

David Williams reports from the Partnerships UK annual conference, held in central London on October 15

Pension funds 'should invest in infrastructure'

More must be done to encourage pension funds to back large-scale national infrastructure projects, the chief executive of Partnerships UK has said.

Speaking at the agency's annual conference in London on October 15, James Stewart said that a new financial instrument for pension funds should be invented to pay for transport, communications, waste and energy projects.

'We're going to need to make a massive investment in strategic infrastructure,' he told delegates.

'That's vital to ensure the UK remains competitive on a worldwide scale and to ensure the economy grows.'

Only centralised schemes could promote an effective switch away from fossil fuels to renewable energy sources, he said. 'If we are to finance this, the pension funds are going to have to play a very large part. They are the natural long-term lenders to this sector.'

He recommended developing a subordinated debt market to encourage



Laying the foundations: the Private Finance Initiative is popular for school rebuilding

investment from private sector pension funds.

Doug Segars, project director at Partnerships UK, told *Public Finance* that such a mechanism could encourage public sector funds to help finance strategic infrastructure projects.

Stewart also described how the Private Finance Initiative

had remained popular for locally delivered projects such as school and hospital rebuilds since last year's financial crisis. However, he said, it was not being widely used for larger central government schemes.

'Deals are closing... the market is working at the moment. [But] local authority

projects are dominating. The size of the projects has shifted dramatically compared with three or four years ago.'

Stewart's remarks followed plans drawn up by the Local Government Association to pool their pension pots into a single fund, which could then be used to invest in public-private partnerships.

Ian Pearson, economic secretary to the Treasury, also spoke to the conference. He underlined the need to invest in infrastructure, describing it as the 'backbone of the economy'.

Future development priorities would be set by Infrastructure UK, the advisory body announced by Prime Minister Gordon Brown in July's policy document, *Building Britain's future*. The body would also identify where private finance could be brought in, Pearson said.

Ben Lucas, director of the 2020 Public Services Trust, said now was the time to decide whether government should have a bigger role in strategic development and a smaller role in service provision.

Public sector 'useless' at managing assets, says PfS chief

The head of the agency responsible for the government's major school-building projects has said assets should be owned by private companies because public bodies are 'useless' at managing them.

Tim Byles, chief executive of Partnerships for Schools, which supports major schemes such as the academies programme and Building Schools for the Future, made the remarks during a panel discussion at

the Partnerships UK conference.

His comments followed an audience poll that showed 54% of delegates believed assets such as schools and hospitals should be owned publicly in the long term.

'The public sector is actually useless at managing long-term public assets,' he told the conference.

'There's a major political question about selling the family silver, [but] we've done some work on surplus public

assets in localities – and 70% have no long-term plans for their future use.

'So they've got a massive asset that they're not doing anything with.

'I would certainly argue against the public sector sitting on an asset that it's not using the value of in a cash-strapped environment.'

Lord Filkin, chair of the 2020 Public Services Trust, told the same session that government was not making the most of its buying

power for goods and services.

'It is barking that individual fire services, police services, health services and local authorities are buying semi-commoditised goods separately, completely failing to leverage the power of buyers,' he said.

'No global organisation would have a relationship with its supply side in that way – it has to be sorted out.'

However, Filkin said Scotland was making progress in collaborative buying.