

## **Council for Economic Renewal Meeting**

Notes of the meeting held at 10:30am on Monday 5 October in Welsh Government Offices, Cathays Park, Cardiff.

### **Ministers in Attendance**

First Minister of Wales

Minister for Economy Science and Transport

Minister for Finance and Government Business (Agenda items 3 and 4)

Deputy Minister for Skills and Technology (Agenda item 5 onwards)

### **Stakeholders in Attendance**

Commerce Cymru – Paul Byard

Federation of Master Builders – Ifan Glyn

Federation of Small Businesses – Rachel Bowen

Institute of Chartered Accountants in England and Wales – Martin Warren

Institute of Directors – Robert Lloyd Griffiths

Royal Institution of Chartered Surveyors – David Morgan

South Wales Chamber of Commerce – Keith Palmer

The Law Society – Lowri Morgan

Wales Co-operative Centre – Derek Walker

Wales Trades Union Congress – Martin Mansfield

Wales Trades Union Congress – Nick Ireland

Wales Social Partners Unit – Nigel Keane

### **Apologies**

Association of Chartered Certified Accountants – Ben Cottam

Confederation of British Industry – Emma Watkins

Confederation of British Industry – Leighton Jenkins

Council of Mortgage lenders – Julie-Ann Haines

Freight Transport Association - Ian Gallagher

Home Builders Federation – Mark Harris

Wales Trades Union Congress – Alex Bevan

### **Welsh Government special advisors and officials attending**

Derek Jones, Permanent Secretary

James Price

Andrew Bold

Tracey Burke

Margaret Davies – Agenda item 3 only

Mick McGuire

Lisa Thomas-Lewis – Agenda item 4 only

Huw Morris

Chris Jones – Agenda item 5 onwards

Jonathan Price

Melanie Kinsey – Note taker

Jamie Owen – Note taker

## **1. Introduction and opening remarks**

1.1 The First Minister opened the meeting by welcoming members and set out the main agenda items.

1.2 There were a number of papers to note listed in section 7:

- 1.3 The First Minister explained that the Finance Minister would attend for agenda items 3 and 4 on the effects of the UK Government Budgets and the role of procurement in addressing economic disadvantage. The Deputy Minister for Skills and Technology would attend for item 5 on employability and level 2 skills provision.
- 1.4 The First Minister noted apologies from Members, and welcomed Rachel Bowen as the representative from the FSB in place of Iestyn Davies.

## **2. Notes and actions from meeting held on 1 June 2015**

- 2.1 The First Minister asked for any comments on the notes and if any issues of accuracy arose - none were reported.
- 2.2 The notes were accepted as an accurate record of the last meeting.
- 2.3 The First Minister identified actions from the last meeting:
  - 2.3.1 The First Minister noted that the Executive Working Group had considered Welfare Reform as an agenda item. This is a paper to note on today's agenda.
  - 2.3.2 He noted an action to produce further papers on procurement in relation to joint bidding arrangements and new powers, and advised these items were to be covered on the agenda at item 4a.
  - 2.3.3 The First Minister made reference to an on going action to provide information on successful projects, which arose during a discussion on tackling poverty. He confirmed that the Executive Working Group had been discussing the poverty agenda, and that further information is being compiled for the group.
- 2.4 The First Minister also identified three outstanding actions from previous meetings:
  - 2.4.1 He confirmed Jonathan Price had met with Iestyn Davies to discuss sub regional indicators, where it was agreed that there is scope to improve coverage but that a strong case would need to be given.
  - 2.4.2 The second action was for further discussion on procurement, which has taken place and is also covered as an agenda item for this meeting.
  - 2.4.3 The final action was for an update on welfare reform, which is a paper to note at this meeting.
- 2.5 The First Minister asked for further comments on the actions – none were reported.

## **3. Effects of UK Budgets**

- 3.1 The First Minister introduced the paper on the potential effects of UK Government Budgets and the Comprehensive Spending Review on the Welsh Government and the Welsh economy, noting that the item had been requested by the Executive Working Group. The First Minister stated that the last few years had seen unprecedented reductions in the Welsh Government's Budget. Despite this the services that mattered most to people in Wales had been prioritised and protected.
- 3.2 He recognised that Social Partners were aware of recent budget reductions and concerned about the potential impact of the reductions on Welsh public services. He confirmed that the paper had been circulated in advance to members, to provide an opportunity for members to consider its contents. He noted that the paper covered the Welsh Government's budget beyond 2015-16.
- 3.3 The First Minister introduced the Minister for Finance and Government Business, who presented the paper.
- 3.4 The Minister thanked the Council for the invitation to discuss the effects of recent UK Government budgets and the spending review on the Welsh Government.
- 3.5 The Minister observed that when budget issues were last discussed with the Council it was in the context of setting budget proposals for 2015-16, the final year for which the Welsh Government had a firm financial settlement.
- 3.6 The Minister noted that while a number of uncertainties remained, there were further details on the scale of the future public spending cuts. The Minister referred to the UK Government's summer budget, which confirmed the UK Government's intention to find £37bn of reductions in Government expenditure over the next spending review period. The Minister commented that these reductions are on top of in year reductions to the Welsh Government's budget of £46 million.
- 3.7 The Minister noted that the Spending Review would be announced on 25 November and it would provide additional details on the reductions in departmental budgets.
- 3.8 The Minister noted that as a pro-business Government, the Welsh Government had called for the UK Government's summer budget to deliver investment in infrastructure to boost the economy, a call that was backed by business in Wales.
- 3.9 The Minister emphasised the importance that the Welsh Government had placed on protecting capital budgets as far as possible in the face of falling budgets. This had been reflected in the 'economic stimulus' approach, including the recent capital investment boost of over £46 million announced in September.
- 3.10 The Minister noted that the paper illustrated the range of factors that would shape the Welsh settlement. She stated that based on latest projections it was likely that the Welsh Government would have to fund further revenue savings of

an equivalent level to those which have been faced over the 2010-2015 spending review period.

- 3.11 The Minister stated that to provide clarity for partners and ensure sufficient time for meaningful scrutiny, she planned to publish the draft budget 2016-17 on 8 December 2015. The emerging conclusion was that the Welsh Government would be unable to continue to deliver the full range of services and programmes currently provided on the same basis and scale.
- 3.12 The Minister stated that in the face of budget reductions, the Welsh Government could not respond to all pressures. Therefore, the public sector needed to consider what could be done differently to deliver priorities over the short to medium term. She noted that this was a consistent theme of her annual Budget Tour, where she had met front line service users and providers, across all sectors across Wales.
- 3.13 The Minister invited views on how the Welsh Government could meet future budget challenges.
- 3.14 Martin Mansfield commented that Wales had been in this position for a number of years, with the UK Government undertaking unnecessary cuts, which then feed through into Welsh Government budgets. He assured the Council that Wales TUC would continue to campaign against these cuts, and work with the Welsh Government to mitigate their impact. He welcomed the activities the Welsh Government was undertaking to reduce the impact of the cuts.
- 3.15 The First Minister expressed his concern about the reduction in budgets for non-protected areas such as Local Government and Justice, and the potential impact of those reductions on the business environment in Wales.
- 3.16 The Minister for Finance and Government Business commented that it would be helpful to have business views on priorities. She commented that a strong infrastructure and skills base are vital for economic growth. She confirmed that Welsh Government had used innovative finance packages to support investment in these areas and was looking at wider investment opportunities such as the European Strategic Investment Fund.
- 3.17 The Minister confirmed that she would be writing to the Chancellor ahead of the Spending Review, and would welcome the views of business before doing so. The Minister noted that, due to the scale of budget cuts, non-protected areas in England would face reductions, but it was also possible that some protected areas in England, such as health, were also likely to be impacted.
- 3.18 David Morgan asked about the status of the UK Government and Welsh Government's commitment to electrification of the London-Swansea and Valleys rail lines.
- 3.19 The Minister for Economy Science and Transport responded by stating that there had been discussions with Network Rail on this issue, as well as the Valleys Metro line. The Minister noted that a report was being produced on this. The

Minister remained confident that both projects would proceed although there may be some delays.

- 3.20 The First Minister stated that the Welsh Government remained committed to both projects. He also stated that as the UK Prime Minister has publicly committed to electrification that he expects the UK Government to proceed as planned.
- 3.21 Martin Warren asked whether, in view of pressures on local government finances, there were plans to support Local Authorities to move more non-statutory provision into the third sector.
- 3.22 The First Minister responded that it was the Welsh Government's expectation that local services would continue to be run by Local Government and only as a last resort should Local Authorities consider moving services to non profit organisations. The First Minister stated in the event this occurred service quality should not be affected, and he would expect workers' terms and conditions to be transferred equitably and fairly.
- 3.23 The Minister for Finance and Government Business confirmed that the Welsh Government was actively supporting Community Asset Transfers, and referred to work taken forward with the Wales Co-operative Centre on this issue. She commented that this included looking at a range of services, not just libraries and leisure centres.
- 3.24 Robert Lloyd Griffiths asked if there was any progress on the merging of Local Authorities and whether this could offer the opportunity for savings in budgets over the coming years.
- 3.25 The First Minister responded that a draft map had been published but no further progress would be possible before the next Assembly election. The First Minister stated that he remained committed to a reduction in the number of local authorities.
- 3.26 Rachel Bowen commented on the importance of skills and infrastructure, and noted that the need to make sure that the right programmes and supporting systems are in place to deliver these and ensure businesses can benefit from investments in these areas.
- 3.27 The First Minister stated that on trade and inward investment trips the two issues consistently raised are the UK's EU membership and skills. He stated that Wales must be seen as a location with the skills that inward investors require.

#### **4 The Role of Procurement in Addressing Disadvantage**

- 4.1 The First Minister opened this item, commenting that at the last Council meeting it had been agreed that the Executive Working Group would have a more focussed look at procurement. He noted that as a result of these discussions within the Group, two papers had been brought forward to Council for discussion.

- 4.2 The First Minister introduced the first paper as Agenda Item 4a) - Public Procurement - Designation and Joint Bidding. He noted that this was a Welsh Government Paper and would be led by the Minister for Finance and Government Business.
- 4.3 The First Minister introduced the second paper as Agenda Item 4b) on the Role of Reserved Contracts in Addressing Economic Disadvantage. He noted that this was a Wales TUC Paper and Martin Mansfield would present the paper.
- 4.4 The First Minister noted that the two papers were strongly linked, and both consider how public sector procurement can help to address economic disadvantage. He suggested that the papers be discussed separately and any common threads brought together at the end of the item.
- 4.5 The First Minister asked the Minister for Finance and Government Business to present the first paper.
- 4.6 The Minister for Finance and Government Business stated that procurement was an important lever in supporting many Welsh Government objectives, and that she was pleased to be invited back for further discussion on how procurement can help maximise economic benefits in Wales.
- 4.7 The Minister noted that the designation order had come into effect on 13 August 2015, and commented that this provides new opportunities around how the Welsh Government might use new powers to benefit the economy, make it easier for small suppliers and third sector firms to do business with us and support community benefits.
- 4.8 The Minister stated that the designation would be instrumental in strengthening the Wales Procurement Policy Statement, providing the ability to regulate on procurement matters and develop secondary legislation.
- 4.9 The Minister noted that Welsh Government officials are considering how these new powers could support delivery of policies to further standardise processes, make contracts more accessible, ensure wider application of community benefits and provide a regulatory footing for guidance on important ethical and employment matters.
- 4.10 The Minister stated that she was keen to use the designation to take advantage of the opportunities in the new EU directives, including reserving contracts.
- 4.11 The Minister stated that it was important that Wales was now on an equal footing with the Scottish and Northern Irish administrations, which both have specific legislative competence on public procurement.
- 4.12 The Minister confirmed that Welsh Government's approach to procurement supported the principles on which the Wellbeing of Future Generations Act is based. She stated that she will provide a statement on progress in December,

with a view to the first procurement regulation being finalised and introduced during 2016.

- 4.13 The Minister then moved onto a statement on the role of joint bidding.
- 4.14 The Minister recognised that joint and collaborative bidding can be invaluable in enabling smaller and third sector firms to enter the public sector market, making larger contracts which would traditionally be out of reach, attainable.
- 4.15 The Minister stated that she was committed to ensuring third sector organisations were able to access contract opportunities. She was pleased at the positive impact of the Joint Bidding Guide (2013) and pleased to see consortia of small local suppliers winning places on large contracts.
- 4.16 The Minister stated that while there would be a full update on the Joint Bidding pilot work on 19 November, the paper highlighted some of the excellent examples achieved to date, including:
- Allied Construction Consortium, comprising four small contractors winning a place on Caerphilly Council's £21million housing repair framework.
  - Two regional fuel suppliers appointed to the £125million National Procurement Services liquid fuel framework.
  - A consortium tender winning the Welsh Government's £16million Accelerated Growth Programme Contract.
- 4.17 The Minister stated that her focus would now be on ensuring the public sector embed the Joint Bidding Guide as a procurement tool. A full update on the pilot results and lessons learned would be provided in November.
- 4.18 The First Minister thanked the Minister and introduced the next item on the agenda, item 4b) - the Role of Reserved Contracts in Addressing Economic Disadvantage. He informed the members that the item covered a paper from Wales TUC ("*Better Jobs: Closer To Home*") that discussed the opportunities arising from the new procurement powers in relation to reserved contracts.
- 4.19 The First Minister noted that the Executive Working Group had discussed this in outline and were happy for the Wales TUC to bring their paper to this Council Meeting. He also stated that he was aware that a meeting between Wales TUC and the Minister for Finance to discuss this issue had taken place recently.
- 4.20 The First Minister asked Martin Mansfield to introduce the paper and set out the proposal to members.
- 4.21 Martin Mansfield stated that the Valleys of South East Wales had been hit hardest by the most recent recession, and had never recovered from the 1980s recession. He noted that one-fifth of the Welsh population lives in the South East Wales Valleys, which included some of the worst examples of economic disadvantage and deprived communities in Wales.

- 4.22 He argued that unless the Valleys succeed, Wales will not succeed. Wales needs a successful Valleys area to ensure productivity and growth, and this requires an industrial and economic strategy focused on areas of deprivation.
- 4.23 Martin Mansfield noted that with the new powers available to us, Welsh Government can now act to place as a pilot scheme two centres of employment in the Heads of the Valleys area. This would pull together a range of Programmes, including EU Programmes, to provide real, decent work in the heart of communities. He commented that he did not accept there were no skills in these communities; businesses are already doing well there. However, many people are disconnected and need help to find work closer to home.
- 4.24 He stated there has been market failure in the Valleys areas. There is the perception that people should travel to work in Cardiff or Newport. He suggested that, whilst a strong transport infrastructure is needed, this market failure requires Welsh Government assistance to attract companies to invest in the South East Wales Valleys area.
- 4.25 Martin Mansfield referred to the BBC, which has moved away from central London in England but BBC Wales is moving further into Cardiff.
- 4.26 He commented that the Welsh Government has had the opportunity since August to act directly, and that the Wales TUC is keen to work with social partners and Welsh Government to make this pilot project work.
- 4.27 The First Minister thanked Martin Mansfield and opened up the discussion to members.
- 4.28 Derek Walker thanked the Minister for Finance and Government Business for information on successful projects, and stated that it was pleasing to see that there had been significant successes. He referred to point 29 in the Minister's paper, reiterating the point that the Wales Co-operative Centre is working jointly with Business Wales to promote services and support businesses to adopt the joint procurement approach.
- 4.29 He welcomed the proposals around new powers of procurement, and highlighted that a number of areas could be beneficial to lock local wealth into local communities, and allow local businesses to compete on a level playing field with multinational companies.
- 4.30 He welcomed the Wales TUC proposals and confirmed that the Wales Co-operative Centre was ready to support this initiative.
- 4.31 Rachel Bowen stated that there was much in the paper that the FSB supports. She asked about outsourcing (for example data, personnel or ICT) by companies as she viewed these as forms of procurement, and how this could be part of any community benefits policy.
- 4.32 The First Minister thanked the Wales TUC for bringing the paper to Council.



- 4.33 The Minister for Finance and Government Business noted Derek Walker's comments, and commented that the Wales Co-operative Centre had engaged with the WCVA in the development of the Joint Bidding Guide. She commented that the work with Business Wales was a good step forward, and that there was an opportunity to work with Business Wales to support the development of new enterprises and support microbusinesses.
- 4.34 The Minister referred to Martin Mansfield's comments on the TUC paper, and noted opportunities for their campaign as a result of the wider definition of disadvantages in the new EU Directive. This will allow support for groups the Welsh Government would want to target, including those in the non mobile workforce. She confirmed that she had met with Wales TUC and will set up a Task Group to consider their proposals.

Action Point: The Finance Minister announced that she would set up a task group of interested parties to discuss the Wales TUC's proposals and provide advice to Ministers. This will be revisited at the next Council meeting.

- 4.35 The Minister for Finance and Government Business noted that Rachel Bowen had made an important point in relation to outsourcing, and that this was a helpful contribution to the debate, particularly in view of the tough decisions Local Authorities will need to make.
- 4.36 The Minister for Economy Science and Transport believed there could be additional advice given in terms of out sourcing and procurement. She argued that Local Authorities are often not fully aware of the costs involved in outsourcing and the Welsh Government need to point out value for money considerations in making the decision to outsource or not.
- 4.37 Martin Warren stated that procurement managers, when assessing value for money, need to look at factors other than monetary cost. He noted that a change in supplier is often considered as a risk, and that public sector procurement managers need support to make the right decisions.
- 4.38 The First Minister agreed and pointed out that the cheapest contract is not always the best. He argued that Compulsory Competitive Tendering still influences some local authorities approach to procurement.
- 4.39 The Minister for Finance and Government Business noted that the Welsh Government has used European funding to provide training for procurement professionals, and that some Authorities had taken services back in house after finding that out sourcing did not offer value for money.
- 4.40 Nick Ireland agreed that procurement should not always proceed on the basis of the cheapest contract. He referred to the TUC paper, and stated that, if the pilot is successful, this should form part of a long term strategic approach that would provide skills for business, a decent wage for people and access to local work.

- 4.41 David Morgan asked whether Welsh Government will be working with UK Government to maximise Welsh involvement in major infrastructure projects and ensure Wales gets its fair share, for example steel from Tata. He asked whether there would be opportunities to access procurement directly and address future skills gaps.
- 4.42 The Minister for Economic Science and Transport noted that the Welsh Government was working to ensure that potential supply chain companies were aware of these contracts and also of the skills needed to procure. She referred to events which had been held in relation to rail projects which had brought key businesses and supply chains together, and stated that this approach would also be taken for the Wylfa B nuclear power station and opportunities linked to tidal projects. The Minister commented that industry appreciated this approach, which focused on indirect jobs skills as well as direct skills, such as catering.
- 4.43 The First Minister stated that it would be useful to have a short paper on this work at the next meeting.

Action Point: Short paper for next meeting on work that is taken forward by Welsh Government to ensure that companies are aware of opportunities linked to major investments and equipped with the skills to benefit from them.

her positive response, and confirmed he was looking forward to working with Welsh Government on this initiative.

## **5 Employability and the Provision of Level 2 Skills**

- 5.1 The First Minister introduced the paper on Employability and the Provision of Level 2 Skills.
- 5.2 The First Minister stated that the main areas for discussion were around how the Council could ensure that people have the right skills and education they need to enter the labour market. He noted that the paper sets out current developments on increasing employability and the assessment of individuals and possible routes to employment.
- 5.3 The First Minister noted that there are strong links between this work and the Welsh Government's work to tackle poverty, given that paid work is the best route out of poverty and the greatest protection against poverty for those at risk. He stated that he was aware that Tracey Burke had convened discussions on tackling poverty with the Executive Working Group and that this had led to the item being on the agenda today.
- 5.4 The First Minister asked the Deputy Minister for Skills and Technology to present the paper.
- 5.5 The Deputy Minister thanked the Council for the invitation to the meeting.

- 5.6 The Deputy Minister advised Members of a minor amendment to the paper, where reference to the Wales Essential Skills Toolkit (WEST) on page 2 should read 'launched on 1<sup>st</sup> October 2014', and not 2015.
- 5.7 The Deputy Minister noted that a strong economy and helping people into work are critical elements to our approach to tackling poverty. She noted that the evidence that well-paid work was the best route out of poverty, and the greatest protection against poverty for those at risk, was clear.
- 5.8 The Deputy Minister reminded Council members that a Policy Statement on Skills setting out a clear vision for employment and skills policy in Wales was published in January 2014. She stated that this Policy Statement reinforced the Welsh Government's aim to support individuals to improve their essential skills so they are best placed to access work opportunities or progress while in employment.
- 5.9 The Deputy Minister noted that she now wanted to develop a more detailed employability policy bringing together actions relating to Essential Skills, Employment Support and Adult Learning, and would look to do this by the end of 2015. This policy would have a clear focus on improving the employability of adults in Wales and driving a greater focus on essential skills up to and including level 2 for those in and out of employment.
- 5.10 The Deputy Minister referred to a presentation given at the Skills Careers Board, which noted that projections of labour market demand indicate that requirements for unskilled labour would drop away to virtually nothing by 2025. This reinforces the message that suitable skills will be the only route into work and progression in future.
- 5.11 The Deputy Minister referred to the paper to note on the proposed apprenticeship levy. She advised that discussions had taken place with HMT and officials in the UK Department for Business Innovation and Skills, but noted that there was unlikely to be any definitive information on this before the Autumn Statement.
- 5.12 The Deputy Minister stated that she would welcome Council Members' views and comments on the paper.
- 5.13 The Minister for Economy Science and Transport stated that she welcomed the paper, and commented that one of the key issues raised when meeting with employers and businesses was the demand for the right skills. Any support that can be given around this issue would be welcomed by business.
- 5.14 The Minister noted that recent investments had seen a call for higher level skills. She commented that it is important to ensure those with lower skills levels are able to improve their skills to take up these opportunities. The Minister suggested that the Valleys pilot project would need to consider skills levels carefully. She stated that the Welsh Government had been successful with apprenticeships in the Heads of the Valleys.

- 5.15 She added that support for skills was often viewed as more important than financial support by business.
- 5.16 Martin Mansfield commented that he particularly liked the route map. He stated that the priority is to address underemployment and allow people in entry level positions to progress, and to get those who are not in work into the entry level positions being made available through progression.
- 5.17 He noted that planning the route to employability and finding the right support is important. He argued that a training levy would be the best way to guarantee provision of training. He noted that he is keen to see what the impact of UK Government proposals on this issue will be, and how this will influence training in Wales.
- 5.18 Martin Mansfield agreed with the Minister for Economy Science and Transport's point, and noted that there should be a focus on getting disengaged people into the labour market and allowing those in work to progress. He suggested that there is a need for bespoke training programmes.
- 5.19 Keith Palmer welcomed the focus on skills, noting that this was identified as the single biggest barrier to growth for members of the South Wales Chamber of Commerce. He commented that he would be interested to learn more about the categorisation model.
- 5.20 The Deputy Minister responded by stating that the employment routes tube map was a very useful tool, which simplifies a complex set of programmes. She indicated that Welsh Government had been approached by other home administrations with an interest in this. She noted that an interactive route map will also be available, which would work alongside the Skills Gateway.
- 5.21 The Deputy Minister commented that Welsh Government is looking at a unified programme which will sit above and below this set of programmes. This will demonstrate how the route leads to higher skills, as required by some companies, but will also identify the route by which people can get to this stage. This will support better choices, for example for young people.
- 5.22 The Deputy Minister noted that the Wales Essential Skills Toolkit and Categorisation Model will support a smooth transition from the DWP Work Programme, and will provide a tool that allows people to see where they are on the employability route and how they can progress. It will also ensure a better fit with ESF Programmes and ensure Wales has the right skills to support growth in the Welsh economy.
- 5.23 Robert Lloyd Griffiths welcomed the paper and noted that skills are critically important to the Welsh economy. He questioned the impact of budget cuts on provision of skills support, and suggested that Business Wales can play a part in providing better business awareness of this area.

## **6. Economic Roundup**

- 6.1 The First Minister introduced this item, noting that the recent positive labour market statistics for Wales indicate a general move in the right direction. He stated that the agenda item this month would have a specific focus on exports.
- 6.2 The First Minister outlined recent global and UK economic conditions, including the slowdown in the Chinese economy, and the appreciation of sterling in the context of their effect on exports.
- 6.3 The First Minister pointed out that Wales was already “punching above its weight” in terms of exports, although he cautioned that the paper points to a number of issues in interpreting the figures.
- 6.4 The First Minister noted that the paper provides a factual report on exports and does not cover Welsh Government policies and actions. He asked Jonathan Price to present the report.
- 6.5 Jonathan Price reaffirmed that the paper was not about policies and actions but suggested that this might be a topic for the future.
- 6.6 He noted that recent labour market figures indicate Wales is performing well. However, he cautioned that monthly labour market data can be volatile so it’s advisable to look through the monthly data and focus on the underlying trends.
- 6.7 Jonathan Price stated that since devolution there has been a narrowing of the gap between Wales and UK on employment and activity rates, the fourth best GVA per head performance and the second best household income performance. He stated that this was not to dismiss Welsh economic challenges and did not mean there was any room for complacency; as the Wales TUC paper highlights, a number of places are still suffering from the legacy of the recession in the 1980s. There are, however, signs of progress.
- 6.8 Jonathan Price stated that in terms of the UK economy, there was evidence of a recent slowdown in growth, perhaps reflecting the global slowdown. UK growth has softened after a relatively strong growth over previous quarters. He stated that recovery during the most recent recession remains historically weak - the UK economy is 15-18% below where it would have been had recovery followed historic precedents.
- 6.9 He commented that he would be interested to hear members’ views on the effects of the slowdown in China.
- 6.10 Turning to exports, Jonathan Price stated that Wales contributes more than its “fair share” to total UK exports, perhaps reflecting a stronger manufacturing base. He warned that the data can be volatile and advised looking at longer trends rather than placing too much weight on quarterly movements.
- 6.11 Jonathan Price pointed out that the regional export statistics do not seek to measure service sector exports or trade with other parts of the UK. He stated that the data does not reflect value added within Wales, for example oil imported, stored and exported from Wales will be valued based on the price of oil, not the

value-added in Wales. For all these reasons, care must be taken before drawing any conclusions.

- 6.12 Jonathan Price noted that the Welsh Government are exploring with the Office for National Statistics (ONS) how cross-border flows and service sector exports could be captured, though the practical challenges and costs associated with this are significant.
- 6.13 Jonathan Price stated that because of these limitations in the export statistics, his paper also included location quotients for employment which indicates in which sectors Wales has a comparative industrial strength.
- 6.14 The First Minister thanked Jonathan Price and opened up the paper for discussion.
- 6.15 Keith Palmer stated that early results from the South Wales Chamber of Commerce's quarterly economic survey indicated that economic activity was slightly down on the previous quarter's report. He noted that there is interest and demand, but that securing deals appear to be more difficult. Anecdotally, indications are that the China and wider global slowdown are affecting Wales. He added that exports to outside of the EU have fallen below 2014 levels, which should cause concern, although they are still above 2013 levels, and data excludes the main market of the EU.
- 6.16 The Minister for Economy Science and Transport asked if there was anything more that could be done to obtain data on services traded globally and on Welsh components incorporated in UK exports. She cited the Swansea Data Centre, and the example of parts made by automotive companies in Wales being sent to Birmingham for assembly then exported, no part of which would be recorded as an export from Wales. She stated that the current statistics do not reflect our impact or give a full picture of the dynamics of the Welsh economy, and give an incomplete picture of trade between Wales and the rest of the world.

## **7 Papers to Note**

- 7.1 The First Minister drew the attention of the Council to the papers to note on:
- The Trade Union Bill
  - The Proposed Apprenticeship Levy
  - An update on welfare reform
  - Annual updates on the Business scheme from Departments of Finance, Health and Social Services and Education.
- 7.2 The First Minister invited comments on the papers.
- 7.3 Nick Ireland thanked the First Minister for his support in relation to the Trade Union Bill and for the Written Statement issued during recess. He drew the Council's attention to key areas of concern within the Bill, including:

- The UK Government’s proposed definition of ‘important public services’, which is wider than the definition of ‘essential services’ in international law;
  - Removal of the ‘check off’ system [across all public sector organisations], which collects trade union subscriptions from pay;
  - The Certification Officer, who regulates unions, will be given powers to investigate unions and access member lists. Unions can be charged to cover the running costs of the Certification Officer;
  - Proposed monitoring by the police of trade union activity on social media.
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- 7.4 Overall, he argued that the Bill was not fit for purpose, and its introduction would lead to a worsening of industrial relations in the UK.
- 7.5 The First Minister stated that the Welsh Government was looking at how it could counter the Bill in devolved services. He questioned the UK Government’s assertion that the Bill relates to a non-devolved matter, referencing the judgement of the Supreme Court in relation to the Agricultural Sector (Wales) Bill. He noted that elements of the Bill relate to devolved services and responsibilities, and that Welsh Government should be able to repeal elements of the Bill that threaten delivery of these services.
- 7.6 The First Minister thanked members for their comments.

## **8 Any other business**

- 8.1 The First Minister asked if there was any other business. None were raised.
- 8.2 The date of the next meeting was confirmed for the 1 February 2016.
- 8.3 The First Minister closed the meeting and thanked the Council Members for their contribution and attendance.