

Paying for local services

Since the election of the new Parliament I have concentrated on the issues of schools funding and the provision of local services. I have urged the Education Secretary to speed up the new fairer funding formula which is meant to help schools in Wokingham and other places which receive low amounts per pupil under the present arrangements. I have also urged her and the Treasury to put more money in total into English schools, to make the change easier to sell around the country.

This matter has become tied up in a much wider debate about how much money public services require, and how much we can afford to spend. Health spending is planned to rise anyway, but the NHS could always use more. The costs of social care are rising rapidly as the number of elderly with substantial needs increases. In the election voters made clear their dislike of the idea that the elderly person should have to pay by pledging the value of their home to the state on death for the costs incurred. That means we need to find more out of general taxation to pay for social care.

Many people in the public sector would like a pay rise, after some years of pay caps limiting general rises. It is true that some have enjoyed better rises than the pay cap implies. Nurses, for example, usually qualify for six years of 4% a year rises in the form of annual increments, which have been paid during the period of restraint. Other groups too have benefited from annual increments on top of the basic rate rise. Promotion, overtime, higher pay at week-ends and other methods have been available to boost pay for some public sector employees. I think the right approach is to see what the Independent Pay Review Bodies come up with. They are meant to assess the adequacy of pay in relation to the cost of living and comparison with other workers. They have to take into account whether the public sector can recruit and retain the people it needs at the recommended pay levels. The government needs to listen carefully to their assessment of what is needed to be fair and to ensure we can continue to employ all the people we need.

The best way of paying for the additional costs of public service is through the proceeds of economic growth. As the economy grows so people earn more money on which they have to pay tax. As it grows more goods and services are bought and sold, attracting more VAT and business taxes. This has been the main source of increased revenue in recent years. We need more of the same so we can afford the better public services we all want. Going on a public sector spending and borrowing binge would damage this, as would high taxation rates.

We also need to tackle the issue of public sector quality and productivity. Something for something pay deals backed by smarter working can be a win win for taxpayers, service users and employees.

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