ACCOUNTING AND GOVERNANCE COMPLEXITIES IN PUBLIC PRIVATE JOINT VENTURES: A UK HEALTH SECTOR CASE STUDY

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ABSTRACT
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PURPOSE – Accounting, scrutiny and oversight of Public Private Partnerships (PPP) remain areas of concern. This paper contributes to addressing these concerns by examining the financial accountability and governance issues that are created in PPP joint venture structures.

DESIGN/METHODOLOGY/APPROACH – The empirical work focuses on the health sector, which is identified as one of the sectors inundated by PPP activities. We adopt a case study approach in relation to two PPP schemes under the Local Improvement Finance Trust (LIFT) scheme in the UK’s health sector. We investigate the extent to which the corporate structures of the LIFT scheme complicate financial accountability and governance including external scrutiny; and the extent to which the LIFT scheme enhances partnership working.

FINDINGS – Firstly, the corporate structure of the LIFT scheme is very complicated and therefore the joint venture mechanism cannot be relied upon to deliver transparency of reporting. Secondly, there is lack of continuity of public sector oversight and monitoring as the public sector, in practice, restricts its activities to pre-operational phase and limited oversight after construction phases. Thirdly, while partnership working is very difficult in the context of profit seeking under the LIFT structure, partnership working and success of the LIFT scheme may depend on trust and key personalities working together as well as leadership.

RESEARCH IMPLICATIONS – The reporting undermines public accountability as it is necessarily restricted.

ORIGINALITY/VALUE - Policy makers should pay attention to not only the private sector technologies but also the manner in which they are used to benefit finance capital.

KEYWORDS: Accountability, Corporate Governance, Public Private Partnerships, Joint Venture Partnerships, NHS LIFT
1. INTRODUCTION

In the broader context of neo-liberalism, a number of examples of Public Private Partnership (PPP) arrangements have been used to deliver public infrastructure across the globe in the last 20 years (Hodge et al., 2010; Whitfield, 2010; 2011). One example of PPP that has received a substantial research attention is the type known in the UK as the Private Finance Initiative\(^1\) (PFI). There are however, other examples, in particular, the more recent Public Private Joint Venture Partnerships, which have received relatively little research attention, despite the number of organisational, operational, accounting and governance issues that they raise (Aldred, 2006; 2008; Beck et al., 2010). Shaoul et al. (2012) argue that the accounting and governance issues created in these partnerships and joint ventures remain very concerning and complex. Moreover, in order to enhance understanding of these issues and their complexities, there have been calls for the deployment of more socio-technical, multidisciplinary approaches to the empirical examination of these issues (Hodge et al., 2010; Humphrey and Miller, 2012).

This paper aims to address these accountability and governance concerns within the health sector, identified as one of the sectors inundated by PPP activities, particularly in the UK (Treasury, 2012; Whitfield, 2010). Specifically, we do this by examining the case of Local Improvement Finance Trust (LIFT), a public private joint venture partnership in the UK’s primary health care sector. In particular, we investigate the financial accounting and governance complexities via a case study of two LIFT schemes using two research questions:

- To what extent do the corporate structures of the LIFT scheme complicate financial accountability and governance, including external scrutiny?
- To what extent does the LIFT scheme enhance partnership working between the public and private sector partners?

This approach enables us to offer explanations for the complexities of the accounting and governance issues uncovered through examining the LIFT scheme in its social-institutional context.

This paper is organised in five further sections. Section 2 explains the background to the LIFT policy. Section 3 discusses the relevant literature. Section 4 explains the research approach and the case studies that are undertaken. Section 5 analyses the findings of the study in relation to the themes arising from the research questions and the literature. Finally section 6 explains the conclusions, drawing out some implications both for future programmes in the UK, and for the development of PPPs internationally and making some policy suggestions.

2. BACKGROUND TO THE LIFT POLICY

This section explains the use of PFI in the UK health sector and why LIFT was initiated. Since LIFT was introduced as a solution to the problems associated with the UK government’s decision on how PFI was to be used, the section describes PFI in the health sector and how it contrasts with LIFT. A summary of some key issues around PFI and some reasons used by supporters of LIFT who promoted it as an appropriate alternative to PFI are discussed. Also, some concerns about the LIFT policy are noted. All these are to offer a

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\(^1\) PFI is used to deliver long-term stand-alone big infrastructure projects in the UK (Treasury, 2003).
context for the study of financial accountability and governance as part of social and organisational change.

- **The NHS PFI and the need for LIFT**

PFI is one of the numerous examples of PPP which successive UK governments have used to build, refurbish and improve public infrastructure projects. The UK health sector (NHS – National Health Service) has been reliant on PFI for its hospital development and it has been suggested that the government wishes to make it appear successful at any cost, because if it fails the ‘hospital modernisation’ agenda will be in danger (Broadbent and Laughlin, 2005).

Under a typical hospital PFI in the UK, several private sector partners form a consortium which then establishes a Special Purpose Vehicle (SPV), to deliver capital assets and some services to an NHS hospital trust on a long-term contract, generally lasting 30 years or more (Barlow and Koberle-Gaiser, 2008). A hospital PFI arrangement in the UK typically involves finance, design, construction, and facilities management such as cleaning and catering, for which fees have to be paid over the duration of the contract.

The PFI scheme has proved to be problematic. First, it proved to be unsuitable for small building projects because the high fixed bidding and transaction cost of PFI makes small projects relatively expensive (Treasury, 2003). Second, it was expensive to make amendments and changes to agreed designs of PFI projects. The National Audit Office\(^2\) (NAO, 2008) found that the taxpayer pays out £180m a year for contractual amendments (UNISON\(^3\), 2009).

The UK government subsequently decided in the early 2000s to just use PFI for projects with a capital value greater than £20m, in other words, large schemes (Treasury, 2003). Accordingly, in the NHS, PFI has been used for big NHS hospital buildings. This has meant that small, community based buildings such as local health centres and doctors’ surgeries, which in the UK are part of healthcare delivery via Primary Care Trusts (PCTs), have not been able to access investment under the PFI model (Shaoul et al., 2011). Without any other funding stream, and despite the significance of the PCTs in the health care delivery, there was therefore no mechanism for investing in dilapidated PCT premises. As Community Health Partnership (CHP) states:

‘Primary care handles nine out of ten NHS patient contacts, yet primary care premises had suffered from historic under-investment. Many surgeries, particularly in city centres, were unsuited to delivering modern healthcare services, contributing to a shortage of doctors in those areas that had the most serious health problems’ (Last accessed on the 19th of July, 2011 at www.communityhealthpartnerships.co.uk).

So this meant a new format was needed to attract investment from the private sector. The UK Labour government therefore launched the LIFT policy in the early 2000s, to be implemented in the following ways. A number of LIFT schemes would be set up across England. For each LIFT scheme, a successful private sector bidder would set up an equity capital shareholding

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\(^2\) National Audit Office: responsible for auditing and certifying the accounts of all UK government departments and a number of other public sector agencies and non-departmental public bodies. It also carries out Value for Money (VFM) audit into the administration of UK government public policy.

\(^3\) UNISON is a labour union representing public sector, including health, workers in the UK.
local joint venture company, referred to as the LIFT Company or simply, the LIFTCo. The private sector partner would own 60% of the equity capital and the remaining 40% is further divided, with a local public sector entity, usually a local PCT or a number of local PCTs and/or Local Authorities (LAs) owning 20%, and a national public sector body, a Department of Health-owned-company, Community Health Partnerships (CHP), owning 20% (NHS Plan, 2000:45). Figure 1 shows how this was originally presented as a simple grouping together of smaller Primary Care Trust (PCT) building projects with public sector oversight. Furthermore, it appears as if the LIFTCo would not have subsidiaries.

**INSERT FIGURE 1 ABOUT HERE**

The aims of LIFT were wide ranging as they were entangled with broader goals about the healthcare buildings and well-being of people and wider community engagement including regeneration of the communities. Firstly, LIFT was intended to encourage private sector participation in improvement of Primary Care buildings in England (NAO, 2005). The LIFTCo would design, finance, build or refurbish and operate PCT buildings under a contract that could last up to between 25 and 30 years (NAO, 2005; PAC4, 2006).

Secondly, as the LIFTCo was to be given an exclusive right, it was expected to plan and deliver the entire programme of building work within a LA region as a sole procurer and service provider. This, *inter alia*, was expected to allow the LIFTCo to deliver a succession of small, discrete community-based PCT building projects. It was also to allow the initial set up, bidding and transaction costs to be spread over time and across several but discrete projects (NAO, 2005; Treasury, 2003).

Operationally, the funding for the PCT building projects is divided across a number of SPVs known as funding companies (fundcos) (Aldred, 2006). These fundcos raise finance which is not necessarily directly related to one individual projects, thus adding further layers of organisational complexity. There was to be a significant investment of up to £1bn, delivering 500 one-stop primary care centres in the first four years following the launch (NHS Plan, 2000). But since the launch of the LIFT scheme, some 49 LIFT joint venture companies that have been established have collectively built about 300 buildings with a combined capital value of about £2.5bn (CHP, 2012)5. As with PFI, LIFT is debt driven because it relies extensively on debt capital, with over 90% of its capital structure being debt (Beck et al., 2010).

Thirdly, LIFT was intended to prioritise capital investments in those parts in England where primary care buildings were in most need of expansion (NHS Plan, 2000). The buildings to be delivered under the LIFT scheme were expected to be designed to accommodate the regeneration needs of the local community (Beck et al., 2010).

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4 Public Accounts Committee – a UK Parliamentary Committee responsible for overseeing government expenditures to ensure they are effective and honest and is a mechanism for ensuring transparency and accountability in the UK government financial operations.

Further, despite the private sector partner contributing the majority of the equity capital shareholding, the LIFTCo was described as a public private joint venture, therefore suggesting a joint ownership and control by both private and public sector shareholders. As a shareholding joint venture, the LIFT scheme was expected to enhance partnership working between both the public and the private sectors as both would constitute the board of directors and the Strategic Partnership Board (SPB) to provide oversight, scrutiny, monitoring and coordination (NAO, 2005; Treasury, 2010a).

There is in addition, an explicit policy objective that the LIFT scheme should cross departmental boundaries, via a Strategic Partnership Agreement (SPA). This too was expected to encourage partnership working between public sector departments, say between social services, LAs and PCTs (Beck et al., 2010).

The underlying rationale was that through the joint venture partnership arrangement both the public and private partner organisations would collaborate to generate mutual benefits (Rassell, 2008). The private sector as a strategic partner of the PCTs expands the involvement of the private sector beyond building and maintenance of PCT buildings to include being part of the PCTs’ long term plan as per the SPA (Beck et al., 2010).

Unlike most PFI schemes, where the infrastructure reverts to the public sector at the end of the contract, the LIFT scheme does not deliver a straightforward transfer of the building. Once the contract has expired, the building is available for sale to anyone interested, including the PCTs who have the first option to buy. The debt financier is entitled to what is referred to a bullet payment: a tranche payment at the end of the lease (Mahmood, 2004). This is usually, approximately 30% of the market value of the LIFT asset. The remaining amount is shared between the shareholding partners.

Given the potentially conflicting objectives of both the public and private sector stakeholders as well as the complex organisational layers that the LIFT scheme may involve and the fact that LIFT is of public interest as it forms part of the UK’s NHS budget, an investigation of the accounting, in terms of the disclosure, reporting and, governance, in terms of partnership working, transparency, external scrutiny, oversight and trust is very important and timely, especially for stakeholders such as the UK taxpayer, health care workers and policy makers.

Although, in the UK LIFT has ended in terms of new projects, existing projects will be around for approximately 25 years to come. Also, the joint venture partnership arrangement is likely to be used in other ways going forward. Moreover, other countries may be inclined to adopt the LIFT model as has been the case with other examples of PPP. Therefore, the relevance of this study’s findings may be long-lasting and beneficial to other countries thinking of adopting the UK LIFT scheme.

3. ISSUES RAISED BY THE LITERATURE

As LIFT is an extension of PFI and another example of PPP, our approach to the literature review is to (1) review the relevant PFI literature and (2) discuss the issues that have been raised with LIFT.

Accounting and governance issues in PFI

Accounting issues include the off balance sheet treatment of transactions, inadequate disclosure (transparency) and compliance. UK PFI schemes were originally mostly treated as
off balance sheet transactions by the private sector partner and/or the public sector partner, thus keeping national debt lower. In addition, the use of SPVs made it possible to hide potential profits of PPP transactions in sister company sub-contractors, drawing on permitted exemptions for related party transactions (Edwards et al., 2004).

There have been issues of inadequate disclosure (transparency) in both the public and private participating partners. Shaoul et al. (2010) show that as a consequence of the complexities associated with the organisational form of PFI transactions, both private and public sector participants are able to avoid disclosing, in particular, contingent liabilities. They also show that the use of private sector financial reporting mechanisms in PFI schemes has meant that PFI transactions are accounted for only to the extent of meeting the minimum requirements of the Companies Act, a practice that has been cited as inadequate for public accountability in its general sense in democratic society.

The third way in which there is inadequate disclosure is due to the requirement for commercial confidentiality in PPP transactions, which means it has been difficult to access reliable accounting information for appropriate evaluation of the PFI project (cf. Acerete et al., 2010 and Stambrook, 2005). In the UK, there have been calls for increased involvement of external oversight agencies such as the NAO and the Audit Commission (Broadbent et al., 2003; Edwards and Shaoul, 2003). A complementary oversight mechanism comes via corporate governance (Parker, 2007). In addition, Shaoul et al. (2012:224) note that as external scrutiny is an important part of accountability, meeting the information needs of the scrutinizers is crucial to achieve effective oversight. They raise a number of questions in relation to this:

‘Does information flow across the boundaries of organisations adequately for the purposes of public accountability and corporate governance? Is there evidence that information can and does flow between organisations? If so, what are the practices that facilitate information flow across organisational boundaries? If not, how can information flows be improved?’ (Shaoul et al., 2012:225).

LIFT offers a new variation of such oversight structures in its partnership working between private and public sector directors, that is, having a board that consists of directors from both the private and public sectors to monitor PPP transactions (Rassell, 2008), which can be examined to see whether this has helped the flow of information or not.

Some studies have recommended the need to search for independent human agents to exercise scrutiny and oversight roles and more and stronger structures. For example, both Edwards and Shaoul (2003) and Broadbent et al. (2003) suggest the need for oversight responsibility from the NAO and Audit Commission over PPPs once operational and Baker (2003), fearing that PPPs could be UK’s Enron, calls for proper regulations. These suggestions imply they are calling for more and stronger structures with independent human agents as means to give and demand reasons for conduct. This means that not only are they effectively maintaining the technical efficacy of more and stronger structures but also, more independent human agents as the role of human agency is inevitable.

- Accounting, operational and governance issues in LIFT

LIFT raises numerous operational, accountability and governance concerns. Firstly, LIFT involves a complex networks of contracting and subcontracting and in addition works in a top-to-bottom mode, setting its planning through high level structures which are usually
closed to the public and patients, it puts an extra barrier between managers and service users (Aldred, 2006).

Secondly, as the LIFT scheme has to be attractive to the private sector, i.e. it must be profitable, it threatens to put private profit before health care needs, particularly in those geographical areas where investment is critically needed but it is harder to charge high rents for pharmacies, cafés and other third party income streams in poor socio-economic areas (Aldred, 2006). As in PFI, LIFT has proved to be costly (Beck et al., 2010; PAC, 2006). Financial returns that result from the LIFT scheme largely accrue to the private investor rather than the taxpayer (Beck et al., 2010; UNISON, 2003).

Thirdly, though LIFT is flexible for private investors, because it allows them to treat primary health care buildings as a property portfolio, this creates inflexibility for the PCTs, as they are tied up into long-term contracts in order to guarantee the private sector’s cashflow (Aldred, 2006). Also, if the PCTs want to alter buildings, the LIFT company has a monopoly over such work (NAO, 2005), which has no minimum cost (Beck et al., 2010), bearing in mind that the high cost of contract amendments has been an issue in PPPs in general (Edwards et al., 2004; Hellowell and Pollock, 2010).

Fourthly, a DoH commissioned report cast doubt on the partnership working (Rassell, 2008) as it finds that the private sector on all accounts is in charge of the LIFT scheme. Aldred (2008) describes the power relationships between the financiers, private sector directors and the public sector partners in the LIFT scheme as unequal, with the public sector being the weakest.

The LIFT scheme earns its income from leasing space to PCTs including GPs and other agencies and health professionals that the PCTs are involved with. That is, the LIFT scheme’s association with the PCTs is restricted to the delivery of premises for PCTs and related agencies. It is also worth noting that the LIFT policy fits into an environment that already has private sector involvement and profit making motives. GPs are profit making partnerships, organised under the PCTs system (Pollock, 2005).

This paper responds to the calls for accounting studies that cross disciplines and are socio-technical in nature (Broadbent, 2012; Hodge et al., 2010; Humphrey and Miller, 2012). It takes the view that neo-liberalism in terms of its requirements and justifications seeks one fundamental goal, which is to deliver financial value, that is, to privilege finance capital (Asenova and Beck, 2010; Jones and Mellett, 2007), thus financialising the public sector: increasing the influence of financial value and finance capital over public policy (Blackburn, 2006).

Accordingly, this paper finds that financialisation provides an appropriate context for the empirical examination of the tensions in control and responsibility that are created in LIFT structures, because it enables recognition of the profit making considerations of the finance capital stakeholders involved.

**4. THE RESEARCH APPROACH**

The paper chose two cases for detailed study, anonymised as JV1 and JV2. These were purposively chosen such that each case differs from the other. The immediate criteria were (1) the size of partner organisations: big versus small players and (2) the project timing: how long has the project been operational. While JV1 involves a small regional-based private sector
partner, JV2 involves a bigger multinational private sector partner. Also, JV1 and JV2 were early waves of the LIFT scheme with operational projects and therefore had relevant financial and related data.

We carried out analysis of publicly available official documents and financial reports, unstructured face-to-face interviews for both JV1 and JV2 cases and some structured questions for JV2. We also relied on additional general information in so far as it is relevant to the LIFT scheme and policy. This use of multiple document sources and the interviews was to seek confirmation and clarity, a form of triangulation, in order to increase data reliability.

Interviewees were selected firstly because they held an appropriate and senior role in relation to the LIFT project and secondly because it was possible to gain access. Interviewees had all been involved in the NHS joint venture projects, and were particularly individuals with knowledge of finance and financial reporting at a senior level in the NHS and NHS related companies and the relevant LIFT Companies.

Discourse analysis techniques were used to examine emerging themes from the cases that together reflect the research questions, the purpose of the study, the literature as well as theoretical issues drawn from Giddens’ notions of signification, legitimation and domination structures and their interaction with human agency (Giddens, 1984).

Structures of signification, for example, profit and returns for finance capital, denote organisational rules of what is meaningful. They inform and define interaction and direct the manner in which problems are interpreted and work is conducted (Giddens, 1984). Structures of legitimation, for example, equity capital shareholding, represent organisational rules that sanction a particular mode of behaviour and propagate a set of norms about what is and what is not acceptable social practice (Giddens, 1984). Structures of domination include banks and shareholders, are facilitated by organisational resources, which are deployed in order to control, monitor and coordinate organisational activities (Giddens, 1984).

Giddens proposes that human agents interact with structures via what he calls modalities. So, human agents interact with the signification structures via interpretive schemas, for example, the accounting standards and the corporate structure of LIFT. Also, human agents interact with the legitimations structures via norms such as the primacy of shareholders and finance capital, the dominance of returns from tax shield, group tax relief and residual value (capital gains), and their use as modes of governance. Facilities are the means and resources: allocative and authoritative by which power is exercised. For example, banks as domination structures are facilitated by their allocative resources that are generated by banks from their control over the flow of debt capital investments. Also, shareholders as domination structures are facilitated by authoritative resources such as their equity capital that helps them to

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6 Reduction in income taxes that results from the tax-deductibility of interest payments. This can be on the high side in highly geared organisations.
constitute the board of directors, demand from these directors to use their dexterity, the accounting resource to honour fiduciary duty of care to finance capital.

A cross case analysis (Miles and Huberman, 1994) was used, comparing findings across the two cases to identify similarities and differences. Accordingly, JV2 case emphasises some basic features, and major differences from the JV1 case.

5. ANALYSIS AND DISCUSSION OF EMPIRICAL FINDINGS

In carrying out this study, LIFT in practice is found to involve a corporate structure that is very complex and complicated, because the structure continues to expand and becomes elongated. The complex organisation structures complicate the accounting for and accountability of LIFT as they limit the transparency of financial reporting and necessarily impact negatively on accountability.

JV1 Ltd is the LIFTCo in the JV1 scheme. It was set up in 2003 in a relatively rural community in England. As Figure 2 shows, the equity capital shareholding in this LIFT Company is owned by a private sector partner, PP1 Ltd (a pseudonym) and, public sector partners: CHP and, two PCTs, described collectively as the 2-PCTs. Consistent with the plan that launched the LIFT scheme, PP1 Ltd, CHP and the 2-PCTs respectively share in the equity capital shareholding of approximately, £11,000, in the ratio of 60%, 20% and 20%. PP1 Ltd is a relatively local construction and facilities management company which is involved in two other LIFT schemes shown as LIFT 1 and 2 on Figure 2. Of particular relevance is that PP1 Ltd is viewed by some directors at interviews as having an ethos that is similar to the public sector. It was divulged in an interview that while PP1 runs its business at a profit, a good proportion of that is given to a charitable trust. It is owned by PoPP1 Ltd (a pseudonym). There are two shareholders of PoPP1 Ltd. The shareholding is split, with 51% to an individual, who founded PoPP1 Ltd. This individual gave the remainder, 49% shareholding to the charitable organization at his will. Again, under terms of the will of this individual, his shares in PoPP1 Ltd will pass to the charity after his death.

PoPP1 Ltd’s subsidiary, PP1 Ltd has a number of subsidiaries and investment interests in a number of organisations\(^7\), which provide construction and facilities management services. JV1 Ltd has exclusive rights which allow it to deliver a succession of small, discrete community-based PCT building projects across a defined geographical area, referred to as the LIFT area, over a period of between 25 to 30 years.

In JV1 Ltd, the initial set up costs, which are described as shareholder undertakings, are financed by funds contributed by shareholders and recovered within seven years. In order to deliver the successive and discrete PCT building projects, JV1 Ltd has depended largely on discrete debt funding, approximately, £83m, secured via financing structures, or SPVs, which are described by directors in interviews and in some official government documents as fundcos. JV1 Ltd and the fundcos are all intentionally designed to be equity capital shareholding companies. Interviewees explained this means the bank achieves its desire that each tranche of its investment is ringfenced as a separate legal entity. The consequence is that

\(^7\) As PP1’s investment interests in LIFT is relevant at this stage of the analysis, the number of other interests/subsidiaries are not considered here as they are particularly relevant.
JV1 Ltd and its SPVs together, form an elongated organising corporate structure. This means that, in contrast to PFI where there is typically just one SPV per contract, the LIFT scheme ultimately leads to layers of organisation structures, with the LIFTCo as a parent company and the fundcos as subsidiaries. As reflected in Figure 2, as more and more discrete debt funding is secured and more subsidiary companies are formed, the corporate structure expands and becomes more elongated.

Therefore, JV1 Ltd, which began with one subsidiary, has over the last eight years increased to seven subsidiaries. These collectively form the JV1 group Ltd. Among these, six of them are financing structures: fundcos 1 to 6 as they hold discrete funds for discrete projects. These subsidiaries hold debt funds which are ringfenced so that returns accrued to such companies are appropriated accordingly to the debt fund providers. A recent development in the JV1 scheme is holdco 1 (as shown later JV2 scheme has always had holdcos), which adds to the drawn out and complex corporate structure of the JV1 scheme. Because the private sector partner in the JV1 scheme is involved in two other LIFT schemes this also adds to the complexity.

JV2 offers a number of contrasts with the JV1 scheme. The JV2 scheme is located in a relatively urban community. It has been in existence since early 2003 and is one of the first wave schemes. The equity capital shareholding arrangement is the same as in the first case’s LIFT Company except that in this case the local public sector shareholders are three PCTs\(^8\): A, B and C and in addition, there are three LAs: X, Y, Z.

Therefore, under the JV2 scheme, not only is there a sectoral partnership working between the private and public sectors, but there is also, a departmental partnership between PCTs and LAs. While by involving the three LAs, the JV2 scheme achieves a policy objective of crossing departmental boundaries for strategic partnership working purposes (Beck et al., 2010; Rassell, 2008), it adds another layer to JV2’s corporate structure (see Figure 3).

**INSERT FIGURE 3 ABOUT HERE**

In the JV2 scheme, the owner of PP2 Ltd, the private sector partner, is a holding company described in Figure 3 as PP2 holdings Ltd. PP2 Ltd and PP2 holdings Ltd are respectively described in the various directors’ reports:

‘The Company (PP2 Ltd) is a wholly owned subsidiary of PP2 holdings Ltd, which is jointly owned and controlled by InfraCo and BanCo’.

‘The Company (PP2 holdings Ltd is jointly owned and controlled by InfraCo and BanCo, and therefore has no parent or ultimate parent undertaking’.

Both InfraCo and BanCo are big players in their respective business sectors. InfraCo is a large international construction company with a history in the construction of huge public projects that can be traced back over 150 years. BanCo is a wholly owned subsidiary of a major bank in the UK and specialises in investments in infrastructure.

Also, as shown in Figure 3, PP2 is involved with five other LIFT schemes: LIFTs A, B, C, D and E. It is the case that private sector partners in LIFT are always likely to join other

\(^8\) The PCTs were initially at the start of the JV2 scheme six but have now been merged into three so that for each LA, there is one PCT as respondents explained in interview.
schemes and this shows how the LIFT structures can see continuous extensions and additional layers and more complexities. A major consequence of these increasing complexities is that financial accountability and governance practices may be become ever more complicated.

Whereas respondents from the JV1 scheme confirmed that JV1 Ltd has an exclusive right to develop PCT buildings up to 30 years, conflicting positions were described by interviewees and questionnaire respondents, suggesting that the JV2 scheme is not clear cut.

One public sector interviewee (D2a), suggested that there are some exclusive rights relating to some aspects of the JV2 scheme but these may not be universal. Even though it would be unusual for a public body to get out of a contractual liability by changing its form this public sector director adds that as the NHS undergoes constant change, the PCTs who signed exclusive right would not exist in the future to follow through the exclusive right arrangements:

‘Well, the PCTs who had the exclusivity agreement won’t exist anymore, will they, so I suppose that gets them out of that. Whether that will innovate to the new organisations or not, I am not very clear about. But for the local authority, our exclusivity was only to do with buildings that delivered health services, so it was a different kind of experience for us. So we kind of didn’t have that exclusive agreement anyway. But I think one of the things was that I don’t think that some of the PCTs understood what they were signing up to once they’d signed that agreement.’

Moreover, there is a Trust Board meeting agenda item in relation to the JV2 scheme that suggests that participating partners have resolved to remove any exclusive right from the JV2 scheme:

‘After discussions with all the relevant PCT’s and CHP, it was decided that steps would be taken so that, in each LIFT area (in summary): Liftco would no longer have the exclusive rights granted under the strategic partnering agreement (SPA), including no longer having the right to develop future projects or to provide partnering services in relation to developing new projects for those PCT(s); Liftco would: (i) continue to carry out its obligations (including partnering services) in relation to existing developments and obligations; and (ii) continue to fulfill its commitments in relation to developments already in the pipeline’.

Two public sector respondents (Q2a and Q2b) stated that the above proposal has been implemented:

‘The exclusive rights of a LIFT Company to deliver a succession of small PCT buildings over 20-30 years is not quite how JV2 Ltd worked under the JV2 scheme’.

Despite the seeming lack of exclusivity right in the JV2 scheme, JV2 Ltd has been able to exclusively deliver a succession of small, discrete community-based PCT building projects and in the process, is able to spread its initial set up, bidding and transaction costs over time and across several but discrete projects. To be able to do this, JV2 Ltd, similarly to JV1 Ltd, has over the years, required discrete debt funding, having had to set up a number of subsidiary companies to hold the funds. Again, as in the JV1 group Ltd, these subsidiary companies hold debt funds which are ringfenced so that returns accrued to such companies are appropriated accordingly to the debt fund providers.

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9 There is no other LIFT Company in the area that the JV2 scheme is located.
However in contrast to JV1 Ltd, JV2 Ltd has been set up from the start with a holding company for each of the fundcos. In an agenda item of a board meeting of a participating PCT, it is shown that the JV2 Ltd has three holding companies, and therefore three fundcos. However, a further search at Companies House has shown that the third holding company and third fundco are yet to file any financial reports. There is therefore hardly any information on the third holding company and the fundco except that both were set up for a joint service centre which reached a financial closure in September, 2010.

In examining the empirical materials, it was noticeable how financiers of the LIFT scheme have insisted on ringfencing their debt capital funds and giving them legal protection through making them limited companies. As an interview respondent (A1) said:

‘Well they (referring to the banks) would insist - you could have a number of different schemes within a FundCo. You don’t always have to have a separate FundCo for each one. You would have to have a separate FundCo for a different funder. So they would insist that if there was another funder coming in, they had their own separate FundCo’

These companies then become reporting entities, where very significant transactions such as debt capital, construction, rental charges, related party dealings and revenues can be located. Consequently, the joint venture company, presented originally as the main vehicle for the policy (NHS Plan, 2000), hardly contains any significant transactions, meaning that the joint venture mechanism cannot be relied upon to deliver transparency of reporting.

One significant point is that related party transactions are not reported. These are governed by FRS 8 Related Party Disclosures; and its international equivalence IAS 24 Related Party Transactions. The objective of both FRS 8 and IAS 24 is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them. They require disclosures about the nature of the related party relationship, as well as information about transactions and outstanding balances with an entity's related parties necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosures would be made separately for each category of related parties and would include (FRS 8 Related Party Disclosures):

- The amount of the transactions
- The amount of outstanding balances, including terms and conditions and guarantees
- Provisions for doubtful debts related to the amount of outstanding balances
- Expense recognised during the period in respect of bad or doubtful debts due from related parties

However, in the various annual financial reports of the joint venture companies, it is reported that:

‘As the company (referring to the joint venture company – JV1 and JV2 Ltd) is a wholly owned subsidiary of ..., the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entries which form part of the group’.
Directors have in effect drawn on exemptions provided under the accounting standards (FRS 8, Related Party Disclosure) to escape disclosure of related party transactions in the financial reports of the joint venture companies. These companies cannot therefore be relied upon to deliver transparency in terms of related party transactions even though the LIFT scheme has been sold, in part, to deliver transparency through the joint venture vehicle (e.g. NAO, 2005).

Again, in both JV1 and JV2 groups, the SPVs (fundcos) subcontract all their construction works to sister companies of the private sector partners. The private sector partner makes profit through such sister companies which are not reflected in the joint venture companies’ accounting and reporting. This makes it very difficult to uncover any conflicts of interests that may emerge from the subcontracting and dealings with related parties, or to find additional information to evaluate the actual beneficiaries of the financial gains of the LIFT scheme.

As limited companies, all financial reporting of the joint venture companies and the fundcos follows private sector accounting regulations and Company Law and as noted by Shaoul \textit{et al} (2010) in respect of road PFIs, there is minimal disclosure of information. This paper’s findings replicate Shaoul \textit{et al} (2010), as the Freedom of Information (FoI) Act 2000 does not provide a conduit to obtain any additional information because directors refused to release additional information requested under FoI. Therefore, the information available to the general public is very minimal, thus undermining transparency and public accountability. This is made worse by lack of information sharing between partners as evidenced in one case study group and undermines scrutiny as those responsible for such scrutiny, for example, the Strategic Partnering Board (SPB), necessarily needs adequate information to be effective (Shaoul \textit{et al.}, 2012).

As a structuration approach (Giddens, 1984) suggests, the choice of the limited company status produces significations structures that make profit making and return for finance capital very important sources of meaning and sense making in the reporting and governance in the LIFT scheme. Therefore, in LIFT, accountability as a social relation (Bovens, 2010) focuses on the relationship between agents (managers, accountants and directors) and forum: shareholders and finance providers. This means that other stakeholders such as the taxpayer and the general public who might be expected for the purposes of public accountability to be part of the forum, are not. Ultimately, LIFT makes PPPs rather more opaque and thus contributes to lack of transparency.

Moreover, much of the extant empirical literature on PFIs, as discussed in the literature review section, identify that as financial reporting under PFI is project based, it is focused on projects, makes reference to projects and thus makes projects visible in financial reports. It thus makes it possible to at least attempt to match projects with their cost, even though there is evidence of a lack of transparency.

As in both JV1 and JV2 groups, financial reporting is based on fundcos and is thus based on the financing structures. Reporting in LIFT can be described as finance-based, which contrasts with the project-based reporting under the UK’s PFI scheme. Each fundco usually represents a number of projects and no reference is made in the annual financial reports to the specific projects. Therefore, visibility of projects under various fundcos is lost. All attempts to reconcile the projects under both JV1 and JV2 group Ltd with the various fundcos and by extension, the various subsidiaries were futile. One would have to rely on internal management reports and/or financing contracts in order to match debt with specific projects. While management will, and shareholders and finance capital providers may, have access to
the reports and contract, there are some implications for public accountability as access to these reports and contracts are not available for the public.

Independent external scrutiny is also undermined. The difficulties in obtaining interviews and other documentary evidence from case organisations in this study is one such example. It reveals how, under LIFT, some directors, especially those representing the private sector, may not be willing to publicly disclose the scope and extent of their financial and operational dealings, although such dealings are of public interest. Private sector directors draw on the limited company status of the LIFT companies to reduce scrutiny and their preference is to deal privately with shareholders, not the public. This has as a consequence necessarily limited the capacity to achieve transparency meaning that public accountability suffers.

Moreover, the LIFT structure has produced multiple interpretive schemas which, has contributed to a considerable inconsistency in the reporting between the two case study groups. In the specific case of interest, while the private sector partners draw on Company Law and FRs to take advantage of exemptions and organise their reporting in a particular manner, the public sector partners, in contrast, draw on IFRS. This generates a lack of symmetry that could undermine any attempt to reconcile the reporting by the two set of accounts for the purposes of any external scrutiny. Further, in one case study group, some of these interpretive schemas have changed throughout the period, which has necessitated a considerable change in the reporting. This is in contrast to the other case study group where there is stability in reporting. The issue with this is that LIFT reporting thus becomes uncertain and incomparable across different schemes.

Government has expected that through the Strategic Partnership Board (SPB), the public sector would be actively involved in the oversight and scrutiny activities over the LIFT scheme (NAO, 2005). However, in conducting the study, it became evident that as this board restricts its activities to the pre-operational phase and provides limited oversight after construction phases, there is a lack of continuity of public sector oversight and monitoring by the public sector. Board minutes of JV2 Ltd confirm the position in JV1 Ltd that the SPB oversight and scrutiny roles are restricted:

‘The future of the Strategic Partnering Board (SPB), which on LIFT schemes, amongst other things, provides strategic input into the Strategic Partnering Agreement (SPA) would be restricted to existing and pipeline schemes’ (Trust Board Meeting Agenda Item no. 10, May, 2010, page 6).

However, the private sector achieved control of governance over very large deals of about £92m by providing 60% of very small amounts of equity of approximately £9,000. This means that these very large deals are being managed over 20 to 30 years by people who are not necessarily accountable to the public and who have acquired that dominance with small amounts of equity capital. Therefore, it creates the opportunity for private sector directors to dominate the SPB’s strategy in relation to LIFT especially as there are no restrictions as to how the joint venture companies can earn their surpluses.

Government hoped that partnership working between the two sectors would be enhanced, if both public and private sectors had board representation. However, by conducting this study, it has become evident that partnership working is very difficult to achieve under LIFT.

In the corporate set up described above in Figures 2 and 3, there are three standard contractual agreements which are imperative in LIFT as they provide templates that are drawn on by
human agents to shape, constrain and enable practices and behaviour. These are the Strategic Partnering Agreement (SPA), the Lease Plus Agreement (LPA) and the Shareholder Agreement (ShA). It was impossible to obtain these agreements from the case organisations despite a request under Freedom of Information (FoI) Act 2000. However, it was possible to obtain standard copies of the agreements from the Community Health Partnership’s webpage. While the ShA regulates the joint venture company, particularly, the company’s responsibility to shareholders, the SPA regulates the partnership working and the LPA regulates the occupation of the LIFT building facilities particularly, the rights and responsibilities under the lease. As presented in Figure 2, the two PCTs are both shareholders and tenants of JV1 group Ltd and as shown in Figure 3, the three PCTs and three Local Authorities are shareholders and at the same time, tenants. As shareholders and consistent with the ShA, they require profit. However, as tenants they desire to buy services and tenancy as cheaply as possible. The private partners also desire profit and require directors to generate strong cashflows and financial returns for them. There is thus a conflict of interest, however it is notable that directors in JV1 group Ltd reassure the shareholders in their 2009 directors’ report of their commitment to their duties relating to shareholder returns when they state that:

‘The group’s existing schemes can and will continue to operate as projected, generating strong cashflows and required returns to both stakeholders and funders’.

While profit seeking is a well-known motive of the private sector, we find that in LIFT, the context of profit seeking provokes complexities, conflicts and as a consequence, makes partnership working very problematic. This is particularly pronounced in the JV2 scheme where respondents commented that the profit making motivation has made partnership working quite frustrating, lacking openness, full of mistrust, anti-partnership, as shown by this quote from a public sector director:

‘It was quite a frustrating experience, I think, and I know that not all LIFT partnerships work in the same way. But ours very often didn't feel like a genuine partnership arrangement. I don't know if you found this with some of the other organisations you've spoken to, but it was quite a strange experience in some way because it was very commercially focused and I've been involved in a lot of partnerships which have been commercially focused, but have still managed to get some kind of partnership feel about them, whereas we spent quite a lot of time on what to me seemed like very minor issues that really didn't help the partnership working, you know,’

In particular, there were frustrations about the lack of transparency around costs, as this same interviewee explained:

‘(it) felt quite confrontational a lot of the time, and it was very difficult in terms of the finances to get the private half of the public/private partnership to be transparent. So very often when we were questioning costs, it was very, very difficult to get to an explanation of why their costs were high if we felt the costs were high. It was quite difficult to get them to be completely open with us, whereas in some of the other partnership arrangements I've been involved in, there's been much more openness around the arrangements, you know, and how -

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10 [www.communityhealthpartnerships.co.uk/?id=74&ob=1](http://www.communityhealthpartnerships.co.uk/?id=74&ob=1) last accessed on the 19/04/2012.
people have been fairly honest about a lot of the costs because it's a partnership and so we work together. And that was quite frustrating, I felt’.

The interviews also emphasised the importance of the role of informal structures (cf. Wang and Ahmed, 2002) in the workings of the board of directors. These include the personalities of the private sector directors, leadership of the public sector and the corporate culture of the private sector organisation. For one interview respondent (D2a), a mixture of these can be blamed for the boardroom tensions and the dominance of the private sector directors in the JV2 scheme.

A poor and weak leadership from the local public sector partners is identified as undermining partnership working as it has made it impossible to secure balance of priority. As D2a says:

‘The power dynamic from the Board really comes from the private partners. There is a very effective non-executive Chair, however, the private sector partner has been in charge, the NHS has a limited power as does the Local Authority. I think this is partially because of the performance of the NHS across X, Y and Z (pseudonyms for the three LAs, for each of these LAs, there is one PCT, A, B and C in X, Y, and Z LA areas respectively) over the years has not been highly effective and therefore a number of the delays in delivering schemes etc have been the fault of the NHS. However, I do not believe the NHS is an effective partner and I do not consider this as an equal relationship’.

A willingness from key leaders in the public sector side of the board to stand up to the private sector directors was identified as hugely important to secure balance of priority. Therefore, a strong good local leadership from the public sector is necessary for successful partnership working. Strong leadership is explained as involving human agent’s ability to capture benefits. As D2a observes:

‘In who got the most out of the actual LIFT program out of those three partners, I'd say X (pseudonym for one of the local public sector partners) by a long way. And I think what made the difference for X was very strong, very good leadership at the top of their PCT (ie PCT A in LA area X), you know. I think their PCT (ie A) were way more pragmatic than the one in Y was and actually thought well if this is the only show in town, we're going to get everything out of it we possibly can and really went for it. And they've got some fantastic buildings in X (which are for PCT A), you know, really beautiful buildings that function amazingly well. And to me that was how they did it... - because the local leadership was very strong’.

An experience in capital project delivery is another factor that is necessary in order for the public sector partners to benefit from the LIFT scheme. LA Y lacked such experience and consequently as D2a submitted LIFT was a lost opportunity for Y. She observed:

‘And I think part of that was the inability of our local PCT (B) to really understand any kind of capital strategy, you know, any kind of property strategy at all really because it's quite a new thing for them and I don't think they had the expertise to be able to do it’.

In addition, the fact that under the JV2 scheme there were so many local public sector partners was a concern for some. It was noted that having one or two local public sector partners as in the JV1 scheme would have made it easier, ‘you haven’t got a cast of thousands that changes at every meeting, you know’, as one public director (D2a) in interview emphasised. This respondent added that:
'I think that where they have - with three very disciplined authorities, although do work well together in other formats, I just think that the mix of local authorities and the PCTs and on the first set-out on LIFT, we'd got three PCTs in Y. So you originally started out with two in Z, one in X and three in Y, so we'd got six PCTs and three local authorities. And, with hindsight, that is not a great plan, you know.

So I think where it has worked best, from what I can see, is where you've got maybe one or two PCTs and one or two local authorities whose boundaries are co-terminates, that's worked much better and consistent as well, which I think is one of the other reasons that X did much better because their PCT was - had consistent leadership and consistent boundaries (ie. One PCT) all the way through the process, whereas in Y we had three PCTs merged into one and Z had two PCTs merged into one. So I think that the lack of stability in that actually affected the ability to work properly'.

Moreover, a director (D2a) was concerned that representatives of the InfraCo, the main company that they were dealing with, were the problem. D2a wondered at the different ways in which the private sector can operate. InfraCo was a contractor that one of the public sector partners worked with on other projects, which was done in the words D2a, ‘the old-fashioned way that is we pay you, you build us a school’ without the problems now faced in the JV2 scheme. This, D2a further explained:

‘And the relationship with InfraCo that we had in Building Schools for the Future and other projects that I've been involved with them in has been so different as when we would go, you know, to the LIFT company and they would say oh, well, you know, InfraCo won't do this and won't do that and there's no point asking them that and I would say but, you know, if I ring up Mr. H (pseudonym) at InfraCo who's building me a new school in my ward and ask him a question, he'll tell me the answer. So are you saying that they changed personalities because you're dealing with them? And, you know, that I found very difficult. There was a lot of protectionism and there was a lot of - well, a lack of transparency really about their dealings. And I think they genuinely had problems dealing with InfraCo and I could never get to the bottom of it because I don't understand how. Company cultures don't really vary. So if they have one - if they deal with the city council in one way, I can't imagine that they would be hugely different with their other clients. You know, there might be tensions or whatever for whatever reason, but they wouldn't be completely different. So I did find that quite difficult'.

Another instance of the way in which the LIFT scheme has contributed to conflicts of interest is the dual role of the private sector partner in the scheme. As PP2 Ltd performs a facilities management role for all the subsidiary companies of JV2 Ltd for annual fees, PP2 is both a shareholder and a facilities manager in the JV2 scheme. This is one of the common features of the LIFT scheme as in the first case, PP1 Ltd is both a shareholder and subcontractor via its sister companies doing constructing and maintaining facilities under the JV1 scheme. Such arrangements can give rise to conflicts of interests which not only can undermine partnership working, but which can also impede good governance processes.

Thus far, the issues raised are symptomatic of a deeper problem at contract management level of a lack of discussion and partnership taking place. NAO (2009a:20) identifies four key factors that create an effective partnership. These are: (1) aligned interests (2) spirit of cooperation (3) clear understanding of roles and responsibilities under a contract and (4)

Note that this explanation has not been corroborated by any official from InfraCo
satisfaction with remuneration. While some public sector interviewees (Q2a and Q2b) find no issue with the fourth, they have issues with the rest. Regarding the first, a respondent commented that, the SPA talked about aligning interests, but added that it is not always the case in practice. In respect of the second, a respondent stated that cooperation is difficult to enforce unless tied down contractually and legally. For the third, a respondent confirmed that directors from both sides fully understood their roles and responsibilities but often used them as obstacles to developing future projects. Also, Klijn (2009) has recommended that partners need to (1) jointly process problems and specify solutions (2) establish effective rules for interaction to create commitment and (3) emphasise joint realisation of objectives. However, public sector respondents (Q2a and Q2b) admitted that these three happen only in some areas. But another interviewee from the public sector (D2a) made the following observation:

‘I can see how it could work. And I think that if we'd genuinely done that, we would have ended up with much better results than we did, because even with three different authorities in one LIFT, we didn't really have that kind of sharing relationship about what we did within our own company. So I think - but I've seen some very good examples outside of that where people have used LIFT to achieve really great things. So I think that kind of sharing of information and the idea that you become a partner who didn't just deal with, you know, your particular area should have worked and didn't. But I think - and I think it did perhaps work in other areas, but I really think that there was a lot of benefit in that thinking’.

However, partnership working and success of the LIFT scheme may depend on trust and key personalities working together as well as leadership. Also, the more charitable ethos of the private partner in the JV1 scheme appears to have helped in the partnership working as it is better aligned with the PCTs ethos. A PCT director (D1b) comments that:

‘….. they (referring to the private sector partners) do have dedicated individuals based in the JV1 area, be it Mr. B (pseudonym), be it Mr. L (pseudonym) working in those buildings and responding to queries from within the proximity, do you know what I mean? So there's a local team in all the buildings who we are familiar with and work with’.

And [Mr. M (pseudonym)], who's my head of estates, regularly meets with Mr. B at the building centre, I think on a quarterly basis now, to go through each of the reports of any of the issues that have been put forward, anything outstanding, has it been dealt with, what sort of response times have they been, and they're reviewed on a quarterly basis as well’.

In a related case, the CEO of JV1 (D1d), who has had experience of less good working relationships with private sector directors elsewhere, in an interview for this study states:

‘I genuinely think the difference is philosophy. They (the private sector directors) take a very long-term view of the partnership. They want the partnership to work. They wish to retain a good reputation. And also all the partners have the same philosophy. I think we're actually quite proud of our LIFT buildings and we want LIFT to work and we want it to do well. And in this area I think it has done exceptionally well.

It is the quality of the enduring relationship and the fact that if something goes wrong and we have a major fall-out, you can't walk away from it and say oh, it doesn't matter, because

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12 The CEO had this experience when she was working in the public sector.
you're going to have to meet with those people the next week, the next month to look at the
next one. And it's a good discipline’.

There is also a view that this particular private sector partner (PP1) has an ethos that is similar
to the public sector. As the CEO of JV1 Ltd (D1d), in an interview describing the ethos of this
partner observes:

‘Yes, definitely more in line with public sector ethos. …… they run their business at a profit,
but a good proportion of that profit goes straight into a charitable trust with which they do
work across the XXX area (the regional area where the JV1 scheme is located)’.

Another positive issue is how community and local attachment of the private sector partner
has been beneficial to the functioning of the private sector control over governance. Closely
related to this are the idiosyncratic relationships that public sector directors have harnessed
from what they describe as a result of working with local and small company directors. As the
CEO of JV1 Ltd in an interview observes:

‘And again, that's a very distinct business strategy that they have, that they're very allied to
the XXX and want to remain strong in the XXX area’.

Another interviewee, a public sector director (D1c) in support of the above observation adds
that:

‘They've also got quite a strong community ethos as well in terms of putting back into the
area, not necessarily here, but which I think we value because it says something about their
philosophy’.

The community focused character of these private sector directors appears to have received
endorsement not from the public sector only but also from a private sector advisor (A1) to the
JV1 scheme. As this advisor in an interview summarises in relation to the focus of the private
sector directors that:

‘In terms of bidding for schemes, they've not gone for schemes all over the country. They've
been very much focused in the geographical area’.

This advisor adds:

‘I think as well as a kind of vehicle, the difference compared to, say, PFI, you know PFI is a
one-off, kind of build it, it will never do that again, from the Trust side. Because you've got a
number of schemes coming along here after a period of time, there is that can't do something
and that's it, it's fixed. There's further discussion and learning each time from the lessons.
And they've been actually on the Board as well, it's more partnership working. It's not the
opposite sides of the table, contractual line in the sand, it's different to that’.

Thus far, it appears that the public sector directors are acting on trust which they derive from
what could largely be described as informal structures because they can hardly be captured in
the formal and prescribed structures in for example, LIFT contracts. Wang and Ahmed,
(2002) describe informal structures as the organic, soft, living, competing and interacting
forces between the individual and the social and the hidden energies within an organisation
which are not visually illustrated in the organisational chart (the corporate structure).
Therefore, in both cases, informal structures appear to have played some important role in the
day-to-day governance activities. These are informal structures described as hidden energies
(Wang and Ahmed, 2002) within the LIFT set up which are not visually illustrated in the LIFT organisational chart. The presence of informal structures is that it would be unreasonable and simplistic to focus on formal structures and disregard informal structures in organisational analysis.

Overall the paper argues that LIFT financial accountability and governance practices are socio-technically complex and complicated as they are mediated by multiple interpretive schemas, sanctioned by the financialisation norms and facilitated by the allocative resources of finance capital and authoritative resources of the private sector. Whilst theories such as Giddens’ structuration theory can help to investigate these practices, they are limited in providing explanations for soft energies such as trust, idiosyncratic relationships and leadership, and community as well as local attachment, although these can be addressed through Wang and Ahmed’s (2002) notion of hidden energies.

6. DISCUSSION AND CONCLUSIONS

Public policy makers need to account for New Public Management (NPM) -inspired technologies and the socio-politico-legal world in which these techniques are deployed, especially the role of human agency, taking seriously the manner in which the private experts use these technologies to benefit finance capital. This means that in assessing the feasibility of neo-liberalism and PPPs in general and LIFT, policy makers need to move beyond the rhetoric and reconsider their locale and practice implications. Accounting and governance in the broader context of neo-liberalism should account for both the structures and the experts’ appropriation of the structures. This is complicated to do as it raises issues about how one accounts for structures and experts’ appropriation of structures.

There are a number of important policy implications that flow from the findings. These further suggest ways in which financial accountability and governance practices could be improved, and the LIFT policy and regulations could be modified to respond to the accountability and governance problems identified in this study.

Firstly, the lack of information sharing means that it is difficult for public sector directors, especially in complex schemes where there are several public sector entities involved, to carry out their roles appropriately. A greater focus on information sharing among public and private sector directors should be encouraged. This can be done by re-emphasising the spirit of cooperation suggested by the NAO (2009a:20), and, by sharing information in the spirit of cooperation and trust, which is necessary if partnership working is to be enhanced. Information that the private sector might share with the public sector may be about the pricing of maintenance work and about the private sector sister companies and their financial transactions with the relevant LIFT schemes. Public sector directors across schemes should share their experiences and skills. However, all these can be difficult to achieve in practice.

Secondly, information is necessary for public sector oversight, public accountability and independent external scrutiny activities (Shaoul et al., 2012), so the lack of public disclosure and access to information means that these activities are undermined. There is therefore, a need to strengthen the financial governance of LIFT schemes to enhance the release of information and to improve disclosure of financial transactions. Each SPV’s reporting should provide details of relevant projects’ cashflows, details of maintenance payments, related party transactions and related liabilities. Oversight bodies with formal responsibility such as the SPB should be furnished with these on an annual basis for evaluation purposes. This means that the SPB’s role would not be restricted to business case level but would become a true part
of the on-going oversight activities over the life of the LIFT scheme, fulfilling its role to be a conduit through which the LIFT scheme harnesses a long term partnership between the public and private sectors. And because the information and the outcome of the SPB’s evaluation reports would now be publicly available, other public sector stakeholders may be able to draw on them to satisfy their public accountability needs on an on-going basis.

In order to improve public accountability, all financial and commercial dealings associated with LIFT and PPPs in general should be designated by the government as of public interest for the purposes of Freedom of Information Act 2000, thus reinforcing a call by Shaoul et al. (2008b). However, while the implementation of these recommendations would involve some cost and may be time consuming, it is the price the private sector must pay for access to lucrative public contracts.

Thirdly, the lack of strong commissioning and strategic planning skills among public sector managers means that the public sector is not able to capture all the benefits of LIFT. This need has been identified at the UK central government level in relation to PFI and by the UK’s Audit Commission and this study provides further evidence. In order for the public sector to capture benefits from the LIFT scheme, it is necessary to develop strong commissioning and strategic planning skills among senior public sector managers. These are important as they are necessary for synergistic development of the LIFT scheme (Beck et al., 2010) and other similar schemes as the NHS increasingly moves in the direction of commissioning from the private sector.

Fourthly, the study supports the view that a small local company with a charitable background is seen as performing well in an industry where small companies may be pushed out by the big international companies. It is therefore recommended that there should be greater focus on encouraging partnerships with organisations with ethos similar to the public sector, especially organisations with charitable ethos could improve partnership working in LIFT. This is because working cultures are easily aligned, thus reducing tension and lending support for the view that aligned organisation cultures matter for the formation and maintenance of LIFT partnerships (Beck et al., 2010). Also, there is less emphasis on profit making and even if profits are made they would go back to support good charitable causes for wider public benefit. Such a move would also align well with current government policy encouraging greater involvement of charities in public service delivery.

The UK has led the world on PPPs and other countries are inclined to follow. This study shows how important context is, and the need for practitioners to consider contextual differences in various PPP environments and to make necessary reconfigurations before adopting LIFT or similar models. However it is likely that some challenges to public accountability will remain. The financialisation context is likely to continue to privilege the private sector representatives, who will seek to promote the interests of the private sector at the expense of public accountability. Also, because the policy suggestions are based on findings from a specific context within space and time, they cannot be guaranteed to be relevant in the future. This demonstrates complexities of the social world where the past can be factored into future decisions but the past would not necessarily control future decisions.
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Figure 1: The current form of the NAO LIFT diagram

- Tenancy/Lease Plus Agreement
- Oversight by public sector
- Ownership and control
- Strategic Partnership Agreement

(Source: NAO 2005:1)
Figure 2: The JV1 scheme’s corporate structure

PoPP1 Ltd

PP1 Ltd

LIFT 1

LIFT 2

Strategic Partnering Board

Department of Health

2-PCTs

CHP

100%

60% 60%

100%

100%

100%

100%

Holdco 1 SPV

JV1 Ltd LIFTCo

Fundco 1 SPV

Fundco 2 SPV

Fundco 3 SPV

Fundco 4 SPV

Fundco 5 SPV

Fundco 6 SPV

SPV

Board

The bank

Subcontractors

Tenancy/Lease Plus Agreement; Oversight by public sector;
Equity ownership and control; Strategic Partnership Agreement
Debt, interest and bullet payments; Subcontracting

(Source: Annual reports and accounts (various years)).
Figure 3: The JV2 scheme’s corporate structure

- Tenants and Lease Plus Agreement; Oversight by public sector;
- Ownership and control; Strategic Partnership Agreement
- Debt interests and bullet payments; Subcontracting

(Source: Annual reports and accounts (various years); Trust Board Meeting Agenda).

13 A clarification was sought about this structure from Q2a and Q2b.