

THE ROLE OF STRUCTURE IN MANIPULATING PPP ACCOUNTABILITY

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ABSTRACT

PURPOSE – The paper examines the accounting and governance of Public Private Partnerships (PPP) that are structured as joint venture partnerships. Drawing on Giddens' structuration theory, the paper examines how human agents interact with these joint venture structures and analyses the effects on financial disclosures and public accountability for taxpayers' investments.

DESIGN/METHODOLOGY/APPROACH – We adopt a cross case analysis to investigate two such PPP schemes, which form part of the UK's programme of investment in primary health care, known as the Local Improvement Finance Trust (LIFT) policy. We employ a combination of interviews and analysis of financial statements and publicly available official documents.

FINDINGS – The corporate structure of these LIFT schemes is very complicated so that the financial accounting is opaque. The implication is that the joint venture mechanism cannot be relied upon to deliver transparency of reporting. The paper argues that the LIFT structures are deliberately constructed by human agents to act as barriers to transparency about public expenditure.

RESEARCH AND PRACTICE IMPLICATIONS – The financial reporting undermines public accountability and transparency as both are necessarily restricted. Policy makers should pay attention to not only the private sector technologies but also the manner in which structures are used to reduce transparency and consequently undermine public accountability.

ORIGINALITY/VALUE – The paper provides detailed analysis from the perspective of Structuration Theory to show how human agents use structures to impact on financial reporting and public accountability.

KEYWORDS: Public Accountability, Transparency, Structuration Theory, Financialisation, Financial reporting, Public Private Partnerships, Joint Venture Partnerships, NHS LIFT.

1. INTRODUCTION

As in other countries, the UK's public sector has been reformed according to a neo-liberalist agenda which has commercialised and financialised many aspects of public life globally. One mechanism of reform has been partnership working, often referred to as Public Private Partnership (PPP), between public and private sectors to deliver services previously provided exclusively by the public sector. While substantial research attention is paid to one well-known form of PPP - the UK's Private Finance Initiative¹ (PFI) (Andon,2012) – there are many other forms of PPP in use (Hodge *et al.*, 2010; Whitfield, 2010; 2011), but these receive relatively little accounting research attention, despite the many accounting and accountability issues that they raise (Shaoul *et al.*, 2012a).

This paper focuses on one such variant of PPP, the Public Private Joint Venture Partnerships introduced in the early 2000s to the UK's health sector. In this specific context it identifies the significance of the socio-politico-legal world in which the techniques and technologies inspired by New Public Management (NPM) style reforms are deployed. These joint venture partnerships - known as Local Improvement Finance Trust (LIFT) schemes - were evolved for use in the primary health care sector where they substituted for the PFI contracts that are a major form of investment in hospitals (Treasury, 2012; Whitfield, 2010). In particular, this study uses structuration theory (Giddens, 1979; 1984) and a case-based approach (Yin,2014) to focus on reforms that encourage private sector companies' involvement in the provision of public infrastructure and some related services by various forms of PPP arrangement.

The organisational structures of these LIFT schemes are extremely complex and opaque which leads us to draw on structuration theory as a lens to understand the LIFT format PPP scheme in its social-institutional context. Specifically, the paper examines the nature and transparency of the LIFT structures and their impact on public accountability. However, Giddens emphasises not only the importance of structures but also of human agents and significantly the interaction between structures and human agents. Therefore, in constructing our research questions we also draw on two propositions from Heald (2012). Firstly, that although policy actors may deny it, actors may establish structures that obstruct transparency. Secondly, that tackling any such structures and developing remedies to reduce transparency deficits creates more effective transparency. However, we are also mindful of warnings from Strathern (2000) that there is nothing innocent about making the invisible visible and from O'Neill (2006) that more disclosure does not necessarily create more effective transparency.

From this theoretical perspective the paper examines the specific socio-technical (Broadbent, 2012; Broadbent and Guthrie, 2008; Hodge *et al.*, 2010; Humphrey and Miller, 2012, Parker, 2007) context of two LIFT cases and seeks to address the following research questions:

- What are the corporate structures of the LIFT scheme?
- Why were these structures implemented?
- Which actors are primarily responsible for the design of these structures?
- Do these structures enhance transparency or facilitate opacity?

¹ PFI is used to deliver long-term stand-alone big infrastructure projects in the UK (Treasury, 2003).

- What impacts do these corporate structures have on the public accountability of LIFT schemes?

Because the existing LIFT projects will be operational for approximately another 25 years, this study's findings will be long-lasting even though the programme was terminated in respect of new projects. Thus, their impact on the UK'S health budget will continue to be of significant public interest. Furthermore, the LIFT structure is likely to be used in other ways going forward. In particular, the UK has been a world leader in the use of PPP schemes so that other countries may adopt the LIFT model or variations as they have adopted other examples of the PPP model. Thus the findings here may be of relevance elsewhere.

This paper is organised into five further sections. Section 2 explains how we draw on Giddens' structuration theory as the theoretical lens to explain accountability and transparency practices in LIFT. Section 3 provides a review of the literature firstly on public accountability and transparency and then relating these to the PFI and LIFT policies. Section 4 explains the background to the LIFT policy. Section 5 explains the research approach and the case studies that are undertaken. Section 6 analyses the findings of the study in relation to the themes arising from the research questions, the empirical material and the literature. Finally section 7 explains the conclusions, and draws out some implications for the development of PPPs internationally.

2. THEORETICAL LENS: GIDDENS' STRUCTURATION THEORY

As indicated earlier this study draws on Giddens' structuration theory (Giddens, 1979; 1984) as a theoretical lens to explain accountability and transparency practices in LIFT. This theory seeks to link two opposed explanations of the social world: structuralism and subjectivism. In doing so, it draws on the notions of 'duality of structure' and 'reflexive agent' to suggest that the ongoing social world is a result of human action and the ongoing human action is a result of society:

'Structure as the medium and outcome of the conduct it recursively organizes; the structural properties of social systems do not exist outside of action but are chronically implicated in its production' (Giddens, 1984, p. 374).

The theory is broad, so we adopt a selective engagement with it, drawing particularly on its idea that structures and human agency are mutually constituted. Human agents, (in our study accountants, managers and directors) draw on structures (such as financial statements) for their actions (conducting disclosure, transparency and oversight activities). But these structures are in turn the outcome of agents' actions. That is, human agents and structures are not separate or independent entities. Structure shapes agents' practices but it is also agents' practices that constitute and reproduce structure. Not all agents will be equally powerful. A façade of collaboration can be used to promote vested interest and exploit weaker partners (Hardy *et al.*, 1998).

Structure is thus a process not a product or a steady state. It develops through time and space and is explained by Giddens (1984, p. 377) as:

'Rules and resources, recursively implicated in the reproduction of social systems. Structure exists only as memory traces, the organic basis of human knowledgeability, and as instantiated in action'.

Thus, it is as Hines (1988) observes: ‘in communicating reality, we construct reality’ and, therefore, there is structure-agency interaction.

By adopting this way of seeing, we suggest that structures are constituted by people who know what they are doing and how to do it. That is, knowledgeable and enabled human agents (Giddens, 1984) are putting into practice their necessarily structured knowledge. Structurally informed capabilities are put to work in inventive ways that can transform the very structures that provide the capabilities to act. Moreover, knowledgeable actors may choose to hide their actions behind idealist accounts of organisational structures that are suggestive of partnership, collaboration and trust but which mask influences of self-interest and opportunism (Free, 2008).

Following Giddens, structure takes three forms - signification, legitimation and domination. Firstly, structures of signification 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; Orlikowski, 1992; Roberts and Scapens, 1985). Secondly, structures of legitimation 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; Orlikowski, 1992; Roberts and Scapens, 1985). Thirdly, structures of domination are facilitated by organisational resources which are deployed in order to control, monitor and coordinate organisational activities (Giddens, 1984).

Organisational resources take two forms, namely allocative and authoritative. Allocation is defined as those ‘capabilities which facilitate command over objects’ (Giddens, 1979, p. 100), leading to allocative resources being objects that exist in space and time and can be used to enhance or maintain power (Sewell, 1992, p. 9). Authoritative resources involve capabilities which facilitate command over persons (Giddens, 1979, p. 100) and involve the power to monitor and govern (Sewell, 1992, p. 9). They include knowledge of the means of gaining, retaining, controlling and propagating further resource. Of relevance to this study are the notions that, for example, accountants’ training gives them mastery of a wide range of explicit and implicit techniques of knowledge and self-control, while directors are assigned the role of protectors of shareholders’ assets and have responsibilities imposed on them by the Companies Acts.

For Giddens (1984) practices may be preserved, and thus become stable because of agents’ desire to meet deeply rooted psychological needs for ontological security, which has empirical relevance as social actions and interactions have been seen as an important means of meeting those needs (Busco *et al.*, 2006). Despite this, Giddens also suggests that social practices may change, sometimes slowly and sometimes very suddenly and radically. Although accounting studies adopting a Giddens’ framework have tended to focus on change as arising from a crisis situation (Englund *et al.*, 2011), he suggests a number of ways of understanding and analysing how social change and thus, change in social practices occur. This study examines a new form of PPP developed from the predecessor PFI not so much in response to a substantial crisis but more as a response to problems in the PFI model. LIFT was a response from reflexive agents.

3. LITERATURE REVIEW

This section examines prior literature focusing firstly on the various meanings and problems associated with the concepts of public accountability and transparency. Secondly, this section

considers these concepts in relation to the predecessor PFI policy. The following section – section 4 - focuses directly on LIFT.

As NPM reforms re-modelled the public sector, a corresponding transition in the nature of accountability was widely recognised in the literature (Poulsen, 2009). Traditionally, accountability entails a relationship whereby agents are required by principals to explain and take responsibility for their actions (Roberts and Scapens, 1985). The focus is on ‘who’ is to be accountable ‘for what’ and to ‘whom’.

But over time it has adopted new forms and wide ranging meanings that may be achieved in many different ways. It may involve account giving, holding to account but also sitting in judgement and applying sanctions, and being responsive to citizens (Mulgan, 2000). For Giddens the organization of accountability is the ‘fundamental condition of social life; the production of ‘sense’ in communicative acts is, like the production of society which it underpins, a skilled accomplishment of actors’ (Giddens, 1993, p. 25). The idea of accountability gives expression to the intersection of structures of signification and legitimation. To be ‘accountable’ for one’s activities is both to explicate the reasons for them and to supply the normative grounds whereby they may be ‘justified’. Normative components of interaction always centre upon relations between the rights and obligations ‘expected’ of those participating in a range of interaction contexts (Giddens, 1984, p. 30).

Bovens (2005) concluded that the first and foremost function of public accountability is democratic control so that citizens can judge the performance of government and sanction political representatives. To this end, we emphasise the public accountability characteristics of equality and public access to information (Shaoul *et al.*, 2008). There is herein an implicit assumption that holding schemes such as PPPs accountable is connected to the achievement of value for money (VFM) (Andon, 2012), even if VFM is conditioned by how accountability manifests in a given PPP setting over time (Demirag and Khadaroo, 2008).

In particular, this paper focuses on accountability at the micro level of regulation of accounting and contractual mechanisms mobilised to control the form and functioning of individual schemes (Andon, 2012), and on transparency, which is regarded as one aspect of accountability. Transparency also has many different meanings in relation to financial information. But generally transparency is viewed as a necessary part of good governance within organisations. It often rests on the assumption that appropriate reporting and governance mechanisms will enable stakeholders to see behind closed doors (Salterio *et al.*, 2013). So transparency is needed to make the true position of companies visible (Ancill *et al.*, 2004) and therefore understandable. Thus transparency focuses on the quality and the level and quantity of public information (Morris and Shin, 2002), and possibly on the need for disaggregation of information (Barth and Schipper, 2008). That is, transparency focuses on issues of visibility, credibility and legitimacy and therefore, lack of transparency implies opaqueness and a deficit in credibility and legitimacy (Heald, 2012).

Roberts (2009, p. 962) warns against the ‘endless elaboration’ of transparency, and simplistic assumptions that any governance failure can be resolved through more transparency, even

though this merely encourages deception as information disclosed is not necessarily useful, intelligible or accurate (O'Neill, 2006) nor may it lead to more stakeholder engagement. Unless stakeholders are able to clearly articulate their own financial information needs and supplement transparency with context-specific 'intelligent accountability' (O'Neill, 2002), management will provide its own definitions (Carter, 2006). Management definitions are likely to have a narrow focus and be limited to one-time actions to resolve any given current problem. In revealing some truths others are concealed so that realities are knowingly eclipsed (Strathern, 2000). Fox (2007, p. 667) uses the phrase 'opaque transparency' to describe situations where organisations reveal information that is not particularly useful and does not actually show how entities behave in practice. More information may provide less understanding and less trust because the ideal of transparency undermines the very trust that expert systems need to function effectively (Tsoukas, 1997). Andrew (2007) suggests that focusing on procedural and technical arrangements can divert attention from ethical and moral elements that make public accountability meaningful.

However, this does not imply that greater transparency is worthless. The invisible may be only what is not yet made visible (Strathern, 2000). Transparency may be understood as a transitional phase on the road to a consensually constructed, coordinated system of action in which the accountant has a key role. Taking into consideration the use of information in specific activities, the contexts of practice and the histories of stakeholders, the accountant could play the role of mediator as stakeholders seek to make sense of financial information (Salterio *et al.*, 2013). At a minimum, information should be accessible so that stakeholders through mediators can compel the organisation to adjust its behaviour on the basis of information provided (Hyndman and McDonnell, 2009). While not the only possible source, financial reporting is a major source of such information.

This wider sphere of action appeals to the current authors who agree that transparency and the role of professional responsibility remain highly prominent on the public's agenda (Sikka, 2009; Brivot and Gendron, 2011). Even while recognising that greater transparency may enhance the legitimacy, but not necessarily the accountability, of government actions (Andon, 2012), there is public pressure on government to pay more attention to ethical and moral concerns. We concur with Heald's (2012) conclusion that the manner in which transparency mechanisms are structured will shape their impact on public accountability. Therefore, we consider both transparency and public accountability as complementary and interconnected. Furthermore, we also concur with Heald (2012:40) that if members of the public are not regarded as users of accounting information and do not have ready access to such information then they become 'missing users'. Missing users constitute a fundamental obstacle to the achievement and maintenance of public accountability.

Transparency and Public Accountability in PFI

Academic and other commentators find inadequate disclosure implying a lack of transparency in the financial statements of both the public and private participating partners in PFI. This failure of transparency arises for three main reasons.

Firstly, as Shaoul *et al.* (2010) note public expenditure is now in the hands of the private sector, so that financial reporting is subject to private sector accounting regulations and Company Law. Within the private sector there is a culture of providing only that information which is mandated with very limited voluntary reporting (Shaoul *et al.*, 2010). Even if such reporting is adequate in terms of stakeholders in a private company, it is inadequate for public

accountability in a democratic society (Shaoul *et al.*, 2008). Furthermore, this lack of disclosure also appears in the public sector in part because the UK public sector follows private sector accounting practice². For example, there is a failure to disclose contingent liabilities even though in practice there are examples where these became actual liabilities funded by the taxpayer (Shaoul *et al.*, 2010).

Secondly because of the complexity of the organisational inter-relationships and the use of special purpose vehicles (SPV), profits from PFI transactions can be hidden in sister company sub-contractors, drawing on permitted exemptions for related party transactions (Edwards *et al.*, 2004). Thus, fearing that PFIs could become the UK's Enron, Baker (2003) called for more and better regulation.

Thirdly, both public and private sector participants justify inadequate disclosure on the grounds of commercial confidentiality so that both independent researchers and government bodies charged with scrutinising public expenditure find it difficult to access reliable accounting information to evaluate PFI projects (cf. Acerete *et al.*, 2010; Shaoul *et al.*, 2012b; and Stambrook, 2005). As Shaoul *et al.* (2012b) note accounting information must flow between partner organisations to ensure effective oversight of PPPs but they question whether this can or does happen in practice.

Therefore, because effective scrutiny is fundamental to public accountability, many studies recommend the need for more and stronger structures to monitor and control PPPs and/or a greater role for independent human agents in the processes of scrutiny. For example, in the UK there are calls for increased involvement of oversight agencies, such as the NAO and the Public Accounts Committee, especially once PFI schemes become operational (Broadbent *et al.*, 2003; Edwards and Shaoul, 2003). Others suggest that the socio-political context within which PPPs are framed can undermine public accountability and transparency, and accordingly call for PPP transactions to be examined in their context (eg. Asenova and Beck, 2010; Whitfield, 2011). In particular, there are calls for the exercise of a wider role by independent human agents in scrutiny. For example, the use of the NAO's right to roam into the financial statements of private sector PPP sub-contractors as a means of holding such organisations to account (Shaoul *et al.*, 2010).

4. BACKGROUND TO THE LIFT POLICY

Primary healthcare in the UK is delivered through regional Primary Care Trusts (PCTs), which cover a local geographical area which is similar but not necessarily identical to the relevant local government area. The LIFT policy was heralded as bringing significant investment, but progress was slower and cost higher than anticipated. In the first four years investment of up to £1bn would deliver 500 one-stop primary care centres (NHS Plan, 2000). However, by 2013 some 49 LIFT joint venture companies had collectively built just 314 buildings with a combined capital value of over £2.2bn (CHP, 2013).

LIFT was intended to build and maintain the relatively small scale projects needed in the primary care sector and was an attempt to solve some of the problems associated with the PFI

² Initially UK GAAP and more recently adapted IFRS

model of PPP. Therefore, this background section proceeds by summarising some of the key contextual features of PFI before explaining how the LIFT format contrasts with PFI.

Most PFI arrangements have a complex organisational form. For a typical hospital PFI several private sector partners form a consortium, which in turn establishes a special purpose vehicle (SPV), to deliver the capital assets and some related services. The SPV raises the required finance, which is substantially senior debt. The affordability of repaying the debt drives the length of the contract term which generally is for 30 years (Barlow and Koberle-Gaiser, 2008) but can be much more. The SPV is usually a shell company that sub-contracts the design, construction, and facilities management elements of the contract to related companies of its parent organisations (Shaoul *et al.*, 2010). Services normally include cleaning, portering, catering, and estate maintenance but not clinical services. During the contract, the public sector procurer makes a unitary payment to the SPV, which it disperses to its sub-contractors. This payment covers the costs of finance, the building and the services.

Over time PFI was limited to large schemes because the high fixed bidding and transaction costs render projects below £20m uneconomic (Treasury, 2003). Thus small, community based buildings, such as local health centres and doctors' surgeries, were not able to access investment (Shaoul *et al.*, 2011). This inability to access PFI investment was perceived to be problematical because the alternative of using traditional forms of public finance was contrary to the extant political agenda. LIFT was specifically designed to create a mechanism for using private finance which filled this funding gap. Its intention was to improve dilapidated PCT premises, which were perceived to be holding back local healthcare that forms the basis of initial contact with the health care system:

*'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'*³.

The UK Labour government, therefore, launched the LIFT policy in the early 2000s, to attract investment from the private sector especially into deprived social areas. Figure 1 shows the proposed structure of each LIFT scheme.

INSERT FIGURE 1 ABOUT HERE

After a competition between private sector bidders, the successful bidder sets up a local joint venture company. Generally referred to as a LIFTCo, this SPV is a limited liability company with equity shareholders. In each scheme the private sector partner owns 60% of that equity capital. The remaining 40%, held by the public sector, was originally divided equally between a national body Community Health Partnerships (CHP) owned by the Department of Health and local stakeholders who may be quite widely dispersed. For example, this latter 20% may be held by one or more PCTs and/or one or more local government areas – known as Local Authorities (LAs) (NHS Plan, 2000:45). Thus, while the rhetoric describes a public-private joint venture, control over accounting and governance rests with the majority owners of equity capital - the private partners.

³ Last accessed on the 19th of July, 2011 at www.communityhealthpartnerships.co.uk

Public oversight, scrutiny, monitoring and coordination of the project is provided by the Strategic Partnering Board (SPB), which is constituted by representatives of the public and private sector partners. The UK government's intention is, *inter alia*, to rely on the SPB to achieve partnership working (NAO, 2005; Treasury, 2010; Russell, 2008).

As with PFI, the government's expectations were that LIFT would encourage private sector participation in the provision of public services (NAO, 2005), and the LIFTCo would design, finance, build or refurbish and operate PCT buildings under a long-term contract of between 25 and 30 years (NAO, 2005; PAC, 2006). Also as with PFI, LIFT would rely extensively on debt capital, with over 90% of its capital structure being debt (Beck *et al.*, 2010).

However unlike PFI where bidders bid for one specific project, the successful LIFTCo would win not only the projects it bid for, but also a monopoly right to plan and deliver the entire programme of building work within the relevant local 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 across which the initial set up, bidding and transaction costs could be spread over time (NAO, 2005; Treasury, 2003).

Unlike most PFI schemes, there is no straightforward reversion of the LIFT building to the public sector at contract end. The debt financier is entitled to a bullet payment of approximately 30% of the market value of the asset⁴ (Mahmood, 2004), with the remainder being divided between the shareholding partners. The relevant PCT does have the first option to buy the building but at contract end it may be sold to any interested party.

It is therefore clear that, like PFI, LIFT schemes involve complex networks with multiple sub-contracting and financing companies (Aldred, 2006). Moreover, LIFT works in a top-to-bottom mode, so that planning is set through high level structures which are usually closed to the public. That is, LIFT creates an extra barrier compared to PFI between managers and service users (Aldred, 2006).

Any form of private involvement in health is very controversial in the UK, but the cost of LIFT and hospital PFIs has raised particular concern (Beck *et al.*, 2010; PAC, 2006), especially as the profits largely accrue to private investors rather than taxpayers (Beck *et al.*, 2010; UNISON, 2003). The public is concerned that profit will be prioritised over health care needs. The neo-liberal reforms facilitate such prioritisation by financialising the public sector, privileging finance capital (Asenova and Beck, 2010; Jones and Mellett, 2007), and increasing the influence of financial value and finance capital over public policy (Blackburn, 2006). Poor socio-economic areas, where investment is critically needed, may suffer most because it is harder to raise third party income streams by charging high rents for pharmacies and cafés, which add to the attractiveness of the basic LIFT project (Aldred, 2006).

5. THE RESEARCH APPROACH AND CASE STUDY INFORMATION

The cases chosen for detailed study, anonymised as JV1 and JV2, were purposively selected from the early waves of the LIFT programme so that at the time of the research there would

⁴ The market value is the value at which the asset would trade in a competitive setting, and may be based on a quote from an estate valuer.

be operational projects with available relevant financial and related data. JV1 has a small regional-based private sector partner, whereas JV2 has a bigger multinational private partner.

Although we had negotiated access to our cases, we did face some delays and problems obtaining interviews, but eventually we were able to carry out semi-structured face-to-face interviews with senior people, who had all been closely involved in the LIFT joint venture programme for the JV1 and JV2 cases. Table 1 shows the organization affiliation and the rank of the interviewees, who were particularly chosen for their knowledge of finance and financial reporting at a senior level. Interviews were conducted between October 2010 and July 2011, and typically lasted about 80 minutes. With the interviewees' permission all interviews were recorded and later transcribed. We also obtained answers to some structured questions for JV2 administered in September 2011.

INSERT TABLE 1 ABOUT HERE

We also analysed financial reports and publicly available official and other documents in so far as they were relevant to the LIFT scheme and policy. Internal management accounting information would have been useful but our requests in this regard were refused for commercial sensitivity reasons and the relevant organization is not subject to the Freedom of Information Act. 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. However, it also offers the chance to observe the reasons for actions rather than relying solely on descriptions by involved parties, an approach which is consistent with the use of the Giddens' framework (Englund and Gerdin, 2014).

A cross case analysis (Miles and Huberman, 1994) was used to identify similarities and differences across the cases. Discourse analysis techniques were used to examine emerging themes from the cases by enabling an examination of the ways writings, communications and commentaries were constructed by respondents and within publicly available documents. We focused on the language in use (Myers, 2013) and asked why particular communications are the way they are and not another way, and why, for example, they are structured in a given order (Johnstone, 2002). The themes arising together reflect the research questions, the purpose of the study, the literature and the theoretical issues drawn from Giddens.

The Case Studies

JV1 was set up in 2003 in a relatively rural community in England. Figure 2 sets out its organisational structure. Two PCTs, described collectively as the 2-PCTs, joined together in this scheme and chose as their private sector partner, PP1 Ltd a relatively local construction and facilities management company. PP1 Ltd., which is owned by PoPP1 Ltd., has a number of subsidiaries and investment interests in organisations, which provide construction and facilities management services, and is also involved in two other LIFT schemes shown as LIFT A and B on Figure 2.

INSERT FIGURE 2 ABOUT HERE

The LIFTCo, JV1 Ltd is owned, as the LIFT scheme policy intended, in the proportions 60%, 20% and 20% by PP1 Ltd, CHP and the local stakeholders respectively. In this case the local stakeholders are the 2-PCTs holding 13.3% and 6.7% respectively. JV1 Ltd thus acquires exclusive rights to deliver a succession of small, discrete community-based PCT building projects across the defined geographical area covered by these two PCTs over a period of

between 25 and 30 years. The initial set-up costs of around £301,000, which are described as shareholder undertakings, are financed by funds contributed by shareholders and are to be recovered within seven years.

JV2, whose scheme is set out in Figure 3, offers a number of contrasts with the JV1 scheme. Our second scheme is located in a relatively urban community. The private partner is PP2 Ltd., which is also involved with five other LIFT schemes: LIFTs A, B, C, D and E in Figure 3. The equity capital shareholding in JV2 Ltd. LIFTCo is also split in the expected proportions. However, the 20% held by the local stakeholders in this case was initially split nine ways between six PCTs and three LAs. Subsequently the six PCTs merged into three, collectively described as 3-PCTs, broadly corresponding with the three LAs, 3-LAs.

INSERT FIGURE 3 ABOUT HERE

The private partner PP2Ltd. is a wholly owned subsidiary of PP2 holdings Ltd, a multinational organisation, which is in turn owned by InfraCo and BanCo, both 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 infrastructure investments. 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'.

We now turn to analyse and discuss the corporate structures of these two cases, drawing out some policy implications.

6. ANALYSIS AND DISCUSSION OF EMPIRICAL FINDINGS

The use of Giddens' structuration theory as a lens to study accountability and transparency focuses on what human agents do with particular structures in their ongoing and situated activities. Therefore, we illustrate this with some empirical examples, analysing the complex corporate structure of LIFT. We explain why the structures were implemented, highlighting how human agents enacted certain structures and how those structures became intertwined with human agents in the conduct of accountability and transparency practices. A number of observations are made and implications drawn out. There is a strong argument to suggest that in LIFT, accountability and transparency are socio-technically constructed phenomenon that operate in and represent a social, political, institutional as well as economic world.

As Figures 2 and 3 make clear the full organisational structure of these LIFT schemes is significantly more complex than the NAO diagram we provide in Figure 1. Both LIFTCos have very little equity capital (JV1 £11,000 and JV2 £9,000) and are thus heavily dependent on debt financing of approximately £83,000,000 in the case of JV1 and £92,000,000 for JV2. Whereas the equity capital for both groups has remained constant over the years, the debt capital increases significantly over time. In each case this debt was raised in discrete tranches and is secured via financing structures, or SPVs, which are described by directors in

interviews and in some official government documents as Fundcos. Each discrete debt tranche is independently secured by the formation of a new FundCo so that the corporate structure expands. For example, JV1 Ltd. began with one FundCo but this increases over a period of eight years, as shown in Figure 2, to six FundCos, each of which represents a distinct tranche of loan. As new LIFT projects come on stream more debt is needed. Tables 2 and 3 show the build-up of debt in JV1 and JV2 respectively.

Insert Tables 2 and 3 about here

A recent development in the JV1 scheme is the introduction of a holding company for FundCo 6 whereas Figure 3 shows that such holding companies are in place for all three of JV2's FundCos adding to the complexity of the corporate structures. Furthermore, both LIFTCos have interests in separate LIFT schemes elsewhere in England, each of which will similarly have complex LIFT structures. This elongated and expanding structure is in contrast to PFI where there is typically just one SPV per contract that raises all the debt. Thus the LIFT scheme ultimately leads to an organising corporate structure, which is more complex than the predecessor PFI scheme.

In the next two sub-sections we consider the reasons why such a complex structure was designed and implemented and the impacts this may have on public accountability.

A. Design and Implementation of LIFT organisational structures

Human actors' need for ontological security generally causes them to continuously repeat routine patterns of behaviour that unintentionally reproduce existing structures. So, this begs the question: what motivates human actors to change their behaviour, habits, policies and social life? Specifically, what motivated the change from PFIs to LIFT?

The political desire to use private finance together with PFI's lack of suitability for small value projects created a problem for policy makers. Giddens (1984) argues that if human actors are anxious, despite their habitual ways of activity, they are motivated to act to produce and reproduce a new ontological security. The NHS Plan (2000) suggests a singular plausible explanation to implement the new LIFT structure as a response to 'anxiety' about a legitimisation gap created by PFI. But as Giddens argues, actors within a social context also draw on signification and domination dimensions of structuration in order for the structure of legitimisation to take form, and similarly, the structures of signification and domination need the structure of legitimisation to take form. Therefore in the social context of LIFT, structures of signification, such as profits or cash flows, draw power and inspiration from the structures of legitimisation, such as the norms associated with shareholding, and the structures of domination, such as the financiers and the shareholders. That is, it is through the notions and perceptions of shareholding norms and ideas such as financiers and shareholders that concepts such as profit and cash flow take form, become strengthened and reaffirmed. But equally, the notions of profit and cash flow in turn strengthen and reaffirm our understanding of shareholding norms and the essence of the role of the financiers and shareholders in the LIFT structure. That is, these structures interconnect to make sense. Human actors within the social system of LIFT may draw on all these structures in order to constitute their social reality and in doing so help to produce or reproduce these structures.

The legitimisation dimension of structuration is about the moral elements that are drawn on by corporations to guide corporate activity. Buhr (2002) observes that legitimisation is a process with legitimacy as the outcome and outlines four strategies that could be deployed to create

legitimacy. First, the organisation should bring its goals into conformity with popular views of what is appropriate. Second, the organisation should focus on activities that change public perception about it. Third, the organisation should associate itself with symbols that are highly legitimate. Fourth, the organisation should attempt to change underlying social expectations of it. We thus ask which of these strategies did the implementation of LIFT use? Our findings suggest that a combination of these four are in play.

LIFT was designed to replace PFI to manage the high bidding and transactions costs inherent in the PFI structures and contracts. Therefore, it is perhaps surprising that the organisational structures of the LIFT scheme are in practice even more complex than those of PFI, begging the questions why did such an outcome occur and why in particular did the officials at the Department of Health sanction such complexity? A related question arises about why the mechanism for delivery of public services should be a company with equity shareholders given that the proportion of equity capital to total capital is so tiny that its existence cannot be explained by the need to raise finance. Further, while Demirag *et al.* (2012), report that other finance providers encourage construction companies to hold equity in projects to ensure that failure to complete on time and to budget is painful for the constructor, such an argument cannot convincingly explain the existence of the tiny amounts of equity in these LIFT cases. Raising or losing equity of 60% of approximately £11,000 equity in JV1 and £9,000 in JV2 is in no way a credible performance incentive on projects worth about £83m and £92m respectively.

The vision for LIFT is set out in the 2000 NHS Plan, in a DoH prospectus (DoH, 2001), and a later Business Case Approval document (DoH, 2005). All these documents make clear the perceived importance attached to rolling out one established model with standardised documentation across the country. While none specifies precisely why the chosen structure was designed, they do provide several clues to the underlying thinking of the human agents.

Firstly, the LIFT model needed to offer an attractive investment for the private sector (DoH, 2001, p. 12), so that a key objective was to identify the best structure to help stimulate corporate involvement (DoH, 2005) in a sector companies had previously found difficult to develop in part because of the small size of the typical project (DoH, 2001). Private sector advisors were, as the NAO (2005) acknowledges, instrumental in designing the LIFT structure, including the standardised procurement process and supporting documentation (NAO, 2005, p. 13). Interviewees made clear that approval depended upon following the expected structure and process closely. In particular, this structure fits with Government policy to use private sector investment where feasible to increase investment in healthcare (NAO, 2005, p. 10), because it bundles together several relatively small projects and then transfers property development and management risks to the private sector.

Secondly, the local, not centralised, nature of the LIFT model was intended to enable local stakeholders to take a financial interest in service provision. Initially, this appears to have applied particularly to general practitioners (GP), a significant stakeholder group. Participation by, for example, exchanging freehold on existing premises for shares in the LIFT would offer the potential for long-term value and facilitate entry and exit of participants, for example, on retirement (DoH, 2001, p. 26). While traditionally a large proportion of GPs own their own practice, there was a perception that GPs were becoming reluctant to practice in some areas, especially inner city areas, in part because of the risks associated with property ownership, including negative equity. The LIFT structure would enable GPs to reduce the risk of their investment in one property through ownership of a share of a portfolio of

properties deemed to be low risk in nature (DoH, 2001, p. 28). Alternatively, LIFT, it was argued, might provide GPs in inner city areas with financial support to relocate from unsuitable properties into which they were otherwise locked by long and inflexible leases.

Thirdly, using local companies limited by share capital was seen to be advantageous because officials desired an exit strategy for the department's investment as well as for other investors. The department's role was perceived as a catalyst for change, and officials wished to have an option to leave the joint venture (DoH, 2001, p. 16). The expectation was that shares in a limited liability company could be readily sold. This corporate structure also had the advantage that it is well understood as a business vehicle and it places a limitation on the financial liabilities of the shareholders (DoH, 2005). Moreover, the Shareholder Agreement (ShA), provides additional insights. This document makes clear that the LIFTCos are to be managed in ways that deliver sustained profit for shareholders. As shareholding companies the directors have fiduciary duties to make profit and generate returns for the shareholders and finance capital. As is the case for all companies limited by shares, the shareholders in LIFT are prioritised. As Amernic and Craig (2004, p. 352) observe:

'The language used in support of accounting practice is based on a world of corporate endeavour which assumes the primacy of shareholders, and which imposes legal and fiduciary obligations on directors and corporate officers to promote shareholder value—there is no equal fiduciary duty to promote the wellbeing of employees and communities'.

In mandating that all LIFTCos should have the legal form of a limited liability company limited by shares the UK government established a structure of legitimation that sent an implicit message that LIFTCos should behave as equity capital driven companies in terms of reporting and governance. As a public sector LIFTCo director explained, LIFTCos and their subsidiaries were established as companies limited by shares precisely so that they *could* behave as companies limited by shares. That is, the choice of equity shareholding companies as the mode of operation also creates signification structures (Giddens, 1984), which give guidance to the meaning and purpose of the LIFTCos. The existence of shareholders gives meaning to the making of profit, and therefore profit making contributes to what is meaningful. In effect, profit and returns to finance capital become key signification structures as they determine how purpose and meaning are to be attributed to the LIFT scheme and how projects are to be managed. Corporate directors of these companies are conferred to the role of protectors of shareholders' assets and have responsibilities imposed on them by the Companies Acts.

According to the NHS archived website (DoH, undated), giving the private sector partner the majority shareholding was designed to allow the LIFTCo to do business with the necessary commercial freedoms, whilst providing protection to all shareholders. The emphasis placed by DoH officials on rolling out one established model with standardised ownership percentages and documentation determined that this was the only legitimate way of setting up the LIFTCos. Consequently, and significantly, as a public sector interviewee explained, this model was not challenged by other stakeholders:

'It's what we inherited, it was 60:20:20... and I must admit at the time we didn't really question it; we accepted that that was what we were given...I guess it is an issue that you can probably question with hindsight but at the time we were just glad of the infrastructure' (D1a).

In an environment without choice, the ownership structure legitimating the private sector's control over the project was simply accepted by the public sector officials, who were unable to mobilise resources to counter its legitimacy perhaps because of limited knowledge (Jack, 2005). However, these officials were probably not focusing on the ownership of the companies at all, rather their attention was on the project. As D1b explains:

'We had a very poor estate in terms of quality...there was no other funding streams available'.

The Business Case Approval document recommends that the local public sector shareholding should be 20% (DoH, 2005), but no explanation is given as to why this specific percentage was chosen. It would seem that the 20% is a symbolic legitimisation device intended to communicate a distinction between LIFT in which *'now we are all shareholders'*, and the preceding PFI model. But while the rhetoric of partnership and joint venture suggests equality between the partners in decision-making, in practice the reality of the domination of the ownership structure by the private sector was especially evident in the working of the board in the JV2 case:

'The power dynamic from the Board really comes from the private partners... I do not consider this as an equal relationship' (D2a).

Moreover, there is no explanation as to how the PCT with a small shareholding can be assured that the LIFTCo does not act contrary to the public interest as it is required to by the standard contract documentation (DoH, 2005). Moreover, it is somewhat strange that the equity stake should be identical across all joint ventures given that PCTs are advised to ensure that their equity stake properly reflects the value of the assets they contribute (DoH, 2005).

In fact, the actual structures of LIFT are even more complex in practice than the initiating documentation suggested. The relatively simple diagrams, similar to Figure 1, provided in the prospectus document do not suggest the complexity of multiple private sector companies that is evident in practice. They do not, for example, make clear that the sub-contractors are 'several steps away from the PCT' (D1a), or that companies may split into several entities for legal and / or financial reasons (PoPP1 Ltd web page). It is unclear whether the DoH did not expect such complexity or whether it choose not to make it public. By 2005 when the LIFT model's complexity had become apparent from practice, the NAO argued that the model is flexible over the length of the partnership because the LIFTCo is not tied to the funder of the initial schemes. The NAO notes that the FundCos allow for separate funding of each tranche (NAO, 2005, page 26), but does not consider the impacts this might have on transparency.

However, interviewees are quite clear about the reason for this multiplicity of companies. They explain that these structures are required by the financing banks so that each tranche of debt is ring fenced as a separate legal entity. Returns accrued can therefore be appropriated to the relevant debt fund providers. As 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'.

As powerful actors the human agents at the banks wield significant allocative resources as they draw on their control over the flow of debt capital to enhance and maintain their power over the LIFT scheme. Control is enhanced by drawing on the idea of ringfencing, whereby each fundco is treated as a separate reporting entity and as a profit centre. Respondents across the two case study groups explain that: *'ringfencing provides security'*; *'ringfencing matches cash flows with each fundco'*; *'the banks would insist on it'* (interviewees from the JV1 case); and *'it [ringfencing] isolates risk and provides legal protections around investments'* (interviewees from JV2 cases).

Thus the complex and opaque structure was the outcome of human agents' policy choices at the DoH and at other stakeholder organisations. DoH officials did not have a passive role, rather they determined that LIFT should be attractive to the private sector, provide financial incentives for GPs to participate and enable investors to exit. There was extensive accommodation of private sector interests in PPP matters that compel the proliferation of these schemes (Andon, 2012). Human agents used their knowledge to design a system giving them control and which in turn could be used to exercise control. Knowledgeable and enabled human agents in the form of private sector advisors helped the DoH design a structure that not only legitimated but also prioritised profit making. These agents' professional training gave them mastery of a wide range of explicit and implicit techniques of knowledge. By applying these sources, accountants, managers and directors mobilise the fiduciary power that makes them capable of placing primacy on shareholder value. The resources gained by these actors from the organisations they manage and report about are determined by the conventions of company management, the demands of Company Acts, the set of obligations owed to the shareholders and the financial accounting and governance techniques employed.

In summary, the LIFT system was designed to prioritise private companies shareholding, with no clear rationale behind the proportion of equity held locally. In the banks, knowledgeable and enabled human agents' determination to protect debt capital increased the complexity of the organisational structure. The impacts of these decisions on the quality of healthcare services or public accountability did not form part of the design rationale. In the next subsection we turn to the public accountability and related policy implications.

B. Public Accountability and Policy Implications

LIFT was introduced as a major new initiative to deliver on a key government priority of improving primary care services. While progress was initially slower than anticipated, as early as 2005 the NAO (2005, p. 8) concluded that LIFT had the potential to deliver against the DoH's objectives for primary and social care. Under the Labour government 49 LIFT companies were formed and they delivered some 300 projects. But with the change in government in 2010 although LIFT was not officially terminated, as the corresponding scheme in schools was, an announcement was made that the commissioning PCTs, the local shareholders, were to be abolished. This organisational change essentially dissolved the programme. PCTs' existing LIFT estate was transferred to CHP, which now holds up to a 40% shareholding.

It might be argued that delivery of services is the ultimate manifestation of whether the LIFTCos met their obligation to be accountable. Indeed, the notions of *operational* performance and delivery to time and budget are the focus of PPP proponents' claims that schemes such as the LIFT projects are successful. These outcomes have been given visibility

and are the grounds against which the programme is to be justified and evaluated. However, this paper takes a different perspective. It argues that success cannot be judged without also considering the *financial* performance of the projects and whether the public has the necessary information to hold decision-makers to account for the expenditure of public money. It is outside the scope of this paper to examine the operating performance of LIFT rather this paper examines the available evidence about outcomes in relation to financial performance and accountability. These latter outcomes have been much less visible, but our observations linked with our interviews suggest six issues of note.

Firstly, in 2005 the LIFT programme had not undergone any form of systemic evaluation, as the NAO (2005) acknowledges. But this is not surprising because no formal framework to evaluate LIFT post implementation existed. What is surprising is that despite acknowledging the lack of any systemic evaluation, the NAO (2005, p. 36) nevertheless argued that ‘the local LIFT models appear to be an effective mechanism clearly demonstrating Value for Money’. That is, in the absence of a formal framework and systemic evaluation it was possible to claim success on the basis of just six case studies without fear of informed contradiction.

In fact, as the NAO (2005) argues, VFM depends on whole life costs and whether the project provides flexibility of use over the long term. Understanding the cost is not straightforward because the calculation is dependent upon assumptions and actual out turns about residual values, which are uncertain, vary substantially across schemes (NAO, 2005, p. 25) and in most cases are not yet known. This essentially implies that VFM could not be judged in 2005 and cannot yet be judged. Indeed, it may never be possible to judge VFM because it may be impossible to establish direct linkage between LIFTCo activity and health outcomes (NAO, 2005, p. 31), the value of which may be unquantifiable (NAO, 2005, p. 23). It remains the case that there is limited post implementation review of individual projects, and no systemic evaluation of the programme, at least in the public domain.

Secondly, the LIFT structure appeared to meet its objective of being attractive to the private sector. For example, three good candidates were short listed by the majority of LIFT schemes, however, the geographical exclusivity given to the private partners meant LAs were reluctant to participate (NAO, 2005, p. 20).

Thirdly, the structure reduces transparency of reporting. The official picture of LIFT, shown in Figure 1 makes visible the LIFTCo, but in practice hardly any significant transactions are found in either JV1 or JV2. For example, the LIFTCos subcontract all construction works of their Fundco subsidiaries to sister companies. The outcome is that the profits on sub-contracted elements of the contract are not reflected in the joint venture companies’ financial statements. Furthermore, as the financial statements of both the joint venture companies JV1 and JV2 Ltd. make clear, the groups do not disclose their related party transactions:

‘As the company (referring to the joint venture company – JV1 or 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’.

The visibility of the LIFTCo makes invisible the underlying transactions, which can be found only in the financial structures, the Fundcos, thereby suggesting a finance-based reporting. This finance-based reporting contrasts with the project-based reporting evident in PFI schemes. Although also lacking in transparency, the latter do at least make visible project-

related profits that flow through the SPV with some scope for identifying the individual revenues and costs of PFI.

In LIFT schemes, each Fundco usually represents a number of projects, and the externally reported financial information in the annual reports makes no reference to specific projects. Thus the financial information is too aggregated to allow individual projects under both JV1 and JV2 groups to be reconciled with the various Fundcos and by extension, the various subsidiaries. Therefore, visibility of projects under the various fundcos is completely lost. Only those with access to internal management reports and/or financing contracts are able to understand how debt and other costs and revenue relate to specific projects. The researchers did ask the Chief Executives of the LIFTCos for access to internal management accounts but after follow up requests we were denied on the grounds of commercial confidentiality. As the LIFTCos are private limited companies they are not subject to the Freedom of Information Act. Thus accounting is a means for domination by management who will have access to such reports and contracts. While shareholders and finance capital providers may have such access, these are not publicly available.

The accountability implication is that reporting emphasizes fiduciary duty of care to finance capital and shareholders and is finance-based, demonstrating what the financialisation literature describes as the primacy of finance capital and finance-based accumulation (eg. Andersson *et al.*, 2010; Blackburn, 2006 and Goldstein, 2009). The interesting point is that with a pittance of equity capital essentially debt-based finance structures are deliberately transformed by knowledgeable human agents into equity shareholding companies, to create private sector domination, or authoritative resource (Giddens, 1984) over large deals. Although tiny in value, the equity capital in the LIFT joint venture company gives priority to the interests of shareholders meaning that equity capital is a structure of domination. But it is also an authoritative resource as it gives the shareholders the capability to constitute the board of directors and command control over decision making and monitoring.

Fourthly, costs are greater than anticipated. The cost of financing the schemes is greater than the initial planning assumptions of Partnerships for Health in 2001. The blended equity internal rate of return of the early LIFT projects varies between 14.3 and 15.9% which is above the planned 13%. But the cost should not have been unexpected since the highly geared structure of LIFT is similar to that of PFI, and results in similar costs of finance to typical PFI projects (NAO, 2005, p. 24). Also, whereas the DoH expected low transaction costs (DoH, 2001, p. 29), these were greater than expected, although likely to reduce over time (NAO, 2005). But the abolition of the PCTs implies that these hoped for longer term cost reductions may not accrue. Furthermore, while acknowledging that transparency had been better on another project he was familiar with, one JV2 public sector director explained that transparency between partners on costs was an issue:

'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'.

Fifthly, although the LIFT structure was designed specifically for relatively small scale projects, this lack of size and the local nature of schemes create specific governance issues. It has been difficult to appoint non-executives to chair the LIFTCo and SPB and to make Board appointments (NAO, 2005). To resolve this deficiency it is essentially inevitable that governance arrangements would be reworked, as in our case studies, so that in this structure

some individuals hold dual roles, with potential conflicts of interest. Should such conflicts become visible to the public they could undermine the legitimacy of the programme.

Finally, a policy decision was taken to roll out waves two and three more quickly than intended and indeed even before the first wave schemes had completed contract negotiations:

'The business model in the early days was very much around we had an urgent need and necessity to replace existing health centres and there was a speed and need to do that' (D1b).

This focus on immediate policy solutions led to quick delivery being prioritised over due process (Hodge, 2004), exposing government to governance risk (Andon, 2012), because lessons learned could not be transferred as initially intended. This may have contributed to the NAO's conclusion in 2005 that local management frameworks needed to be strengthened (NAO, 2005, p. 36). For example, there was no oversight of the SPBs' performance and no systemic evaluation of the advice given to procurers. Furthermore, despite a strong recommendation that Strategic Health Authorities should have a place on LIFT project Boards (DoH, 2005, p. 21), in two of the NAO's six case studies this had not occurred. This is a second example of the public sector's inability to mobilise resource to counter the power of the private sector participants.

So, these structures raise important policy issues because, as governance practices become ever more complicated, public accountability reduces. It is, for example, very difficult to uncover any conflicts of interests that may emerge from the subcontracting and other dealings between related parties, or to find additional information to evaluate the actual beneficiaries of the financial gains of the LIFT scheme. Furthermore, as Shaoul *et al.* (2010) note such failures of transparency cannot be overcome by reference to the Freedom of Information (FoI) Act 2000 because such companies are presently not subject to the Act's requirements. During interviews with JV1 respondents, we made a request for more information about the contract and costs and we acted upon instructions that such a request should be made under the FoI Act. However, directors refused to release this additional information because, we were informed, shareholders would not sanction its release. This is further evidence of equity capital acting as an authoritative resource commanding control over decision-making that may go against the public interest.

Independent external scrutiny is also undermined. Despite successfully negotiating access to two LIFT projects and their chief executives the current researchers nevertheless experienced difficulties in obtaining interviews and some requests for documentary evidence, especially of disaggregated financial information, were refused. This tendency to secrecy 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 with shareholders, not the public. That is, the status of the company was designed and is deliberately used as a structure which gives meaning to the way the directors act and legitimates their actions.

Within these LIFT structures the role of the human agents is key. Accountability as a social relation (Bovens, 2010) focuses on the agency relationships between managers, accountants and directors and the principals - shareholders and finance providers. Other stakeholders, such as taxpayers and citizens, who might be expected to be part of the forum (Bovens, 2010)

are deliberately excluded. The general public becomes ‘missing users’ (Heald, 2012, p. 40), meaning that public accountability suffers, as accounting has (re)defined what is legitimate in the public sector (Englund *et al.*, 2011).

Ultimately, the LIFT format is a more opaque form of PPP than the predecessor PFI schemes. The joint venture company (JV1 and JV2 Ltd in our case diagrams), was presented originally as the main vehicle for the policy (NHS Plan, 2000), but in practice these companies contain few significant financial transactions. The significant transactions involving debt capital, construction costs, rental charges, and revenues are reported through the FundCos. Consequently, the joint venture mechanism at the heart of the partnership arrangement cannot be relied upon to deliver transparency or public accountability. To find significant transactions interested parties need to dig deeper through the FundCos, which are not discussed at policy level as the main delivery vehicles. Therefore, this lack of transparency is in marked contrast to the rhetoric that accompanied the introduction of the scheme – that the joint venture vehicle would deliver transparency (NAO, 2005). Human agents have constructed a new form of PPP to take the place of the discredited PFI but in material respects this new form (re)produces the systems of accountability of the PFI.

7. CONCLUSIONS

This paper responds to the calls for accounting studies that cross disciplines and are socio-technical in nature (eg. Broadbent, 2012; Hodge *et al.*, 2010; Humphrey and Miller, 2012). Using a cross case analysis, in this one specific context the study identifies the significance of the socio-politico-legal world in which the techniques and technologies inspired by New Public Management style reforms are deployed.

In choosing the Giddens’ framework we are alerted to the interaction between structures and human agency. This allows us to challenge those policy makers who call for prescription in structures (see Lynn, 1998), for example, the NPM adoption of private sector style oversight arrangements (Boards of Directors), and/or the adoption of private sector based conceptual frameworks in the public sector. Such approaches overstate the power of structures and overlook human agents. Similarly, calls for more governance by experts (cf. Harvey, 2005), may be overstating the power of these human agents by putting the locus of control largely in their hands thereby consigning structures to a relatively passive role.

These calls for change that focus individually on structures or human agency simplify complex activities like accountability and governance as either (1) mechanical, neutral, objective and comparable or as (2) mere interpretations of human agents. The neglect of the interaction between structures and human agency necessarily restricts our understanding of accountability and governance. This may be especially so in relation to the public sector which is relentlessly pursuing an agenda of introducing more mechanics and experts from the private sector. By drawing on Giddens’ theoretical approach, we are able to overcome the dichotomies between structures and human agency, and to bring the agent more into focus (Conrad, 2014) by exploring the notion of duality of structure.

It is important to note, however, two issues raised by Sewell (1992). First, structure empowers human agency differently and thus embodies the intentions and knowledge of human agency differently from situation to situation. It involves individual as well as collective actions. Second, agency entails the ability to coordinate actions with and/or against others to form

collective projects, but ‘...the extent of agency exercised by individual persons depends profoundly on their positions in collective organization’ (Sewell, 1992, p. 21). As the two cases show, agency is employed differently, in some instances and individuals from the public and private sectors have markedly different ability to exercise agency within the LIFTCo.

Giddens suggests that social practices may change, sometimes slowly and sometimes very suddenly and radically. Public services in the UK and the rest of the world have seen significant and wider use of private sources of funding. Also, and as part of this new funding arrangement, new forms of PPPs and joint ventures have emerged in the delivery of public projects and services. In these situations, conditions governing system reproduction change and accordingly, old conventions and codes, habitual routines and conventions of social practices may be abandoned. And in their stead, new ones are introduced, and therefore result in changes in practice (Busco *et al.*, 2006). However, Giddens suggests that how far such a change comes about is essentially dependent on the degree to which critical agents emerge from the social setting and their ability to rally allocative and authoritative resources to produce or thwart change.

In particular, the paper shows how some human agents were able to use their expertise to create structures that benefit finance capital. **In this regard their power was hidden behind a façade of collaboration in which human agents cloaked their self-interested actions in terms of partnership (Free, 2008).** In offering accounts of their conduct, actors draw upon the same stocks of knowledge as are drawn upon in the very production and reproduction of their actions. That is, the very same social knowledge and skill is involved in the genesis of action and accounts’ (Giddens, 1979, p. 57). Discourse analysis, in particular some key quotes from interviewees and extracts from documents, shows very clearly how experts’ appropriation of the organizational structures puts profit maximization and returns to debt and equity at the heart of health care projects. Other actors, who might have challenged the benefits to finance capital were unable or unwilling to mobilise resources to counter the control of capital. So, transparency and hence public accountability are undermined by the inherent secrecy of the schemes driven by the demands of commercial confidentiality. This secrecy is facilitated by the multiplicity of limited liability holding and funding companies, those structures of signification and legitimacy which in simpler circumstances intersect to deliver accountability. While accountability conveys normative expectations about rights and obligations of actors these are confounded by the complexity of the structures, all of which have been deliberately created by human agents – ‘a skilled accomplishment of actors’ (Giddens, 1993, p.25).

For policy makers globally who might consider adopting LIFT-like schemes in future the message is clear. They need to move beyond the rhetoric to consider their locale and the practical implications of such schemes. In particular, they must recognize that self-interested actions may be dissembled under apparently every day organizational and accounting practices (Free, 2008). In practice, the complex group structure of LIFT-type PPPs exacerbates the lack of transparency and public accountability that has already been identified in PFI. The provision of very small amounts of equity capital gives control over very large deals that will be managed for 20 to 30 years by people within organisations that are not accountable to the public.

In a complex social world policy makers need to be aware of the ever changing environment in which schemes such as LIFT impact citizens. Andon (2012) calls for government to systematically accumulate and make available information on the performance of PPPs, but this study suggests that this may not be easy to achieve as important information about performance is locked inside complex groups. The study's explanation of how micro level regulation can render the public as missing users (Heald, 2012) is likely to be relevant in other PPP variations, where actors seek to design structures to obstruct transparency. In addition, the financialisation context will continue to privilege the private sector experts who will continue to promote their own self- interest at the expense of the public interest.

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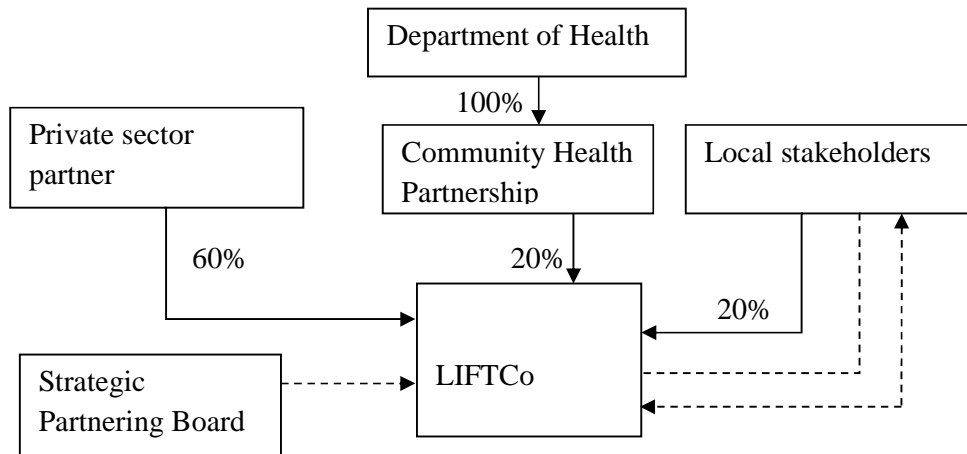
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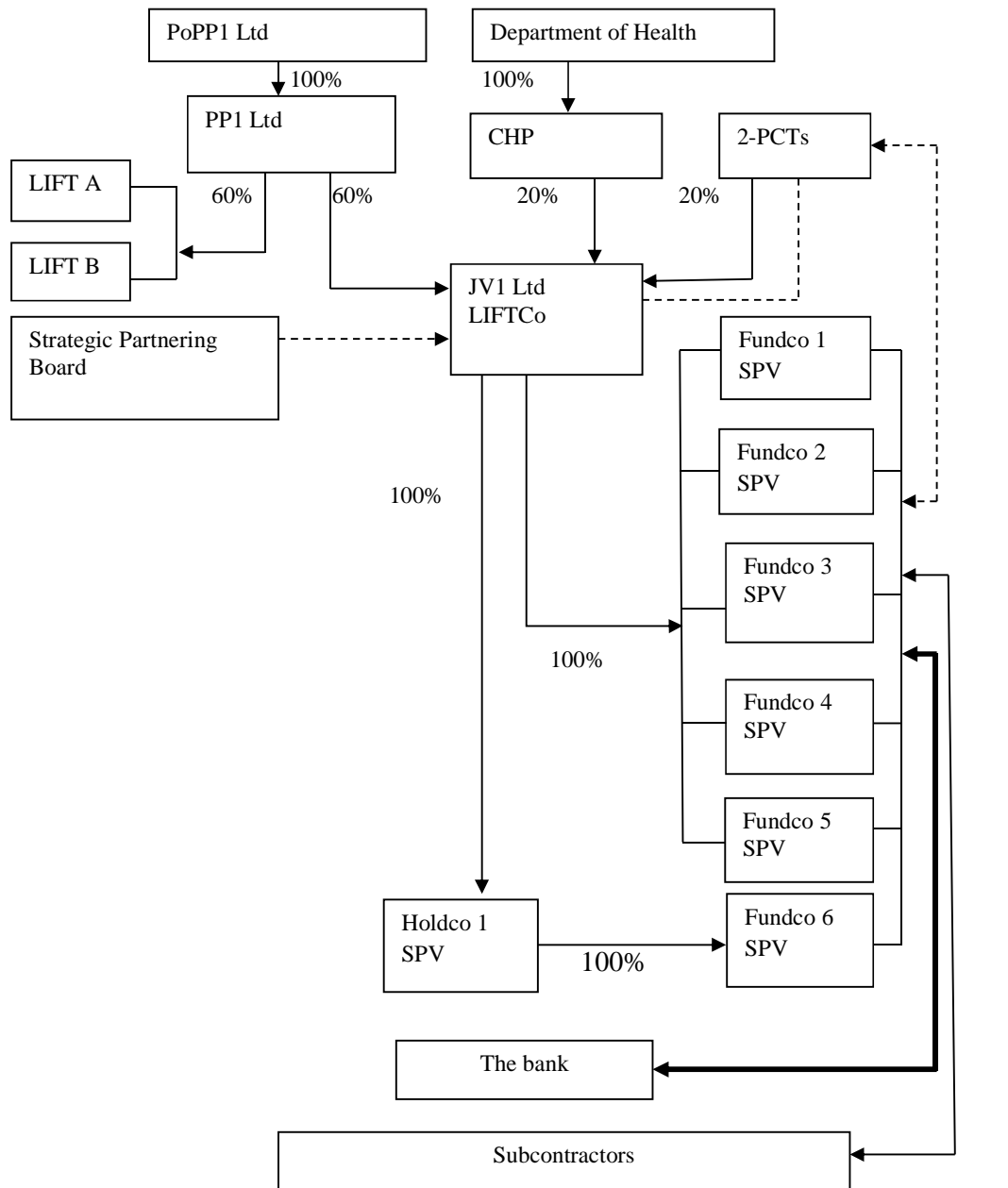
Figure 1: The current form of the NAO LIFT diagram



←-----→ Tenancy/Lease Plus Agreement; -----→ Oversight by public sector;
 —————→ Ownership and control; ----- Strategic Partnership Agreement

(Source: NAO 2005:1)

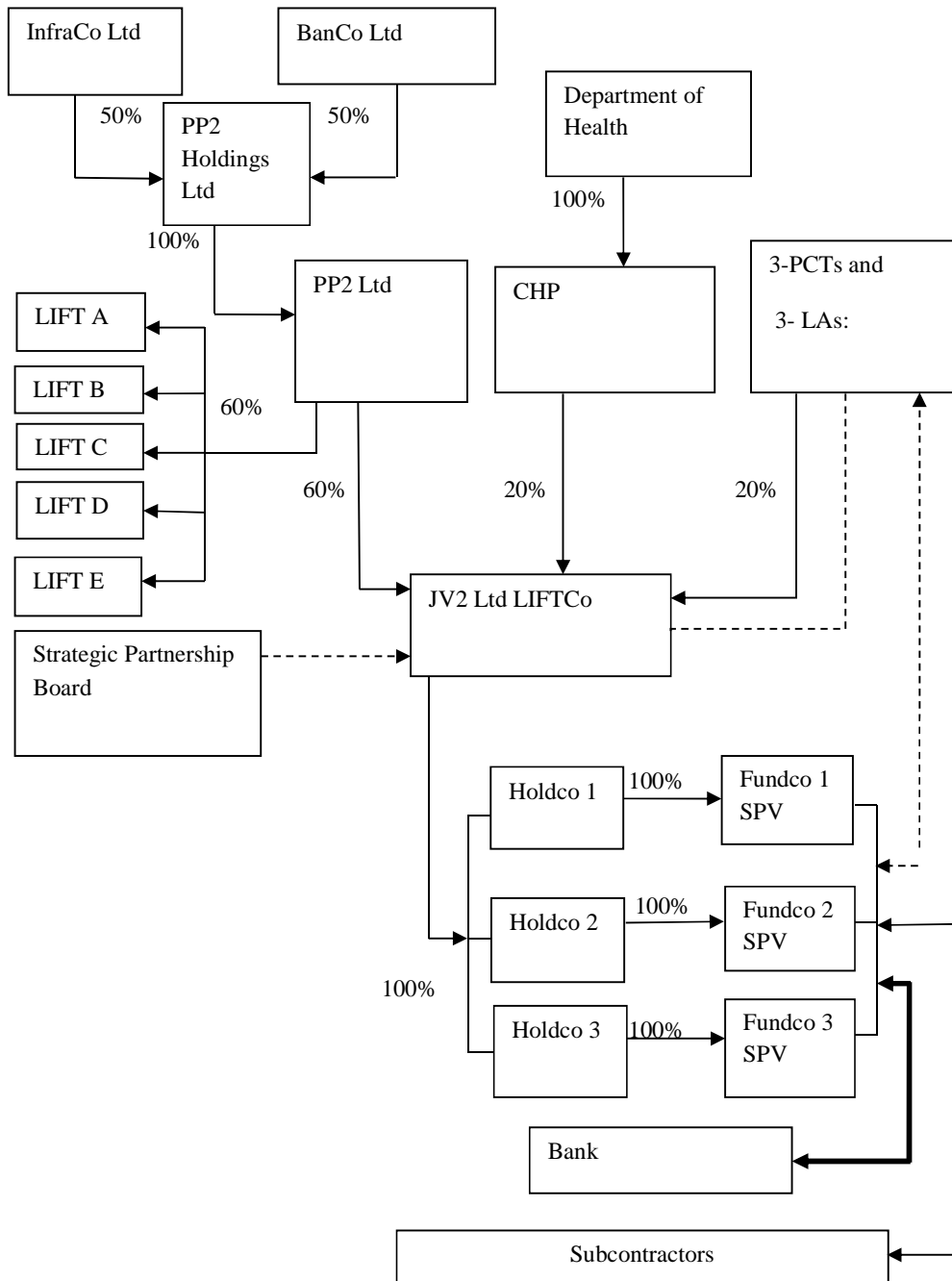
Figure 2: The JV1 scheme's corporate structure



- ←-----→ 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 structure⁵



<-----> 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).

⁵ A clarification was sought about this structure from Q2a and Q2b.

Table 1: **List of interviewees for JV1**

Interviewees	Organisation	Position
D1a	PCT1	Former CEO, Chair of Board
D1b	PCT1	Finance Director, PCT
D1c	PCT1	Director of Corporate and Public Affairs, PCT
D1d	JV1 Ltd	CEO
A1	Accounting firm	Advisor to LIFT scheme

List of interviewees for JV2

Interviewees	Organisation	Position
D2a	LA	Former chairperson of the SPB for JV2
Q2a	PCT	Finance Director, PCT
Q2b	PCT	Deputy Finance Director of PCT

Table 2: Debt structure of JV1 Ltd and the subsidiaries (Fundcos)

	2003	2004	2005	2006	2007	2008	2009	2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
JV1 Ltd								
Shareholder	291	301	222	139	143	147	50	52
Subsidiary	0	252	528	73	204	0	32	548
Total debt	291	552	750	211	347	147	82	600
Fundco 1								
Bank	1,886	17,573	21,345	21,060	20,814	20,562	20,293	20,003
Shareholder	1,271	2,313	2,670	2,400	2,242	2,270	2,116	2,103
Total debt	3,157	19,886	24,015	23,460	23,056	22,832	22,409	22,106
Fundco 2								
Bank			15,027	21,793	21,552	21,334	21,076	20,818
Shareholders			2,280	2,463	2,484	2,398	2,365	2,346
Total debt			17,307	24,256	24,036	23,732	23,441	23,164
Fundco 3								
Bank			1,152	2,125	2,105	2,086	2,067	2,044
Shareholders			226	250	246	251	247	246
Total debt			1,378	2,375	2,351	2,337	2,314	2,290
Fundco 4								
Bank loans				6,396	16,800	16,687	16,600	16,528
Shareholder				1,682	1,866	1,883	1,872	1,862
Total debt				8,078	18,666	18,570	18,472	18,390
Fundco 5								
Bank loans								0
Shareholder								105
Total loans								105
Fundco 6								
Bank							2,036	14,378
Shareholder							2,513	2,804
Total debt							4,549	17,182
Bank	1,886	17,573	37,524	51,374	61,271	60,669	62,072	73,771
Shareholder	1,562	2,614	5,398	6,934	6,981	6,949	9,163	9,518
Subsidiary	0	252	528	73	204	0	32	548
Overall total	3,448	20,438	43,450	58,380	68,456	67,618	71,267	83,837

(Sources: Annual reports and accounts (various years))

Table 3: Loan structure of JV2 group Ltd

	2005	2006	2007	2008	2009	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
JV2 Ltd							
Total loans¹	0	2	2	23	1,400	179	160
Fundco 1							
Bank loans	9,047	25,919	38,911	41,277	40,783	40,146	39,620
Subordinated loans	1,085	2,602	2,927	3,296	3,693	4,161	4,686
Mezzanine loans	1,095	2,556	2,761	3,105	3,384	3,576	3,822
JV2 Ltd loan	9	15	1,487	2	737	0	0
PP2 Ltd loan	25	145	166	106	219	50	0
Total loans	11,261	31,237	46,252	47,786	48,816	47,933	48,128
Fundco 2							
Bank loans	-	-	9,973	25,563	36,784	37,791	37,947
Subordinated loans	-	-	3,566	4,021	4,529	5,109	5,753
JV2 Ltd loan	-	-	49	232	408	31	29
PP2 Ltd loan	-	-	11	197	12	25	0.8
Total loans	-	-	13,599	30,013	41,733	42,956	43,730
Fundco 3							
Bank loans							
Subordinated loans							
JV2 Ltd loan							
PP2 Ltd loan							
Total loans							
Overall total debt	11,261	31,239	59,853	77,822	91,949	91,068	92,018

(Sources: Annual reports and accounts (various years))