

# Funding the Future

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As [I noted yesterday](#), it is not just the Post Office that is failing badly at present; HM Revenue & Customs is as well.

As Clive Parry noted in response to this last night:

*We are presented with a dilemma.*

*Having said that private companies are failing in key sectors (eg. water) and that public ownership is preferred we are now presented with two public bodies – HMRC and The Post Office – that are also failing. A change of ownership is not the “magic bullet” we need something more.*

*You allude to this by saying the Post Office is/was run “as if” it were a private company and I do think that matters.... but we do need to explore how governance should work in the public sector whether it be water, post offices or health.*

I entirely agree with Clive on this. And it is not just those parts of public services that are structured as if they are companies that are failing (which includes much of the NHS and schools). It is also government itself. As John Harris [notes in The Guardian this morning](#), maybe 20 per cent of English councils might financially fail this year.

It is easy to say that this is all down to funding - and without a doubt, that is a large part of any explanation that is required. But there is something more than that happening.

Let me be clear that what follows is decidedly tentative: this is definitely the case of a blog post that is little more than thinking out loud. So, take it as read that all that I say next may be subject to revision, but I think it worth saying anyway.

First, let's note that the demand for government services is not going away.

Nor, come to that, is the demand for government going away.

No one is realistically suggesting that there is an alternative to either of these things. In fact, the exact opposite seems to be the case. People want more of the NHS, better

education, functioning justice and social care that works, for example, and they want the government to supply them, not because these things are then free, but because they know that the government is the only agency that is capable of delivering these things universally for the public benefit.

These things are what are called 'public goods', which are a supply of goods (sometimes) and services (more commonly) that are provided without the intention of profit being made to all members of society, usually by a government, but possibly by a private sector organisation. I would argue that a properly functioning tax system is another public good.

There are some very important points to note there. First, there is a supply. Second, there is no intention of making a profit from doing so. Third, the aim is to be universal. Fourth, government is most likely involved, meaning the ballot box has a role in decisions on public goods.

This does not mean public goods must be supplied: there is, of course, a resource constraint in all societies. But when the need for a public good is recognised - as it has been on a wide range of issues in the UK - then organising to deliver them is key.

What in that case is not possible is that the delivery organisation be structured on a 'for profit' organisation. That is because a 'for profit' organisation does:

- \* Not anticipate meeting all need.
- \* Might decide not to meet some need.
- \* Assumes that there will be competition to its supply.
- \* Need not ask whether all consumers are happy with its service as it has no desire to have universal appeal.
- \* Market segment
- \* Sets financial goals that are focussed on its needs, and not those of whom it serves. Despite the obvious mismatch between these characteristics of the 'for profit' organisation and those of the agency that should supply public goods, it is the model of the for-profit organisation that has been adopted for those agencies meant to supply public goods on a universal basis.

It is not hard to see why these governance models have failed when used by the suppliers of public goods.

They encourage management to set artificial internal goals for success, which they then use to reward themselves (the Post Office, for example, has used an artificial measure of profit for this purpose).

They also presume that there is no public good being supplied: somewhere, deep down in such structures is the implicit belief that either the 'consumer' (or customer, as HM Revenue & Customs ludicrously calls taxpayers) has a choice of going elsewhere, or can be battered into submission, but either way the concept of service is absent.

And, there is no concept of participation when necessarily it must be the case that public goods require a high degree of cooperation between the supplier and user. Despite that, it feels that far too many supposed public goods are 'done' to people who have no choice about the fact, with their cooperation being demanded, without any sense that an act of co-creation is required.

I would argue that this thinking is pervasive in large parts of our public services now, from the forced fitting of pay-as-you-go meters to low-income households, to the Revenue's attitude to finding people, to the failure of the Post Office, who treated its sub-postmasters as people to be told what to do so, and not as participants in the process of delivery of its services, which no doubt senior management thought was entirely a credit to themselves.

How to change this? I'll muse on that. This is stage one of some thinking on this issue.