



BUILDING OUR INDUSTRIAL STRATEGY – CONSULTATION RESPONSE

APRIL 2017



WLGA • CLILC

INTRODUCTION

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh local government and the communities they serve.
3. WLGA welcomes the opportunity to contribute to the development of the Industrial Strategy. Given the decision of the UK to leave the European Union, these UK-wide strategies and approaches take on increased significance for the devolved nations. Until now, the EU has been responsible for a wide range of policies that set the operating framework for industry – including energy, transport, procurement, state aid, environmental protection and terms and conditions of employment. The EU's regional development programmes have also had a major influence on physical infrastructure development, skills and training. The overlap with the proposed 'pillars' of the industrial strategy is considerable.
4. Divergence from EU requirements and standards could have implications for trading opportunities, with potential knock-on implications for the wider economy. Therefore, whilst it is important to look for new opportunities following 'Brexit', it is also vital that any changes made do not establish barriers to trade with the EU, which is currently Wales' largest trading partner outside the UK.
5. Likewise, new UK policies must be co-produced with the devolved nations. This will help to ensure that the interests of Wales (and the other devolved nations) are actively considered so that policies and initiatives that are introduced are acceptable to all. Where devolution has resulted in policy and legislative differences it will be important to make sure that new approaches recognise and can accommodate these. For example, Welsh Government has introduced the Well-being of Future Generations (Wales) Act which provides a framework for all activity. In pursuing the goal of a more prosperous Wales, six other goals must be pursued simultaneously (including e.g. equality, health, resource efficiency).

6. Also, and more specifically in relation to support for industry, Welsh Government and its partners including local government are focusing on particular sectors in each of the Enterprise Zones. A UK industrial strategy must be alive to this approach and not cut across it. Similarly, the nature of industries can be significantly different in the different nations: e.g. lamb accounts for a greater percentage of agricultural trade from Wales than is the case in England. Such national differences must be considered in any UK-wide frameworks so that the strategy pursued does not indirectly favour one part of the UK over another.
7. As currently written, much of the document has a focus on England. It is critical that the views of the devolved nations inform the forward development of the strategy.
8. This response does not cover every question in the consultation document but highlights key points in relation to the areas of greatest relevance for local authorities in Wales. Working collaboratively in four regions (further details below) local authorities have been developing plans for regional development. They seek reassurance that the Industrial Strategy will support and build on their place-based approaches and not undermine them in any ways.

Response to consultation questions

Q1: Does this document identify the right areas of focus?

9. The basic premise for the industrial strategy is sound, subject to the caveats noted in the introduction above.

Q2: Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth?

10. The pillars are quite widely defined and therefore provide comprehensive coverage of those areas where government support and direction can help to address poor productivity and unbalanced growth. The emphasis on driving growth across the whole country is particularly welcome.
11. Perhaps one area that could be more explicit is in relation to governments giving **signals** to the private sector about the type of industry they want to see growing. In the context of the Well-being of Future Generations Act this means actively considering the long-term implications of different types of industrial development to

ensure that they provide benefits not only in the short term but also can support more resilient and sustainable communities in the long term. Areas mentioned in the Strategy such as low carbon transport and renewable energy meet this requirement. Other areas could include, for example, local food production and development of the '**circular economy**'¹ (where materials are viewed increasingly as a resource rather than as waste and products are designed with end-of life re-use in mind).

12. The '**foundational economy**'² also needs to be given due consideration, especially in terms of ensuring needs across the whole country are met. It provides those 'mundane' goods and services that are essential for everyday life, regardless of the social status of consumers. These include, for example, utilities, food processing, retailing and distribution, and health, education and welfare. They are increasingly important as sources of employment for local communities, much of it at 'entry level' in the labour market. In this sense, they are likely to be more relevant to many communities than 'leading edge' industrial sectors. The latter are increasingly technologically complex (with fewer employment opportunities) and spatially concentrated (not every place can attract them).

Q3. Are the right central government and local institutions in place to deliver an effective industrial strategy?

13. The Green Paper refers to Local Enterprise Partnerships, Mayoral Combined Authorities and the devolving of business rates revenue to local government. None of these relate to Wales at present (although there are discussions about an element of business rate devolution as part of city deals and a power to create Combined Authorities *could* be included in a future Local Government Bill).

14. There have been important developments in Wales, however, with the emergence of four regions: the Cardiff Capital City region, Swansea Bay city region, Growing Mid Wales Partnership and the North Wales Economic Ambition Board (EAB). Collectively, these cover the whole of Wales. Each of these is looking at economic development, transportation and planning in an integrated way at the regional level.

15. In this context, the suggestion of 'devolution deals', mentioned in the Green Paper, is one which local authorities are keen to pursue. They believe the negotiation of 'deals' between Welsh Government and local authorities offers a better way forward than

¹ <https://www.ellenmacarthurfoundation.org/circular-economy>

² <https://assemblyinbrief.wordpress.com/2017/03/02/the-foundational-economy/>

using legislation to 'mandate' regional working by local government as floated in a recent Welsh Government White Paper³.

Q4: Are there lessons we can learn from industrial policies of other countries?

16. There is a strong link between industrial and regional policy, especially in relation to spreading the benefits of growth across the country. An ILO study back in 2010 looked at regional development policies in OECD countries⁴. This noted that regional policy has shifted from its traditional focus on subsidy-based interventions towards much broader policies aimed at 'regional competitiveness'. It goes on to look at ways that some countries (e.g. Denmark, Sweden, Canada, Netherlands) have developed collective/negotiated governance approaches involving national, regional and local government. Given that government at all levels has something valuable to offer in terms of delivering an effective industrial strategy that works for all, there may be lessons to learn in relation to co-ordination across tiers.

Q13: What skills shortages do we have or expect to have?

17. Supporting the work of the four regional partnerships mentioned above there are three Regional Skills and Learning Partnerships (one covers both South West and Mid Wales). For further information see:

<https://businesswales.gov.wales/skillsgateway/regional-skills-partnerships>.

18. The partnerships include representatives from training providers and the intention is to achieve a better match between supply and demand in the labour market. In focusing training on the knowledge and skills that will be needed in the industries and activities the regions are seeking to develop, a growing supply of trained labour should help to attract the 'right' type of company. This is another example of the 'signals' referred to in paragraph 11 above.

19. All the regions recognise that construction skills are going to be in high demand in light of the major infrastructure works that are planned not only in Wales but also more widely in the UK. Any restrictions on the free movement of labour because of Brexit will serve only to exacerbate the situation.

³ https://consultations.gov.wales/sites/default/files/consultation_doc_files/170130-white-paper-en.pdf

⁴ http://www.keepeek.com/Digital-Asset-Management/oecd/urban-rural-and-regional-development/regional-development-policies-in-oecd-countries_9789264087255-en#page1ion

Q 31 and 32: How can Government develop 'sector deals'?

20. For Wales, it will be important for any sector deals to be developed alongside, and with input from, those involved in 'spatial deals', such as the City Deals and Growth Bids that have been secured or are under discussion. The regional development plans will be based on support for certain key sectors in the respective economies – be that, for example, energy in North Wales, agri-science in Mid Wales, internet technology in South West Wales or advanced semi-conductors in South East Wales. Communication will be critical to ensure that the place-based approaches work coherently with sector support.

Q33: How can Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?

21. Within Wales, the Well-being of Future Generations Act provides a framework for public bodies to consider how they seek to develop their economies. Having a long-term perspective and considering future trends is an important requirement. Governments will want to encourage the types of growth that deliver multiple benefits. In that sense Joseph Rowntree Foundation's (JRF) work on the concept of 'inclusive growth' is highly relevant: see <https://www.jrf.org.uk/cities-towns-and-neighbourhoods/inclusive-growth>.

22. JRF argue that three key priorities are: paying greater attention to the demand side of the labour market, de-risking transitions into and within employment and building connectivity to enable individuals and areas to access growth opportunities. The 'attention to the demand side of the labour market' should not involve simply a passive observation of labour market trends but should take the form of active effort to influence the type of private sector investment taking place in the area to build resilience (giving 'signals' as mentioned above).

Q37 and 38: What institutions do we need and how can they be strengthened to support local growth?

23. As stated in para. 13 the institutions referred to in the Green Paper do not relate to Wales at present. However, looking ahead, the current regional partnerships can be

expected to evolve over time. As they expand their remit and develop their governance arrangements they should be well-placed to take on greater responsibility. Over time this could include, for example, a greater role in terms of employment support currently provided via the Department for Work and Pensions, Careers Wales and Jobcentre plus. This would allow a more integrated approach, breaking down barriers between public bodies to create a single public service for residents as they are supported into and through the labour market. It would also provide a stronger local democratic base for such activity. Strategic approaches developed at the regional level would complement, and be complemented by, delivery at the more local level where local authorities have close relations with local employers and residents across a range of support functions.

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