/
[81] http://cdn.hm-treasury.gov.uk/budget2012_complete.pdf
[82] http://www.ipo.gov.uk/ipresponse-international.pdf

Devolved Administrations

Northern Ireland

4.105 The Northern Ireland Executive's Economic Strategy[83] was launched in March 2012. The ultimate aim of the Northern Ireland Economic Strategy is to improve the economic competitiveness of the Northern Irish economy through a focus on export led economic growth.

4.106 Some the key targets in the recently launched Economic Strategy include:

- by 2015 supporting investment of £300 million in research and development with at least 20 per cent from SMES;
- supporting 500 businesses to undertake research and development for the first time and secure 120 collaborative projects in research and development; and
- by 2014, have supported universities and Further Education colleges to undertake 120 knowledge transfer partnerships.

4.107 In addition the Economic Strategy will be supplemented by a Strategy on Innovation, Research and Development and Creativity which is currently being developed. The strategy will place a particular emphasis on collaboration and open innovation across the economy including service sectors as well as technology based businesses and research institutions.

Scotland

4.108 The Scottish Government's commitment to research and innovation was made clear in the Government Economic Strategy, published in September 2011. This document identified strengthening levels of innovation and commercialisation, including improving the links between universities and private sector companies, a key priority to achieving sustainable economic growth.

4.109 To achieve this, the Scottish Government is taking action to ensure that the support system in Scotland is genuinely aligned and responsive to business needs with a view to ensuring that innovation and commercialisation support achieves greater impact. As part of this activity, 2012-13 will see the introduction of the £45 million per annum Smart: Scotland fund, bringing together activity across enterprise agencies and streamlining Scotland's approach to supporting innovation and commercialisation, ensuring that the interventions offered to businesses and universities are better aligned.

4.110 Specific activity is also underway to improve links between Scotland's business community and world class universities. The Scottish Funding Council has announced funding of £10 million to create a number of 'Innovation Centres' aimed at establishing and supporting sustainable university and business collaboration. Supported by Scottish Enterprise and Highlands and Islands Enterprise, the centres will create communities of academics, research institutes, businesses that will drive innovation in and across Scotland's key economic sectors.

4.111 Research pooling will allow a higher quality of research to be obtained. Easy Access IP (intellectual property) has been pioneered by the University of Glasgow and is designed to increase engagement between universities and industry and to accelerate the transfer of university knowledge and expertise to commercial partners who can develop it. Certain IP can be made available free of charge through Easy Access IP using quick and simple one-page agreements, allowing companies to put it to use quickly with reduced risk. There are no upfront fees or royalties, even if the technology generates income for the company in future. The University of Glasgow has made the vast majority of its IP available through Easy Access IP with

[83] http://www.northernireland.gov.uk/ni-economic-strategy-revised-130312.pdf

other Scottish Universities expected to participate in the coming months. The Scottish Funding Council has allocated £150 million to 11 research pooling investments covering physics, chemistry, engineering, geosciences/environment and society, economics, life sciences, brain imaging, informatics and computer science, Gaelic language and culture and marine science.

Stakeholder focus: Interface

Interface is a national programme supported by the Scottish Funding Council (SFC), that match-makes businesses with research resources in Scotland's universities and research centres. The SFC's Innovation Voucher scheme (administered by Interface) provides the link for business and provides funding of up to £5,000 to universities to work with SMEs on a variety of projects, including the development of new products and services and improved production processes. In return for this funding, SMEs will contribute a matching value of staff time, access to facilities or cash.

The SFC has estimated that in the last three years alone, the voucher scheme has helped 230 projects, from funding of over £1 million. The voucher scheme has helped SMEs in a number of sectors, including food and drink, sustainable technologies, energy and tourism. As a mark of the project's success, Interface's service is Scotland wide, enabling more opportunities for greater research. In addition, the SFC is set to invest £2.2 million into the Voucher Scheme, as well as £1.2 million into Interface over the next three years (starting from October 2011). This includes European Regional Development Fund (ERDF) funding of £800,000.

Recognising the success of both Interface and the Voucher Scheme, Scotland's enterprise bodies have made investments in both to ensure a nationwide service and integration of innovation support. The Council and the enterprise bodies have also recently launched a 'follow-on' voucher scheme offering support to larger projects derived from initial innovation voucher projects.

Wales

4.112 The Welsh Government has a long-standing aim of increasing the quantity and impact of research and development in Wales. The Welsh Government is focusing its resources on sustainable research excellence in universities and supporting innovation in key economic sectors. Science for Wales,[84] the Welsh Government's new science strategy, has announced new measures to strengthen the research base in Wales. Science for Wales will aim to increase Wales's share of Research Council funding from 3.3 per cent to 5 per cent. The Welsh Government is collaborating with interested parties to prepare a new Innovation Strategy for Wales, as called for in recently in Science for Wales, to be published later in 2012. The requirement to meet conditions for 'smart specialisation', ensuring future EU funding is targeted at areas where Wales has a widely-recognised and globally competitive position, is being considered at the same time.

[84] http://wales.gov.uk/topics/businessandeconomy/csaw/publications/120312sfw/?lang=en

EU headline target: 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: Articles 121 and 191 of the Treaty on the Functioning of the EU, Integrated Guidelines 5.

Annual Growth Survey: Not applicable

Government Objective

4.113 In line with the EU Climate and Energy package adopted in June 2009, the UK will reduce greenhouse house emissions by at least 24 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.

4.114 In Northern Ireland climate change, heat and energy policy are devolved. In Scotland, climate change policy, heat and non-regulatory energy efficiency are devolved; energy policy and energy efficiency by regulation is reserved. In Wales, climate change policy and non regulatory energy efficiency policy are devolved; energy policy and energy efficiency by regulation and prohibition are not devolved. Details of the policies being implemented in Northern Ireland, Scotland and Wales are set out in this chapter.

Current level of performance against objective

England

Indicator	Target	Current Level	Indicator
Total emissions of greenhouse gases from the UK as an annual impact indicator.	34 per cent reduction by 2020 on 1990 levels	23.0 per cent	Total emissions of greenhouse gases from the UK as an annual impact indicator.
Energy consumed in the UK that has been produced from renewable sources as an annual impact indicator.	15 per cent of energy to come from renewable sources by 2020	3.3 per cent	Energy consumed in the UK that has been produced from renewable sources as an annual impact indicator.
Energy efficiency installations.	No target	10.6 million homes with cavity wall insulation in UK (estimated) 12.9 million homes with loft insulation of at least 125mm	Energy efficiency installations.

Northern Ireland

Indicator	Target	Current Level	Reference Period
Greenhouse gas emissions.[85]	35 per cent reduction by 2025 on 1990 levels	20 per cent	2009
Indigenous renewable energy sources. [86]	40 per cent of electricity from renewable sources by 2020	12.5 per cent	2011

Scotland

Indicator	Target	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	1990-2009 fall in total Greenhouse Gas emissions (including International Aviation and Shipping) of 27.6 per cent (after taking account of ETS)	2009
Indigenous renewable energy sources.	Generate the equivalent of 100 per cent of electricity consumption by 2020 is to come from renewable sources	24 per cent	2010
Heat demand.	11 per cent of Scotland's heat demand from renewables by 2020	2.8 per cent	2010
Energy Efficiency[87]	Reduce final energy end-use consumption by 12 per cent by 2020	9.6 per cent reduction by 2009 against baseline	Baseline averaged over years 2005 to 2007

Wales

Indicator	Target	Current Level	Reference Period
Greenhouse gas emissions.	3 per cent annual reduction in emissions in areas of devolved competence	29.7 $MTCO_2e$	2006-10 average
	40 per cent reduction by 2020 on 1990 levels	23.5 per cent reduction	2009

Policy Context

4.115 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.

Actions to achieve objective

4.116 In March 2011, the Government set out in the Plan for Growth[88] the key actions required to put the whole economy on a low-carbon resource efficient path. As stated in the 2011 NRP, the review focuses on the need to: encourage investment in low carbon power; support infrastructure development; promote the development of new markets in green goods and

[85] Northern Ireland Programme for Government 2011-2015: http://www.northernireland.gov.uk/pfg-2011-2015-final-report.pdf
[86] Strategic Energy Framework 2010 http://www.detini.gov.uk/strategic_energy_framework__sef_2010_-3.pdf
[87] Scottish Energy Efficiency Action Plan: http://www.scotland.gov.uk/Publications/2010/10/07142301/0
[88] Plan for Growth, March 2011: http://www.hm-treasury.gov.uk/ukecon_growth_index.htm

services; and cap the costs of policies funded through energy bills. The review also sets out arrangements for the funding of Carbon Capture and Storage (CCS) projects.

4.117 In December 2011, the Government published its Carbon Plan,[89] a Government-wide plan of action on climate change, including domestic and international activity, which sets out actions and deadlines for the next five years. Quarterly updates on progress against actions within the plan will be published on the Prime Minister's website.[90] The plan focuses, in particular, on efforts needed to decarbonise the power sector, improve the energy efficiency of buildings and reduce emissions in the transport sector.

Carbon Emissions

4.118 The Climate Change Act 2008[91] establishes a long-term framework to tackle climate change in the UK using statutory carbon budgets, which limit total emissions over five year periods to 2050 and require that emissions are reduced by at least 80 per cent by 2050 below the 1990 base year.

4.119 Since publication of the 2011 NRP, the Government has taken forward a programme to support the development of CCS. The Commercialisation Programme, with £1 billion in capital funding, will support a portfolio of CCS projects, with a focus on reducing the costs to enable cost-competitive deployment of CCS in the 2020s. The Government is also taking a number of other actions to support CCS (including, together with its partners, a £125 million research and development programme). Further details of the programme are set out in the CCS Roadmap, published on the 3 April 2012[92].

4.120 The Carbon Plan sets out high-level initiatives to tackle emissions from agriculture, land management and forestry. An independent panel will provide advice to the Government in Spring 2012 on the future direction of forestry and woodland policy.

4.121 The Carbon Plan outlines the UK's approach to tackling emissions from the transport sector in line with EU targets on biofuel use and vehicle CO_2 targets. Cars will produce no more than 130gCO_2/km in 2015 and 90gCO_2/km in 2020; vans 175 and 147gCO_2/km in 2015 and 2020 respectively. A review of car and van targets is due to be completed by January 2013.

4.122 Over the next decade the Government will start to implement its commitments to electrify major rail routes such as the Great Western Main Line between London and Cardiff and routes in the North West.

[89] http://www.decc.gov.uk/en/content/cms/emissions/carbon_budgets/carbon_budgets.aspx
[90] Prime Minister's Office: http://www.number10.gov.uk
[91] Climate Change Act: http://www.decc.gov.uk/en/content/cms/legislation/cc_act_08/cc_act_08.aspx
[92] http://www.decc.gov.uk/en/content/cms/emissions/ccs/ccs.aspx

Stakeholder Focus: The Woodland Carbon Task Force

The Woodland Carbon Task Force was set up by the Forestry Commission to enable a step-change in the level of woodland creation to help deliver abatement in the sector. It will help ensure that the contribution of woodland creation to carbon budgets is recognised and will develop a spatial framework to identify where woodland creation will have the most benefit.

The Woodland Carbon Task Force will work to incentivise both potential investors and landowners to create woodland. At present, this is mainly done via government grants and tax incentives. New and innovative funding models and instruments for woodland creation will be developed to help meet the UK's targets on climate change abatement and the delivery of biodiversity and other associated benefits. Since the launch of the Task Force in July 2011, 28 projects have registered on the Forestry Commission website.[93] This equates to over 600,000 tonnes of carbon dioxide equivalent (tCO2e), which is due to be sequestered over the next century.

Renewables

4.123 As mentioned in the 2011 NRP, the UK's current Electricity Market Reform (EMR) process will replace the Renewables Obligation in March 2017, as part of a wider set of measures to support low carbon generation, security of supply and renewables and to promote fair competition. The EMR proposes four interlocking policy instruments: a carbon price floor; a long term 'contract for difference' feed-in tariff from 2014; a capacity mechanism; and the use of an emission performance standard. At Budget 2011, the Government announced that it would introduce a floor to the carbon price for electricity generation from April 2013. This will start at around £16 per tonne of CO_2 and move to a target price of £30 per tonne in 2020.

4.124 The Government is also establishing a Green Investment Bank to provide funding for investments in low carbon infrastructure. The bank will tackle risks that the market currently cannot adequately finance and will catalyse further private sector investment. At Budget 2011, an initial capitalisation of £3 billion was announced for the next spending review. The bank will begin operation in 2012-13, with an initial fund of £750 million and will have borrowing powers from 2015-16.

4.125 As detailed in the 2011 NRP, the UK's pursuit of renewable energy is also supported by the Renewable Heat Incentive (RHI).[94] The Renewable Heat Premium Payment, which was launched in August 2011, offers grant support for homes which are not heated by gas to switch to renewable heating such as heat pumps, biomass boilers and solar thermal panels. This will run until longer-term support for households is introduced under the RHI.

4.126 The UK's Renewable Energy Roadmap[95], published in July 2011, sets out the UK's plan for how it will meet its 15 per cent target for renewable energy under the Renewable Energy Directive[96] across electricity, heat and transport. The Renewables Obligation, which places an obligation on electricity suppliers to source a specified proportion of their electricity from renewables sources, is currently the UK's main financial incentive for large scale renewable electricity.

[93] http://www.forestry.gov.uk/england-wctf
[94] Renewable Heat Incentive: http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/policy/incentive/incentive.aspx
[95] http://www.decc.gov.uk/en/content/cms/meeting_energy/renewable_ener/re_roadmap/re_roadmap.aspx
[96] Renewables Directive: http://ec.europa.eu/energy/renewables/transparency_platform/transparency_platform_en.htm

Energy Efficiency

4.127 Policies on energy efficiency are set out in the 2011 NRP. One of the Government's flagship energy efficiency programmes, the Green Deal,[97] is an innovative financing mechanism which allows consumers to pay back the cost of energy efficiency improvements through their energy bills. The first Green Deals will be available from autumn 2012.

4.128 At Budget 2011 the Government announced that the Climate Change Agreements (CCAs) with energy intensive industry would be extended to 2023 and the Climate Change Levy discount on electricity for CCA participants would be increased from 65 to 80 percent from April 2013. Under the CCAs, eligible sectors of industry receive this reduction in the levy in return for meeting ambitious energy efficiency or carbon saving targets. The Carbon Reduction Commitment Energy Efficiency Scheme is a mandatory scheme for large public and private sector organisations and covers emissions not already covered by the EU Emissions Trading Scheme or CCAs. These organisations are responsible for 12 per cent of total Greenhouse gas emissions in the UK. Budget 2011 confirmed that 2011-12 allowances would be priced at £12 per tonne of CO2.

4.129 The Government announced in March 2011 an overall strategy and timetable the installation of 53 million smart meters providing real time information on energy consumption to help control energy use. Meters will be installed in 30 million homes and businesses across Great Britain, estimated to have a net benefit to the nation of £7.3 billion over the next twenty years.

4.130 Since publication of the 2011 NRP, the Energy Efficiency Deployment Office was announced with the objective of driving a step change in energy efficiency. It became operational in February 2012.

Devolved Administrations

Northern Ireland

4.131 The Northern Ireland Executive published its Greenhouse Gas Emissions Reduction Action Plan[98] in February 2011, highlighting how departments will achieve the Northern Ireland Programme for Government target to reduce greenhouse gas emissions by 25 per cent below 1990 levels by 2025. A revised Programme for Government 2011-15 seeks a reduction by 35 per cent in the same timeframe. This sets out specific measures in all sectors that will help to deliver this target but notes that the key driver will be the Strategic Energy Framework (SEF) 2010[99] The SEF target is for 40 per cent of electricity consumption to be from renewable sources by 2020 and for a 10 percent contribution from renewable heat by 2020.

4.132 For Northern Ireland to increase levels of renewable heat to 10 per cent by 2020, from a baseline position of 1.7 per cent, the Northern Ireland Executive has proposed to introduce a RHI in Northern Ireland. The Northern Ireland RHI has been tailored specifically for the Northern Ireland heat market and represents funding of up to £25 million over the next budget period. The Department for Enterprise, Trade and Investment for Northern Ireland has also proposed to introduce capital grant support for the domestic market.[100]

4.133 The revised Programme for Government 2011-15 also includes interim targets of 20 per cent renewable electricity consumption and 4 per cent per cent renewable heat by 2015.

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97 Green Deal: http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/green_deal/green_deal.aspx
98 http://www.doeni.gov.uk/northern_ireland_action_plan_on_greenhouse_gas_emissions_reductions.pdf
99 http://www.detini.gov.uk/strategic_energy_framework__sef_2010_-3.pdf
100 http://www.detini.gov.uk/consultation_on_the_development_of_the_northern_ireland_renewable_heat_incentive

Scotland

4.134 The Climate Change (Scotland) Act 2009[101] set targets to reduce greenhouse gas emissions by 80 per cent by 2050, with an interim target of a 42 per cent reduction by 2020, from a 1990 baseline. Annual statutory targets have now been set out to 2027.

4.135 Published in March 2012, The Scottish Government's draft Electricity Generation Policy Statement (EGPS) is built around a sustainable, low carbon vision of Scotland's energy future. The EGPS sets out the role of renewable electricity and fossil fuel thermal generation (coal, gas, oil) in Scotland's future energy mix.

4.136 The publication 2020 Routemap for Renewable Energy in Scotland[102] reflects the challenge of Scotland's renewable generation target as well as the target 11 per cent heat demand from renewables by 2020. It also details the Scottish Government's ambition for all communities across Scotland to share in the rich rewards of Scotland's renewable energy resource, at all scales. The Scottish Government has committed to enabling local and community ownership of at least 500 MW of renewable energy by 2020, which could be worth up to £2.4 billion to Scottish communities and rural businesses over the lifetime of the projects.

4.137 The National Renewables Infrastructure Plan[103], which is led by Scottish Enterprise / Highlands & Islands Enterprise and published in 2010, highlighted that investment of £223 million could support 750 complete offshore wind units per year, creating 5,180 manufacturing jobs and an annual economic impact of £294.5 million. A cluster approach is taken in terms of regional groups that can have complementary roles. Three broad geographic clusters have been identified, Forth / Tay, Moray Firth and West Coast, and an additional subsea cluster, Aberdeen / Peterhead. To support delivery of N-RIP a £70 million National Renewables Infrastructure Fund has been established to help leverage private sector investment to develop the infrastructure across the country to support offshore renewables.

Stakeholder focus: Scotland's International Technology and Renewable Energy Zone (ITREZ)

Scotland's ITREZ is one of the key elements outlined in the National Renewables Infrastructure Plan and is where industry and academia are working together to meet the challenges associated with the development of the offshore renewables sector – introducing efficiencies, reducing risk and driving down costs.

The heart of ITREZ is in Glasgow city centre where Scottish Enterprise's Industry Engagement Building and the University of Strathclyde's Technology and Innovation Centre are being built.

Companies are co-locating around the area with developers SSE, Scottish Power Renewables and Gamesa, all within a few miles.

This growing hub of companies are capitalising on Scotland's offshore renewables opportunities and establishing Glasgow and the west of Scotland as an international centre for excellence for research and development, design and engineering of renewables.

4.138 The Scottish Government published the Conserve and Save Energy Efficiency Action Plan in October 2010, which includes a headline target to reduce final energy consumption by 12 per

[101] http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact
[102] http://www.scotland.gov.uk/Publications/2011/08/04110353/0
[103] http://www.scottish-enterprise.com/~/media/SE/Resources/Documents/Sectors/Energy/energy-renewables-reports/National-renewables-infrastructure-plan.ashx

cent by 2020. An annual report was published in October 2011 and the second report, outlining progress against the actions the Scottish Government committed to in the original report, is currently being prepared. Since 2007, the Scottish Government has invested around £30 million to support householders and small businesses with a range of energy efficiency and microgeneration advice, grants and loans through the Energy Saving Trust. This has resulted in: over 3,500 installations of domestic microgeneration; 5,764 householders and 395 private sector landlords were supported in 2010-11 with a £400 voucher towards the replacement of G-rated boilers; and over £2.4 million being paid out through more than 80 interest-free small business loans in 2011-12. The latest energy trends data show that Scotland's final energy end-use consumption fell by 9.6 per cent in 2009 against a baseline averaged over 2005 to 2007, indicating that Scotland is on track to meet the 2020 target, although the economic downturn has had an influence on consumption.

4.139 Scottish Ministers must publish a report on proposals and policies (RPP) for meeting each batch of annual targets. The first of these reports, Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010-22,[104] was published in March 2011. It describes proposals and policies for reducing greenhouse gas emissions across the Scottish economy and focuses specifically on energy supply, homes and communities, business and the public sector, transport, rural land use and waste. A second RPP will be published in 2012, assessing progress made and indicating how the targets for 2023-27 can be met. Another key piece of work includes the Low Carbon Scotland Public Engagement Strategy, published in December 2010, which meets the requirement to engage and inform the public on climate change policies.

Wales

4.140 Arbed,[105] Wales's Strategic Energy Performance Improvement Programme, has improved the energy performance of over 6,000 homes in some of Wales's most deprived communities in its first phase, which began in 2009.

4.141 The Welsh Government's Climate Change Engagement Strategy[106] sets out a plan to enable people to live more sustainably. A Low Carbon Revolution: Wales' Energy Policy Statement[107] sets out the Welsh Government's aim that, by 2025, Wales should generate 200 per cent more electricity from renewable resources than at present. The National Energy Efficiency and Saving Plan[108] sets out the immediate, practical actions that the Welsh Government is taking to promote energy efficiency in Wales.

[104] http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/lowcarbon/rpp
[105] http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en
[106] http://cymru.gov.uk/topics/environmentcountryside/climatechange/publications/engagementstrategy/?lang=en
[107] http://wales.gov.uk/topics/environmentcountryside/energy/renewable/policy/lowcarbonrevolution/?lang=en
[108] http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/efficiencyplan/?lang=en

HM Treasury contacts

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

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

Tel: 020 7270 5000
Fax: 020 7270 4861

E-mail: public.enquiries@hm-treasury.gov.uk

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