Heald 06/03/13

UK Government urged to rethink public wage cap

TIM SHARP

THE Coalition Government needs to rethink its policy that senior public officials should earn less than the Prime Minister if it is not to "hit trouble" on private finance contracts, University of Aberdeen Business School accountancy professor David Heald has warned.

Mr Heald said in order to protect the Government against clever number crunchers at companies who can turn contracts to their advantage, it has to "hire very clever people as well".

But he cautioned: "That runs against the argument that nobody in the public sector should earn more than the Prime Minister."

He told MPs on the Treasury Select Committee that putting this cap on pay leaves the risk of a "revolving door" between the Government and the private sector, and that those who write rules on public procurement could be hired to "arbitrage" the system for private providers.

David Cameron earns £142,000 a year.

"The Government has got to have the skills itself and pay the market rate for these skills," he said. "If it is not prepared to do that it is going to hit trouble."

In December, the Government unveiled plans for a "Private Finance 2" seeking to rebuild confidence in

WARNING: Professor David Heald issued appeal to MPs.

controversial private finance initiative scheme allowing the public sector to take stakes in projects to share in any profits and promising greater transparency on financial performance.

The Scottish Government has its own Non-Profit Distribution scheme for works north of the Border.

Mr Heald said: "If the UK Government want complicated forms of procurement you have to make sure you have sufficient skills that belong to you long term."

He said that 30 years ago the Government could direct state bodies to build nuclear power stations or railways.

"We are in a much more complicated world," Mr Heald added.

"If you are in a much more complicated world and you are not prepared to pay the market rate for skills you are going to get into trouble."