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Gwasanaethau Cyhoeddus Cymru
Wales Public Services

What does a new Government in Wales mean for public services and the growing divergence from England?

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Introduction

Following the Assembly elections, the subsequent accord between Labour and Plaid Cymru (including priorities for the first 100 days) and the 9-point agreement between Labour and Liberal Democrats (see annex 1), we have a better idea of the broad direction that public service policy is likely to take (the biggest uncertainty being local government structures). This briefing sets out the key likely features, discusses the extent to which divergence with policy and practice in England is likely to grow and potential issues which could arise.

It is written before the Brexit referendum result is known and does not take account of the game-changing implications of a 'Leave' vote. Decisions about public services in Wales are heavily influenced by UK fiscal policy and spending priorities and their impact through the Barnett formula. The new Wales Bill will need the negotiation of a new fiscal framework for Wales including financial offsets in the Welsh block linked to devolved tax powers. The report assumes that the direction proposed in the current Wales Bill will be promulgated.

As well as the inter-party agreements, it draws on WPS 2025 pre- election briefing on the manifesto pledges of the political parties and other recent public statements.

This is a wide topic and the briefing is selective, focussing on the large public spending areas of health, social care, education, housing and local government.

Overall approach to public services

Policies in Wales and England have been diverging since devolution regardless of which political parties are in power in Westminster and Cardiff Bay. In 2002, the then First Minister Rhodri Morgan highlighted the 'clear red water'¹ between the Welsh Labour government in Wales and the New Labour government in Westminster, characterised by the phrase "voice vs choice".

England

In England, public service policy has emphasised competition, market creation, contracting out, a stronger role for the private sector and a broadly consumerist approach. This has stressed the importance of the right to choose by students, parents, patients and other service users as to which, for example, schools, hospitals, care providers they can access.

Choice is seen as an incentive for improvement. The approach still has the tension between freeing up services from central control and allowing the market to drive performance on one hand and central performance monitoring, league tables and intervention on the other.

Although the current commitment to 'localism' and deal-based devolution has not yet resolved the tension, the UK Government has abandoned some of the top-down managerial

¹ <http://www.sochealth.co.uk/the-socialist-health-association/sha-country-and-branch-organisation/sha-wales/clear-red-water/>

approaches that grew under New Labour – dropping several of the totemic national targets like NHS waiting times in favour of local prioritisation. It now seems more relaxed about local variety and the risks of a postcode lottery.

The implications of the devolution agenda in Manchester, and other manifestations of the Northern Power House and the growing variety of local delivery models makes it difficult to arrive at an overall view of the future balance between state and others providing services. In the NHS, the use of private sector services varies across areas, depending on local commissioning. While GP commissioning suggests a localising agenda, some still see the Department of Health and the Quality Care Commission/ Monitor ²as complex and controlling forces on performance and change. In local government there is growing diversity with some councils becoming largely commissioners of services provided by private and third sector bodies. But there has been the rise, especially in Labour areas, of the co-operative councils which have seen services retained in-house or managed through mutual and cooperatives.

The future of the English model, indeed whether there is an English model at all, is harder to discern than it was. There is not a clear single central guiding philosophy or model of service delivery. Whether this is diversity and innovation to be celebrated or fragmentation and incoherence to be criticised depends on your point of view.

Wales

The Welsh scene is, in comparison, simpler to map. Welsh policy makers have emphasised the need for ‘citizen-centred’ and collaborative public services and advocated a planned approach to service delivery rather than one driven by choice and competition. The citizen is said to drive improvement through a commitment to co-production: having an input into decision making about the service they receive personally and in relation to their community.

This is mirrored by the Future Generations Act (Wales) 2015 with its expectations that public bodies should deliver better outcomes by:

- working together better
- involving people reflecting the diversity of our communities
- looking to the long term as well as focusing on now
- taking action to try and stop problems getting worse - or even stop them happening in the first place.

In part this approach reflects a communitarian view of public services in Wales and a belief in the potential of the state as a force for good. Another, more pragmatic, rational is that the population density in Wales is too low to support multiple providers. With the emphasis on sharing expertise and resources to maximize efficiency gains, the theory is that services

² <http://www.kingsfund.org.uk/blog2016/15/listening-again-nhs-chief-executives>

can improve and capacity can grow throughout the public sector as a whole. This model was most clearly articulated in the Welsh Government's 2004 plan 'Making the Connections' and has most recently been restated in its 2015 vision for 'One Public Service'.³

Alongside this, the Welsh Government emphasises its 'social partnership' approach, including close working relationships with the public sector trade unions. In England by contrast relationships with the trades unions have been more confrontational, with several organising strikes over the past five years.

Recent developments in Wales of a commitment to citizen/provider co-production (enshrined in some legislation) and interest in social enterprise delivery, seeing co-operatives and mutuals as an alternative to privatising or ceasing services, reflect the existing direction of travel.

Looking forwards, the model in Wales seems unlikely to change radically. The manifestos suggested the three left of centre parties remain committed to a broadly public sector or not-for-profit approach.

There are some things in common...

While there are clear differences in the approaches to public services in Wales and England, and a continuing debate about relative performance of the respective health and education systems, it is important to note that public services in both countries have a long shared history and common roots. So alongside divergence, a lot of language and practice is quite similar. Both the UK and Welsh Government promise to focus on prevention rather than cure right across public services and talk about long term improvement and planning. They are more silent on how the shift to prevention (essentially long-term) is to be resourced.

There is a move towards models based around co-production in both countries, although there are different starting places and points of emphasis. Even that great dividing line of private v public in service delivery is not as stark in practice: Wales' public services also commission private companies to provide a range of social care services and Wales' NHS has been increasing its use of the private sector in recent years.

Fiscal policy

Decisions about public services in Wales are heavily influenced by UK fiscal policy and spending priorities and their impact through the Barnett formula.

The new Wales Bill will need the negotiation of a new fiscal framework for Wales including financial offsets in the Welsh block linked to devolved tax powers. Given the uncertainty about how this will play out and the expectation that the Chancellor's commitment to the Barnett 'floor' will have little impact in this Parliament, we are assuming that the Welsh bottom line will continue to decline in line with the 2015 Spending Review plans as a result

³ <http://www.academiwales.org.uk/uploads/attachments/DZNL75p5H.pdf>

of the 'austerity' policy. On this basis, Wales will continue to face difficult choices, including the balance between NHS and local government funding.

Taxation

The gradual growth in taxation powers should, in theory, give Wales more options to mitigate the impact of UK spending decisions. The timetable on income tax varying powers is not clear yet but they seem unlikely to have an impact before 2020.

How Wales will react to new powers remains to be seen. The main area of control has been through council tax. In England between 2010-11 and 2014-15, the average B and D council tax has fallen by five per cent in real terms⁴. In Wales, over the same period, the average B and D council tax bill has increased by 6 per cent⁵. While the average B and D council tax in Wales is still lower than England, the gap has halved between 2010-11 and 2016-17. The shrinking of the gap may slow in future as the UK Government has introduced a scheme whereby from 2015-16 English councils can increase council tax by 1.5 per cent as a precept to fund social care.

Devolution of business rates and new tax raising powers, particularly income tax, raise the prospect of a more nuanced approach to fiscal policy between different parts of the UK. The Welsh Government has consistently stated opposition to the UK Government's austerity programme and could shift the balance between spending cuts and tax rises. This was a focus of debate in the recent Scottish elections but was largely absent from debate in Wales. As our briefing on the election manifestos showed, most of the parties in Wales have a cautious approach to taxation. None set out plans to raise more tax in order to reduce the impact of austerity on public spending and most had plans that could reduce some income, particularly from reliefs to small businesses.

Spending

Faced with budget cuts both England and Wales have had to prioritise funding between different service areas. Figure 1, shows some of the different decisions and priorities in Wales and England between 2010-11 and 2014-15 (the Treasury analysis for 2015-16 is expected in the Autumn). The highest profile area of difference is in health, where in England spending rose in real terms in contrast to a spending reduction in Wales. On the other hand, spending on social care increased in Wales but fell in England. Combining health and social care together, the differences are less stark: the combined spend in England on both went by 1 per cent but fell 2 per cent in Wales. The other area of substantive difference is education, where Wales has reduced spending less sharply than England. It is worth noting that these reductions vary across the different parts of education. Wales Audit Office⁶ analysis suggests that the Welsh Government has protected spending on schools significantly more than in England.

⁴ WPS 2025 analysis of DCLG, Local Government Finance Statistical Releases

⁵ WPS 2025 analysis of Stats Wales data

⁶ <https://www.wao.gov.uk/publication/picture-public-services-2015>

Figure 1: Real terms changes in spending per head of population between 2010-11 and 2014-15

	Wales	England
Health	↓ 4%	↑ 3%
Social services	↑ 4%	↓ 3%
Education	↓ 11%	↓ 18%
Housing and community amenities	↓ 8%	↓ 33%
Economic affairs (excluding transport)	↓ 25%	↓ 21%
Transport	↓ 18%	↓ 13%

Source: WPS 2025 Analysis of HM Treasury Country and Regional Analysis data

Wales’ scope to vary the bottom-line in terms of public finance from that being determined by HMT’s austerity policy seems very limited in this Assembly – given the likely timetable for, and limitation to, new tax-varying powers. The different options the Welsh Government has will be explored further in WPS 2025 commissioned Institute of Fiscal Studies study which will be published in September.

Service areas

Healthcare

While the healthcare systems have much in common, there are some substantive differences in the structure and management of the NHS in Wales and England. Wales has adopted a ‘planned’ approach led by government and operated through seven Health Boards (and three Trusts) responsible for planning and providing services for their local population rather than an internal (or external) market. The NHS in England is quite different structurally. Rather than being run from the civil service, NHS England is an independent body, at arm’s length to the government. NHS England is the commissioner for primary care services such as GPs, pharmacists and dentists, including military health services and some specialised services. GP led Clinical Commissioning Groups purchase acute healthcare.

There are also substantial differences in the underlying philosophy. In England patients have a statutory right to choose their healthcare provider and hospitals are expected to compete for business from commissioners. In Wales there is some flexibility but the provider is generally decided based upon where the patient lives. Health Boards and Trusts are expected to collaborate to ensure effective regional planning including ensuring patients have timely access to specialist services only offered in a few hospitals. While there has traditionally been a reluctance in Wales – in contrast perhaps to England – to use the private

sector in providing NHS care that has changed more recently. Health Boards' spending on private providers has increased in real terms.⁷

The OECD notes that there is a stronger focus on reporting performance and accountability in England than in Wales. The OECD also notes, that Wales has some way to go in providing user-friendly, accessible information on how well the NHS and individual organisations are doing. In terms of reporting on performance and quality, the OECD notes this is particularly important in the absence of the financial and competitive pressures to improve that are found in the English system.

Neither Labour nor the Liberal Democrats made explicit promises to increase total NHS Wales spending - Labour simply promising that spending per head on health and social care would remain higher in Wales than England. In England, the rise in NHS funding has been partially offset by cuts in public health and other areas of health spending and think tanks are warning that funding increases seen and promised for the future do not match the known cost pressures. So even if Wales matches England in terms of spending, the NHS will still face substantial financial challenges.

The response in England includes the NHS 5 Year Plan and the commitment to £22bn NHS efficiency gains (through the Carter review and other actions) by 2020-21 along with a range of service initiatives and innovations. In Wales, the application of values-based approaches such as prudent healthcare which focus on improved outcomes, closer integration between health and social care, more emphasis on primary care and prevention all seem likely to be part of a response. Our next roundtable discussion will look at the pressures facing the NHS.

In terms of the structure and management approach, none of the parties have suggested reinstating the purchaser-provider split which underpins delivery in England.

On future direction, the concord between Labour and Plaid Cymru refers to a 'Parliamentary Review into the long-term future on health & social care in Wales'. Whether such a review can achieve a political consensus could be crucial to its success.

Social care

There are similarities and differences between England and Wales in delivery of social care.

- Both have an emphasis on integrating health and social care. Neither has sought to integrate the two structurally (i.e. by making social care part of the NHS) but both are funding pilot projects to develop new ways of working across the two sectors.
- Both countries are moving towards an 'outcomes' focused system, based on early intervention and prevention and a co-productive model that involves people determining their needs. But the routes are different. Wales has embedded the principle of co-production and prevention in law through the Social Care and Wellbeing Act (Wales) 2014. England has gone further down the road of personal

⁷ <https://www.wao.gov.uk/publication/picture-public-services-2015>

budgets and direct payments, with service users directly commissioning services, but the use of direct payments is growing in Wales.

Paying for care

The issue of co-payment for social care has been a political hot potato for at least two decades. Unlike NHS care, which is free at the point of delivery, social care is means-tested and most people have to pay for some or most of the social care they receive. Across the UK, there is a complex system of payments in place for social care, whether provided in the person’s own home or in a residential care home. There is a general consensus that the current system is unsatisfactory, despite reforms.

Our 2013 report⁸ showed that with an ageing population as well as higher expectations in terms of safeguarding young people, the costs of social care in Wales and England are set to rise significantly by 2025.

There have been various studies on paying for social care for older people (Dilnot for the UK Government, the Paying for Social Care Stakeholder Advisory Group for the Welsh Government). Because of the relatively high costs involved, there is a strong view that the UK Government needs to take a lead. Without an increase in public funding in England, with a consequential increase in devolved budgets through Barnett, there are large questions of affordability. But significant differences are emerging, summarised in the table below.

In Wales, the Paying for Care Stakeholder Advisory Group’s 2015 report⁹ set out its thinking on charging in light of the changes in England. The group reported that raising the capital limit to £100,000 would reduce the number of people required to fully self-fund their residential care and enable residents to retain a higher proportion of their capital. It has been estimated this would initially cost the Welsh Government an additional £30 million a year.

	England	Wales
Care in a person’s own home (domicillary)	Charges at local authority discretion, subject to guidance, and falls under overall lifetime cap of £72,000	Charges at local authority discretion, subject to guidance, with a maximum cap of £60 per week
Care in a residential home	People become eligible for funding once they have less than £23,250 savings if they have no property and £118,000 including the	People become eligible for funding once they have less than £24,000 savings

⁸ <http://www.walespublicservices2025.org.uk/2013/09/26/new-report-by-mark-jeffs-wales-public-services-2025/>

⁹ <http://gov.wales/docs/dhss/publications/150506payingforccarestakeholdergroupreporten.pdf>

	value of property. This is subject to an overall lifetime cap that nobody spends more than £72,000 on their care.	including the value of their property.
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One of the key challenges for social care in both Wales and England is the workforce. Many working in social care are on zero hours contracts and minimum wage. The move to the national living wage, will increase costs for service providers. These are ultimately likely to be passed on the public sector and/or service users. In Wales, some of the parties, including Labour and Plaid Cymru, have talked about adopting the Living Wage. Social care staff are likely to be amongst those public sector staff that would benefit most if the Living Wage is adopted.

Looking forward, social care funding featured in many of the party manifestos.

- Labour promised to increase the capital allowance on residential care to £50,000. It made no specific commitments to introducing a lifetime cap on charges.
- Plaid Cymru proposed much more sweeping changes to funding for social care including a pledge to make social care in people’s own homes free during the current Assembly term and to make all residential social care free by the end of the next Assembly term.
- The Conservatives also proposed changes to funding: increasing the capital allowance to £100,000 and placing a weekly cap of £400 on residential costs.

This suggests that further changes to the funding arrangements is going to be an issue in the Assembly but how they would be funded remains the big question.

Education

Education is the second largest area of spending in Wales and one where there are perhaps the greatest differences in approach compared to England.

Education 3 -1 6

In Wales, local government is still a key player in the delivery of education for pupils aged 3 to 16 with councils responsible for funding and managing the schools in their areas, in part through regional consortia. There is currently no suggestion that the LEA role will fundamentally change although how it is delivered in future is likely to be caught up in the wider discussion about local authority structures.

In England, local government is an increasingly minor player in local education with the rise of centrally-funded academies. Unlike Wales, some areas of England also still have grammar schools. While recent plans to make all schools in England academies have been modified the direction of travel is clear.

The approach and philosophy to school education and improvement is very different in both countries. It would not be possible to describe all of the differences and similarities so we focus on some key issues here:

- Parents get roughly the same number of free childcare hours in Wales and England for 3 to 4 year olds, but in England parents can choose where to send their children, including private nurseries/ day care whereas in Wales it is provided through nurseries in schools.
- the English model has a stronger emphasis on choice for parents and competitions as a driver for improvement.
- England has a harder performance management approach using league tables and inspection, although Wales has now introduced more rigorous inspections and has started 'banding' schools based on their performance.
- Wales has adopted a Scandinavian type approach to primary education, with an emphasis on learning through play whereas England is increasingly developing a more traditional emphasis on teaching reading, writing and arithmetic.
- Until last year Wales offered the same qualifications as England, but after recent policy announcements by the Westminster government and a national qualifications review in Wales the two countries' systems are starting to diverge.
- Unlike England, GCSEs will be kept in Wales, and four new GCSEs will be introduced in September 2015, in English Language, Welsh First language, numeracy and mathematics techniques. A-levels and AS-levels will also be retained.
- Wales already has its own national qualification in the Welsh Baccalaureate, a skills-led qualification that includes elements of community participation and work experience. From September 2015, it is to become the over-arching qualification for 14-19 year olds in Wales.
- In Wales education is compulsory until the age of 16. In England you are required to stay in full-time education, start an apprenticeship or traineeship, work or volunteer (for 20 hours or more a week) while in part-time education or training until the age of 18.
- In a nine-point agreement with the Labour party, many of the Liberal Democrats education policies, including smaller infant class sizes of 25 (cost of around £40 million over four years) and a review of surplus places, were included. So there could be further divergence if Wales goes down the route of substantially smaller class sizes than England.
- It is important to note that the PISA international comparisons¹⁰ show that a large amount of progress and improvement is needed in both countries.

Higher education

¹⁰ <http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf>

There are also substantial differences between Wales and England in terms of higher education. While policy on higher education is devolved, Wales' universities compete with those in England and indeed further afield for students. As a result, policy in different countries' impacts on Wales' higher education sector.

In England and Wales, higher education institutions can charge up-to £9,000 a year tuition fees. In England, students have to pay for those tuition fees. For Welsh students, there is a subsidy of around £5,000 towards the fees, regardless of where they study. The Welsh Government has set up a review (the Diamond Review) of the current tuition fee subsidy programme, which will make recommendations later this year.

On higher education, the Labour manifesto offers few clues to future policy other than a commitment to consider the recommendations of the Diamond Review and to make Welsh students an offer that is better than that for English students. The Liberal Democrat manifesto pledged to retain the overall budget, but to refocus the spending away from a tuition fee subsidy towards support for students' living costs. It looks like much will depend on the outcome of the Diamond Review.

Housing

There are differences between England and Wales in how they deal with the problem of housing supply. The 2015 report on future housing need by the Public Policy Institute for Wales estimated that an additional 8,700 homes would be needed each year, of which 3,500 should be non-market housing in order to meet housing need. Tamsin Stirling¹¹ reports that in Wales housing policy is part of a whole systems approach rather than an over emphasis on any one tenure. Figure 1 of this report shows that England has reduced spending on social housing since 2010-11. However, a note of caution, 2010-11 was a year of particularly high expenditure in England because the then Labour UK Government had invested in social housing as part of its fiscal stimulus following the 2008 crash. In both England and Wales, the numbers of affordable homes being built each year has been growing. This looks set to continue in Wales, with the creation of 20,000 new affordable houses featuring as part of the nine- point deal between Labour and the Liberal Democrats. The Liberal democrats have costed this commitment in their manifesto at £160 million over four years. It is anticipated that the majority of this target will be met through the supply of social housing. However in England the housing policy very much focusses on encouraging affordable home ownership rather than increasing the supply of social housing, with an emphasis on developing shared ownership of affordable homes through Help 2 Buy.

While both Wales and England are committed to creating affordable housing, there is a real difference in the political tone. Wales sees supporting vulnerable tenants as part of a wider approach to poverty and social justice. As Tamsin Stirling emphasises, the idea of social tenants as work-shy skivers has not featured as part of debate at the Senedd. The Welsh Assembly has been the first UK Government to pass legislation on tenancy reform and the

¹¹ <http://www.whq.org.uk/2016/05/27/olives-devolution-and-diversity/>

Homeless element of the Housing Wales Act places a duty on local government to work with others to prevent homelessness.

The most hotly contested difference in housing policy in Wales and England has been the right-to-buy. The scheme was first introduced by the Conservatives in 1980. While the Welsh Government has not scrapped the scheme it has not promoted it. In Wales, the discount offered under the scheme has fallen to £8,000. Sales in Wales have dwindled in recent years. In England, by contrast the scheme is growing. There the maximum discount is almost ten times higher: £75,000. The UK Government has also extended the scheme in England to include those living in housing association properties.

The right to buy is set to come to an end in Wales. Labour and Plaid Cymru promised to end the scheme in their manifestos. While the Liberal Democrats did not specifically refer to right to buy, they promised to introduce a rent-to-own scheme. Delivery of this scheme was included in the agreement between the Liberal Democrats and Labour to form the Welsh Government.

Local Government

Inevitably there is huge diversity across a range of issues both between England and Wales but also between local authorities within those countries. As bodies democratically elected to serve the local population variation and divergence is built into the system.

So, rather than explore all of local government in all of its variation, here we focus on three themes: finance, change and structures.

Finance

The Public Policy Institute for Wales¹² has highlighted that councils in Wales have been protected from the much harsher cuts imposed on their English counterparts. Nonetheless, councils have faced substantial real terms cuts in their funding. The Wales Audit Office estimates real terms cuts of around 10 per cent between 2010-11 and 2014-15¹³.

There are some significant differences in their funding sources. We have already shown the differences in council tax levies between England and Wales. On business rates, councils in England retain around half. In Wales, business rates are distributed amongst councils by the Welsh Government. The Independent Commission on Local Government Finance Wales¹⁴ has called for Welsh councils to also be allowed to retain business rates, possibly shared across regions rather than individual councils. It concludes that the English example shows how this can incentivise councils to work together to grow their local economies and increase the tax base to fund services.

Another key difference is the use of ring-fenced grants. In England, most of the central government funding for local government is pooled into a single grant, which individual

¹² <http://ppi.wales.gov.uk/files/2015/12/Coping-with-the-Cuts-Final-Report-PDF.pdf>

¹³ <https://www.wao.gov.uk/publication/picture-public-services-2015>

¹⁴ <http://www.cipfa.org/partners/independent-commission-on-local-government-finance-wales/final-report>

councils then decide how to prioritise and allocate based on local need. In Wales, a substantial proportion (the Independent Commission reports 26 per cent) comes from grants which must be spent on a particular purpose.

Change and innovation

We have commented above on the diversity in England with some councils becoming largely commissioners of services provided by private and third sector bodies and the rise, especially in Labour areas, of the co-operative councils. There is less diversity in Wales but councils here vary substantially in their style and culture.

The Public Policy Institute for Wales points to lessons for Welsh councils from the approach taken in England. Because the scale of austerity has been so harsh in England, many councils have been forced to radically re-think their purpose and relationship with local areas. In some cases, this has led to a more cost-effective service model based, for example, on meeting needs and demand much earlier and drawing on community capacity. In a picture of public services, the Auditor General has noted that in Wales, while there have been pockets of good practice, we have not seen the scale of change and innovation seen across the border.

Structure

The structure of local government in Wales has been long-debated (Williams commission etc.) and the Labour Welsh Government in 2015 put forward its proposed maps for local government reconfiguration, which were largely based on the old counties prior to the 1993 reconfiguration. This appears to have been set aside, the new Cabinet Secretary for Finance and Public Services has expressed his intention to spend time talking to people to find a way forward. Looking back at the parties' manifestos it is clear that there is no consensus. Each party had a different response but, the fullest alternative was from Plaid who proposed keeping the current 22 councils but creating new regional authorities, possibly along the lines of the city regions in England with an elected mayor. These regional authorities would also be responsible for primary and community NHS services.

In England, the UK Government has incentivised councils to work together through encouraging 'City Regions' and 'City Deals'. Interestingly, both of these initiatives have been led by HM Treasury rather than the Department of Communities and Local Government. The city-region of Manchester is combining local authorities, fire and rescue authorities and the NHS under an elected mayor. An initial devolution deal was agreed in 2014 and further powers have been devolved and announced as part of subsequent UK Government budgets and spending reviews. The City Deals are essentially a vehicle to develop infrastructure projects and are not limited to England. The Cardiff city region has successfully bid for funding and the Swansea Bay region has also submitted a bid for funding.

The immediate challenge for the Welsh Government is to clarify its position on local government reconfiguration. There will be a huge challenge for all concerned to work on a reconfiguration that has sufficient support at the Assembly, at the same time as local

government is facing cuts and challenges to service delivery. Whether to focus time and effort on the potentially long term gains of fundamental structural reform rather than short and medium term service transformation, and calls for financial changes will be a critical choice for this new Welsh Government.

Conclusion

The big challenges around austerity, the long term affordability of the NHS and social care and reform of local government matter in and of themselves. But why does it matter if the approaches to these big issues varies in England and Wales? There are lots of reasons and ways to answer that question.

At its most fundamental, policy divergence matters because decisions on English policy and spending directly impact Wales' funding. The new tax raising powers, particularly over income tax, raise the prospect of a more nuanced approach to fiscal policy between different parts of the UK. While the caution many parties have shown in the near term is probably warranted, divergence on tax policy in future could see a real difference in the political and public service landscape in Wales.

Policy divergence also matters for people living close to the Wales-England border. The Welsh Affairs Committee enquiry 2015 into cross border services in relation to health called on both administrations to explain more clearly health policy divergence to service users. Policy divergence and the border is not just an issue of health or only Welsh citizens using English services. Some people living in England like Welsh services more. For example, some parents living in England like to send their children to schools in Wales. There is an ongoing row over a Powys School, which had been subsidising the transport costs of students from Shropshire. With different policies emerging on social care charging, there is also scope for confusion for families with older relatives on the other side of the border.

A further challenge is the movement of staff and learners between the two countries. Different sets of qualifications, raises challenges for employers and education providers to understand the equivalence of English and Welsh qualifications. There are also challenges for public service staff wishing to move from England to Wales or vice versa. For example, different approaches to the curriculum and practice raise questions about the ease with which teachers can move from English to Welsh schools and vice versa.

Divergence also matters because of the so-called democratic deficit in Wales. In a 2014 BBC poll, 43% and 31% of respondents thought health and education respectively – two major areas of devolved control – were the UK government's responsibility, while 42% of people wrongly believed policing was an assembly matter. Recent analysis from Cardiff University highlighted how voting patterns in Wales are informed by policies and priorities being implemented in England. In other words, many of the people voting in the Assembly elections don't understand that they may be voting for policies that are distinct from England.

Policy divergence also provides an opportunity to learn from natural experiments of delivering services in different ways. However, there is evidence to suggest that this is not happening. The OECD report on the NHS in the UK lamented the lack of a common set of indicators and forums to share learning on what works and what doesn't. The Public Policy Institute for Wales came to a similar conclusion looking at local government: relatively few comparable indicators and limited appetite for cross-border learning. The Alliance For Useful Evidence paper on policy divergence across the UK also notes, *"although devolution may produce an opportunity for innovation and divergence, it doesn't seem to have created the structures to share learning from those opportunities across the UK"*¹⁵. At a political level difference is usually used as a means for point scoring rather than genuine learning. As a result, Wales has at times been reluctant to learn from England. And England, with some exceptions like the plastic bag, has paid little attention to practice in Wales.

¹⁵ <http://www.alliance4usefulevidence.org/publication/increasing-divergence-more-or-less-reason-for-exchange/>

Appendix One

Content of the agreement with Welsh Liberal Democrats

- Infant class sizes are reduced to a maximum of 25.
- There are more nurses, in more settings, through an extended nurse staffing levels law.
- 20,000 extra affordable homes funded.
- A new “rent to own” housing model is introduced.
- Mental health discrimination is ended.

Content of the 100 days compact agreement with Plaid Cymru

- Childcare –deliver 30 hours free childcare for working parents.
- Apprenticeships and skills –bring forward at least 100,000 new all-age apprentices in this term.
- Infrastructure & business finance – establish a new National Infrastructure Commission, and a new Welsh development bank.
- Health –prioritise the establishment of a New Treatment Fund, recruit and train additional GPs and other primary healthcare professionals.
- New Scrutiny and Committee procedures

Welsh Government priorities for the first 100 days

Once the new Scrutiny and Committee procedures are in place:

- A new Public Health Bill, an Additional Learning Needs Bill, and legislation that will remove the defence of reasonable chastisement, as well as amend the current Welsh language measure.
- End the Wales Bill deadlock.
- A Parliamentary Review into the long-term future of Health & Social Care in Wales