



This is a draft paper which the SOLACE Management Board thinks might help SOLACE position itself as the debate about public services moves forward. But I want to gauge whether it enlists your support. Do let me know your views.

Comments welcome up to the end of May 2010.

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We are all in this together: the case for tax and cost transparency

SOLACE notes and understands recent media interest in the salaries paid to those in positions of responsibility in public service and the other costs which surround the execution of their duties.

In part, we understand how this follows on from concern about the unusual arrangements whereby MPs could apparently supplement their incomes through the use of an expenses system. We understand this can create a climate whereby trust in public servants is reduced and there is a more obvious cynicism that public servants are seeking to take an advantage by maximising their personal rewards without an acknowledgment of the public interest.

SOLACE very much regrets this fairly recent change in public discourse. It believes it has been largely led by the media looking for 'son and daughter' stories which continue the public approbation which was easy to whip up over the MPs' expenses revelations.

SOLACE believes that a range of appropriately funded, comprehensive public services is an inevitable and essential part of a developed economy. Civil society depends on the rule of law; adequate public infrastructure and a range of welfare services designed to support the vulnerable and influence those who are a risk to themselves or others.

As the fourth largest economy in the world, the UK would expect to have a range of such essential public services. Quality public services are unlikely to be achieved by denigrating the efforts of those within public services, sneering at their success or trying to ensure that their terms and conditions are constantly undermined.

SOLACE has long supported the case for transparency. Local government is already uniquely transparent. Electors have the right to challenge the accounts and the budgets of local authorities are all discussed at public meetings and published in great detail in a controlled format. Budgets are supervised by external auditors who are not appointed by individual councils.

This could be compared to the corporate world where operating budgets are obscure and only directors' remuneration is disclosed. Commercial companies choose their own auditors (and the evidence is that this can produce distortions in accounting standards).

SOLACE says that in a developed economy a simplistic analysis that holds that commercial institutions should be subject to wholly different moral and ethical imperatives from public institutions is unrealistic and simply wrong.

Measured on the effect on individual households, the opportunity costs within commercial companies affect the prices that consumers pay, just the same as opportunity costs within public institutions affect the cost to the taxpayers.

Conventionally commercial undertakings are thought to earn reward from taking risks with their own money.

Within a complex market system, this is too simple a model. The ownership structure of large public companies means that their shareholders are commonly pension funds and other investment vehicles that are only holding money in trust for current and future individual beneficiaries.

It follows that public companies are owned by the public and their internal running costs and the terms and conditions of their staff are therefore a matter in which the public has a legitimate interest in terms exactly comparable to the interests that the public has in the terms and conditions of those who operate the public services in their name.

The key trust question for SOLACE therefore is how can we adopt and sustain a system whereby we all have reasonable confidence that the decisions that private and public institutions make which represent a cost to the budgets of individual households are transparent, challengeable and thought to be reasonable?

SOLACE therefore calls for a four point reform programme to increase trust in civil society as follows:

1. Harmonise accounting expectations between the commercial sector and the public sector to ensure that stakeholders can see into these organisations, understand their costs and make comparisons between them.
2. Legislate to ensure private sector auditors have a duty to challenge the internal costs of public companies in the same way that auditors in local government (but not yet the civil service) supervise the duty to seek value for money for taxpayers.
3. Enhance the public interest duties on regulators where commercial companies act alone, or in circumstances where a small number of companies exercise a shared monopoly, to ensure that the public is protected from profiteering and excessive internal costs, which provide benefits to employees which are not reconcilable with consumers' interests.
4. Finally, move to a system where all tax records, once submitted, are seen as public property so that the public might gain confidence from full disclosure of the terms and conditions of all of those who contribute to the UK's collective wealth and welfare and the contributions that they make through the tax system. These contributions are vital to the country's current well being in the form of education, defence, foreign affairs and public welfare and the country's future in terms of infrastructure investment, support for science and technology and provision for pensions. It is in everybody's interest that what people take out and put in is transparent enough to encourage public confidence and recognise the contribution of those in both private and public sectors of the economy.

Derek Myers
Chair, SOLACE Management Board