Value for Money Evaluation of Three Operational NHS Private Finance Initiative Contracts

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Abstract

This thesis draws on the analysis of data from interviews, observations, documents and archival records to examine the conditions of possibility for PFI procurements by three English National Health Service (NHS) Trusts and the extent to which these projects are affordable and delivering Value for Money (VfM). Drawing from Bourdieu's Theory of Practice and his social praxeology, the thesis problematizes the critical explanations for the adoption of PFI by NHS Trusts and the VfM evaluations in operational projects. It contributes to the literature by theorising and empirically examining the operational conditions that have made NHS PFI a viable possibility, and the affordability and VfM issues arising from choosing and implementing PFI.

On the conditions of possibility, the thesis finds that the state, through a statecraft of modernisation, structured local dispositions for PFI programmes using multi-layered and multi-directed reforms. Reforms restructuring the bureaucracy and financing of healthcare delivery, together with state-wide neoliberal practices, made Trusts more receptive to the use of the PFI. In addition, the increasingly evolving demands from national healthcare delivery frameworks in their applications to insufficiently resourced Trusts, defined the spatio-temporal adoption of the PFI.

The thesis also finds that the projects are relatively unaffordable, but the reasons for their unaffordability are complex and multi-layered. In addition, VfM in operational projects is polysemous; has largely become symbolic and inconsequential, with its pursuit and constitution taken for granted. *Ex-post* evaluation programmes are not executed as procurers hold the costs of such exercises to outweigh the benefits. Furthermore, HM Treasury's regime for VfM determination, in application, constructs a VfM reality removed from the 'lived' experiences of the procurers; and accounts for the apathetic inertia in PFI procurements. However, this same regime works to the benefit of stakeholders vested with financial and ideological interests in the functioning of the PFI.

Dedication

To my parents Maria Mahama and Mohammed Salifu, and to my beloved sister Hajia Hidayatu Salifu.

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List of Acronyms

AEDET	Achieving Excellence Design Evaluation Toolkit
CEO	Chief Executive Officer
CIM	Capital Investment Manual
CPT	Contingency Planning Team
DBFOM	Design, Build, Finance, Operate and Maintain
DH	Department of Health
EAC	Equivalent Annual Cost
ECC	Elective Care, Genetics and Diabetes Centre
ERIC	Estates Return Information Collection
FBC	Full Business Case
FBP	Fall Back Position
FM	Facilities Management
FOI	Freedom of Information
FT	Foundation Trust
HTM	Health Technical Memoranda
IBD	Interest Bearing Debts
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
MES	Managed Equipment Supply
MRC	Medical Research Council
NAO	National Audit Office
NHS	National Health Service
NPC	Net Present Cost
NPM	'New' Public Management
OBC	Outline Business Case
OBR	Office for Budget Responsibility
OGC	Office of Government Commerce
OJEU	Official Journal of the European Union
PBC	Prudential Borrowing Code
PBL	Prudential Borrowing Limits
PDC	Public Dividend Capital
PEAT	Patient Environment Action Teams

PF2	Private Finance 2
PFI	Private Finance Initiative
PFP	Private Finance Panel
PFU	Private Finance Unit
PLACE	Patient-Led Assessments of the Care Environment
PMS	Performance Measurement System
PPP	Public Private Partnerships
PSBR	Public Sector Borrowing Requirement
PSC	Public Sector Comparator
PSNB	Public Sector Net Debt
SOC	Strategic Outline Case
SPV	Special Purpose Vehicle
VfM	Value for Money
WGA	Whole of Government Accounts

Chapter 1: Introduction to the Thesis

1.1 Preamble

The Private Finance Initiative (PFI)[1], the most widely used form of Public Private Partnerships (PPP)[2] in the United Kingdom (HM Treasury 2012a), has since its introduction changed the landscape of the public procurement and the provision of public services. Introduced in 1992 with the macroeconomic objectives of controlling government expenditure and debt (Hellowell 2010), the continued use of the policy has since been premised on the microeconomic objective of Value for Money (VfM) delivery (Edwards *et al.* 2004). Since its introduction, Economic Affairs Committee (2010) reckons the PFI has been used in over 800 projects with capital values of over £64 billion. HM Treasury (2016b) presents that as of 31st March 2015, 722 PFI projects were in procurement (of which 679 were operational), with capital costs and total estimated outstanding liabilities of £58 billion and £307 billion respectively. The hospitals and acute health sector under the Department of Health (DH) is the largest procurer of PFI projects in terms of capital costs, procuring over 105[3] projects with a total capital value of circa £12 billion.

About 1 in 3 National Health Service (NHS) providers[4] in England have a PFI scheme, with the NHS collectively spending over £1.8 billion a year to service their PFI obligations (Public

[1]PFI is a policy designed to engage the private sector to design, build, finance, operate public infrastructure, and deliver services through a long-term contractual arrangement (averaging 30 years) in return for unitary payments spread over the life of the contract. Because of the various aspects of a PFI projects, contracts are usually awarded to a consortium of companies with relative experience in each field of the contract, who usually establish a Special Purpose Vehicles (SPV) to execute the project. The policy aimed at harnessing private sector expertise, efficiency and capital resources for the delivery of the asset based services (See Treasury Committee 2011).

[2] PPPs refer to a wide range of different collaborations between the public sector and the private sector towards achieving a common purpose. PPPs take various forms, depending on the financial and organisational architecture of the partnership. Some forms of PPPs include Joint ventures, PFI, partial privatisation and sale and lease backs between the government and the private sector (See HM Treasury 2012a).

[3] There are various ways to break down the data. The Department of Health procured about 125 projects overall: 106 to the health and acute hospitals sector, and 19 to social care sector. Not all of 106 projects are in the NHS however.

[4] NHS Providers are organisations providing NHS services, including acute, ambulance, community and mental health services.

Accounts Committee 2014). A significant number of these schemes are in their mature operational stages, yet relatively little is known about their operations. National Audit Office (NAO) (2015) observed a statistically significant relationship between PFI commitments as a cost pressure and the financial performance and sustainability of NHS providers, with 43% of the 94 acute Trusts reporting deficits in 2014-15 having PFI schemes (compared to 36% of the 61 reporting surpluses). In 2013-14, 67% of Trusts that reported deficits greater than £25 million had PFI schemes (NAO 2014a). Since 2012-13, when NHS Trusts reported a combined surplus of £592 million, 115 Trusts (representing 80%) have reported deficits in 2014-15 (a combined deficit of £834 million). By May 2016, the deficit had risen to £2.4 billion (Campbell 2016), with the NHS (2014) estimating a shortfall in resources of £30 billion by 2020-21. The impact that the PFI would have under these circumstances is indisputable.

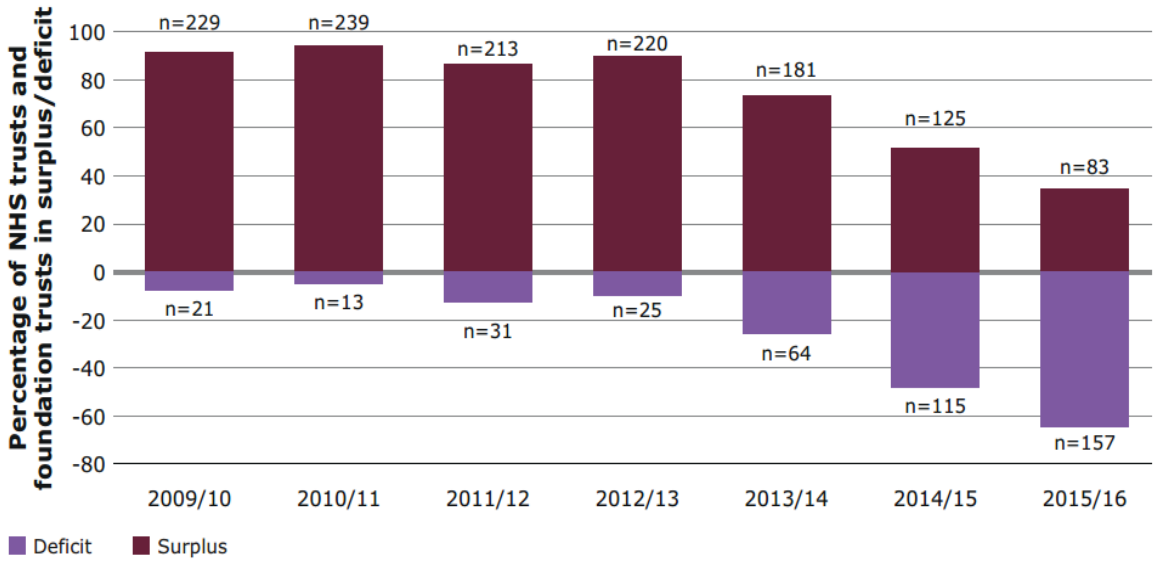


Figure 1.1: Number of Trusts and FTs in deficit or surplus, 2009/10 to 2015/16

Source: Dunn *et al.* (2016).

PFI and its raison d'être of VfM has received considerable interest in the literature, ranging from those that have sought to tackle the nature and rationale for PPPs/PFIs (Asenova and Beck 2010, Broadbent and Laughlin 2005b, Clark and Root 1999, Hall 1998, Linder 1999, McQuaid and Scherrer 2010, Robinson 2000, Shaoul *et al.* 2007b, Spackman 2002); processes and procedures

aiding in PFI decisions (Cooper and Taylor 2005, Coulson 2008, Froud 2003, Grimsey and Lewis 2005, Khadaroo 2008, Shaoul 2005); and on merit and worth of PFI (Edwards and Shaoul 2003b, Edwards *et al.* 2004, Hellowell and Pollock 2009, Pollitt 2002, 2005, Pollock *et al.* 2007, Shaoul *et al.* 2006, Shaoul *et al.* 2008a) among others. However, these studies have produced conflicting findings. Hodge (2010: 95), presenting on the findings of some of these studies, argued that "much of this assessment has amounted to little more that blatant salesmanship on the one hand, to stinging, and just as blatant, criticism on the other" and often are full of competing values being articulated.

Despite the attention that PFI and VfM have received in the literature, relatively little is known about the operational management and VfM delivery in these projects (Andon 2012). In addition, the macro-level explanations offered for the proliferations of PFI may not necessarily reflect the reasons why PFI is adopted at the micro-level. To this end, this thesis examined some key issues related to VfM in operational NHS PFI projects, and the conditions of possibility that allowed for respective PFI schemes to be deemed viable.

1.2 Research Objectives and Questions

This thesis has two objectives. The first is to understand why a PFI ambition was considered a valuable and viable alternative for infrastructure procurements at the project level, and the second seeks to provide a better understanding of the post-implementation VfM and affordability issues in operational NHS PFI projects. This research asked two main questions.

Research question 1

What are the conditions of possibility for an NHS Trust to view a PFI scheme as reasonable and acceptable?

The proliferation of the PFI in England has been marked with the increased devolution and granting of powers and financial freedoms to NHS providers to procure through the PFI and alternative routes. In the English NHS system, Trusts have the responsibility to procure PFI schemes, albeit with some level of control from the central government through the DH and HM Treasury. Different Trusts are presented with different opportunities, with the capacity for the utilisations of the opportunities varying between the Trusts[5]. Faced with different prospects and endowed with different capabilities; what conditions, actions, and elements together permit Trusts to view PFI schemes as promising alternatives for infrastructure investment and procurement? In Bourdieusian terms, what structuring structures inform the logic of a PFI procurement within a specific field? Critical commentary and explanations for the proliferations of PFI schemes subsumed these motivations under macro-level explanations for the proliferations of the PFI (Andon 2012), accounted for through explanations of the social and political factors that arguably account for the saliency of PFI schemes. However, Andon (2012) presented that the macro explanations do not sufficiently account for the agency of relevant government actors, or how they attempted to make sense of a PFI for themselves in their own circumstances.

Research question 2

To what extents are operational NHS PFI projects affordable and delivering VfM?

Since 1997, the microeconomic justification of VfM delivery has been the rationalisation motif for the continued use of PFI in the UK (Broadbent 2002). The government consequently spent considerable efforts in formulating pre-decision criteria for the assessment of PFI schemes. However, VfM is actually delivered during the operational phase of the PFI scheme. Broadbent *et al.* (2003) and Edwards *et al.* (2004) argued that long-term VfM analysis should be undertaken once projects take off, with IPPR (2001) also arguing that actual outcomes of PFI projects could

[5] An example is the notable difference in financial freedoms granted to NHS Foundation Trusts over NHS Trusts.

only be measured in the long-term. NAO (2006a: 5) stressed the importance of post-implementation evaluation of VfM, and contended that "achieving value for money from PFI depends as much – if not more – on getting the required operational performance as on getting the best deal". The NAO's (2006a, 2006b) framework for appraising and evaluating PFI projects divided the PFI procurement process into six stages[6], arguing that indicators for the delivery of VfM were different in each stage of the process. NAO (2009b, 2013a) also contended that no two projects are exactly identical; and highlighted the need for individual evaluations of VfM to be made per project and per sector.

Despite the value of knowing the state of these projects in terms of VfM delivery, relatively little is known about the state of operations of these schemes. Apart from a few studies exploring *ex-post* evaluation processes of government for PFIs (e.g. Broadbent *et al.* 2003, English *et al.* 2010), and some *ad hoc* studies by NAO, there has been relatively little scholarly interest in the post-implementation evaluation of PFI schemes (Andon 2012). As Broadbent and Laughlin (2004a: 8) suggested, "having exhaustively explored whether to pursue a PPP, it seems almost irresponsible to fail to analyse whether predicted outcomes actually occur".

Affordability, an extension to VfM analysis, is one of the most important issues in Trusts with PFIs (Shaoul 2005). Affordability, put simply, is the ability of the procurer to honour their periodic PFI obligations. Affordability is so important a concern that PFI options deemed to deliver VfM cannot be pursued until they have demonstrated their affordability (HM Treasury 2006b). Froud and Shaoul (2001) argued that issues of affordability extended beyond the ability of a procuring authority to pay the annual tariffs, to those of how the tariff payments affected the wider (current and future) healthcare economy. Pollock *et al.* (2007) contended that capital charges were

[6] NAO (2006a, 2006b) truncate the PFI procurement process into six stages: strategic analysis; tendering; contract completion; preoperational implementation; early operational; and mature operational. Each stage has different indicators for VfM assessment.

significantly higher under PFI schemes than would normally be charged via conventional financing. The effect of such, Shaoul *et al.* (2008a) argued, caused procuring authorities to make adjustments to expenditure at other parts of the NHS, and thus affecting the overall healthcare delivery. Affordability concerns are thus materially important to the evaluation of the success or otherwise of a PFI project, and have significant effects on the financial sustainability of the procurers.

1.3 Motivations and Justifications

The main motivation for this study draws from the limited understanding we have of the adoption and operational performance of the PFI in the NHS. On the use of PFI by procuring authorities, critical commentary on the proliferation of PFI schemes subsumes micro-level explanations for the adoption of the schemes under the macro-level rationales (see Andon 2012). Some authors (e.g. Broadbent *et al.* 2008, Broadbent *et al.* 2000, Cooper and Taylor 2005, Grimshaw *et al.* 2002, Khadaroo 2008) strongly argue for the situation of PFI schemes within a broader socio-political context, ostensibly rooted in an ideological commitment to further practices that are best described as 'New' Public Management (NPM). However, Andon (2012: 906) recognised the linkages that some authors draw between the ideological commitments and the transformation of institutional structures, and presented that:

> this ideological commitment explains the development and effects of seemingly innocuous changes to rules and structures governing public decision making (such as government borrowing limits, public agency capital charges, debt reduction programs, legislative changes and policies of governments and international agencies), which have arguably created conditions favourable to privatising arrangements such as PPP.

While these comments do explain the proliferation at the macro-level, they do not adequately account for the agency of government actors in PFI procurements. For these explanations to hold at the micro-level, the state was implicitly theorised as a single monolithic entity so that its structures directly account for procurement practices without the influences of subjectivities and

strategies. Resistance to these structures, however minute, is arguably not adequately reflected in this conceptualisation *(ibid.)*. A need to reconceive the state and account for the interaction between structure and agency in generating PFI practices and to better explain the proliferation of PFI is thus necessitated.

On VfM delivery, the main motivation for this research stems from the continued use and promotion of the PFI in the provision of public services, despite the lack of clear consensus as to its potency in delivering VfM. Although VfM has been presented as the rationalising motif for PFIs (HM Treasury 2006b, 2012a, NAO 2013c, Treasury Committee 2011), there is no conclusive evidence that VfM was or is being delivered in all operational projects (cf. NAO 2011, 2013b, Public Accounts Committee 2010, 2011a, 2011b, Treasury Committee 2011).

Many researchers (e.g. Barlow and Köberle-Gaiser 2008, Broadbent *et al.* 2008, Demirag and Khadaroo 2011, Edwards *et al.* 2004, Jupe 2009, Khadaroo 2014, Shaoul 2005) have examined PFI-VfM and its various aspects in different government departments. However, most of this research has concentrated on the appraisal process through which the PFI route is selected, and has sought to make performance projections based on deficiencies in the decision-making processes. Relatively fewer evaluative studies, (e.g. Broadbent *et al.* 2004, Edwards *et al.* 2004, Shaoul *et al.* 2006, Shaoul *et al.* 2008a, Shaoul *et al.* 2008b) have evaluated VfM at the operational stage of the contract. In addition, the NAO has undertaken several *ad hoc* studies on operational PFI projects[7].

The relatively little scholarly interest that operational PFI projects attract causes a break in our understanding of the operational issues and the state of VfM delivery in those projects (Andon

[7] The *ad hoc* nature of the reviews means that the reports are tailored to the triggers of the reviews, and may not directly address the extent of delivery of VfM. Also, the NAO does not have the mandate to question government policy, thus conducting their studies with the objectives of making recommendations to improve on future achievement of VfM. Broadbent and Laughlin (2003a) argue this effectively legitimises the use of the policy and its evaluation. This consequently reduces the efficacy of the reports as a source of critical commentary.

2012). The actual delivery of VfM is only evidenced during the operational phase of the project, the phase where evaluations of delivery should be done (Broadbent *et al.* 2003, Edwards *et al.* 2004). The importance of *ex-post* evaluation also comes to the fore as projects are subject to substantial changes post-financial close; with the outcomes of the PFI projects being indeterminate prior to operationalisation (Froud 2003).

In addition, the literature is crisscrossed with varying claims of success in the operational delivery of VfM in PFI projects. Shaoul *et al.* (2007a) observe that assessments underpinning claims of success of PFI schemes are often not independent of the procuring authorities; with the criteria for defining success limited to the achievement of narrowly defined and project specific technical accomplishments. They also suggest that evidence on the achievement of broader financial and social objectives for these 'successful' projects were limited. Drawing from Shaoul *et al.* (2007a) thus, independent analysis (such as that presented in this thesis) using broader basis of analysis for success is desired.

Besides, affordability is increasingly becoming an important consideration in the light of diminishing budget allocations to public bodies. Affordability estimates in business cases often include capital receipts from the governments and receipts from the sale of noncurrent assets (Pollock *et al.* 1997). However, the reliability of funding receipts at a sustainable level is not guaranteed, neither is the actual receipts from disposals. The growing number of Trusts in financial difficulties (NAO 2015, 2016), raises concerns on post-implementation affordability of the PFI contracts that should be investigated.

Furthermore, affordability and VfM concerns have been heightened in the light of the excessive profits made by PFI equity holders. These profits measured through the consortia's own reported profits and from the resale of PFI equities (Whitfield 2011), raises concerns on whether the public sector is being over-charged for services procured. Though public disclosures about company

profits from PFI are usually cloaked under commercial confidentiality, Whitfield (2011) estimated the profits from a sample of PFI equity resale transactions at £500 million, suggesting that were all resale transactions to be of equal profitability, estimated profits would stand at £2.2 billion. On the assumption that the fundamentals support the pricing of the securities resale, it is worthy to conclude the private consortia makes supernormal profits from the PFI deals and the public sector is paying premiums for the services procured, undermining the VfM argument for the continued use of the policy.

The NHS was chosen for this study as it procured the highest proportion of PFI contract in the UK (see Figure 1.2), and because of its strategic placement in the politico-socio-economic fabric of the UK. After all, the NHS "is the closest thing the English have to a religion" (Lawson 1992: 613). In terms of the number of projects, there are 125 PFI projects under the DH with capital values of about £12 billion (representing 24% of the capital value of all PFI projects), and estimated future liabilities of £81 billion (representing 29% of all estimated future PFI liabilities). Within the DH, 98% of the projects in terms of capital value are NHS Hospitals PFIs, with the remaining 2% being projects in social care. This gives NHS a strategic importance in terms of PFI assessments and evaluation.

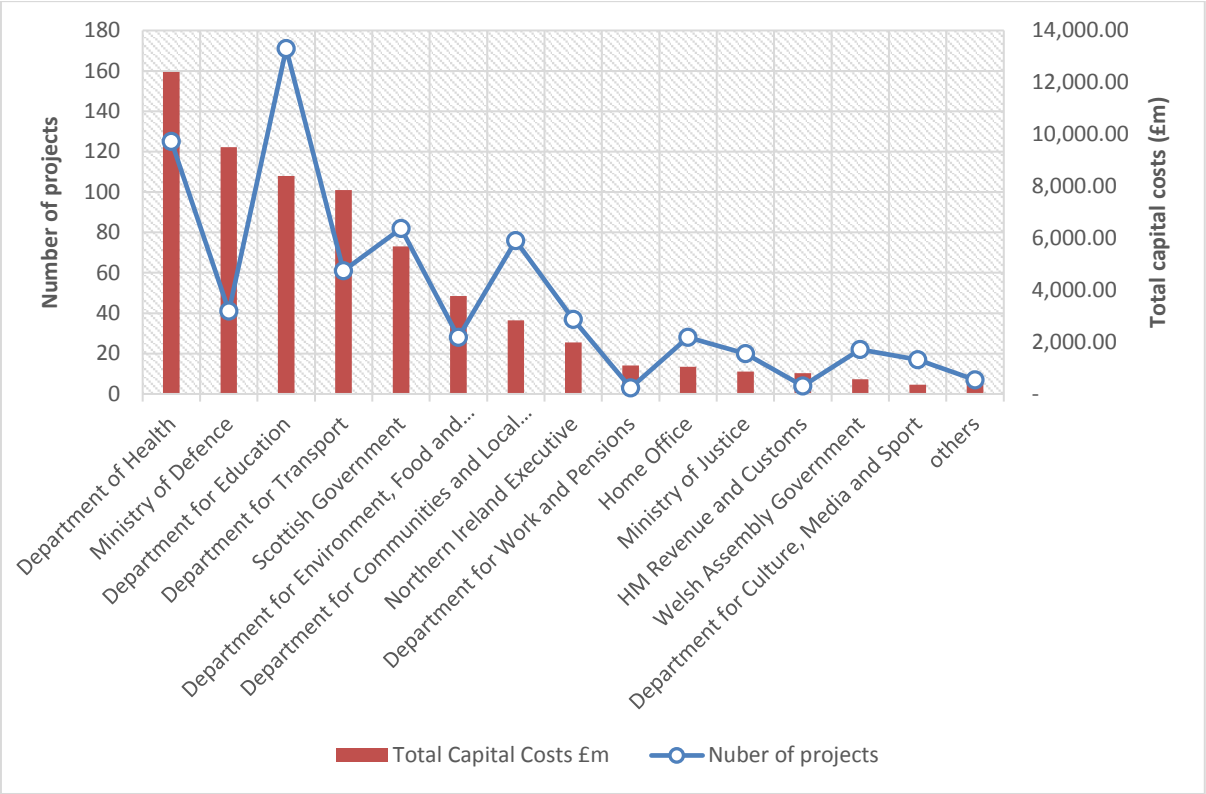


Figure 1.2: Current PFI and PF2 projects by government department

Source: Data from HM Treasury (2016a), PFI and PF2 current projects.

In the context of the above, this thesis wishes to contribute to the literature on post-implementation evaluation of PFI projects. The findings of this thesis would contribute to the continuing debate on the use of the PFI model in public service delivery. Governments and public accountability bodies responsible for making policy decisions continuously call for evidence aiding the learning of lessons in public procurements to streamline future procurement policies. The findings of this research will contribute in that regard. It will also contribute to the body of evidence used to judge the merit and worth of the PFI, as called for by Andon (2012), Broadbent and Guthrie (2008), Broadbent and Laughlin (1999), Broadbent and Laughlin (2003b). To aid public procurers, scheme promoters and practitioners in their evaluations, the framework developed in this thesis could be employed in the evaluation of operational PFI in terms of VfM and affordability. This will aid in the early detection of issues that might adversely affect the delivery of VfM, allowing proactive responses to be meted out to secure resources invested in the relationship. The framework also

builds on and contributes to the literature (cf. Broadbent *et al.* 2003, Dewulf *et al.* 2012, English *et al.* 2010) towards developing a sector specific framework for evaluating VfM in operational contracts.

1.4 Theoretical Framework, Research Methodology and Methods

This thesis used Bourdieu's *Theory of Practice* to help in the achievement of its objectives. Bourdieu's theoretical developments help place NHS Trusts as procurers within a broader conceptualisation of the state. Bourdieu (1977, 1984) describes practices to be the product of internalised dispositions (the *habitus*) operating within a *field* of objective relations within which stakes are defined, making use of *capitals* in the pursuit of stakes within the field. PFI schemes are sites of struggles: struggles over the appropriation of different stakes among the PFI partners and third-party stakeholders. The practices emergent within this field can adequately be explained via the employment of Bourdieu's *Theory of Practice*.

According to Bourdieu, the state is not a monolithic and well-coordinated ensemble, but rather, is a space of forces vying for control of statist power – the bureaucratic field (Bourdieu *et al.* 1994). The representation of the state as a bureaucratic field enables the capturing of the internecine struggles between different arms of the state in the definition and delivery of public goods. The bureaucratic field, the construction of which goes concurrently with the construction of the field of power, helps to explain the influence that structures identified in the macro-level explanations for the proliferation of PFIs translate into institutional dispositions warranting the pursuit of PFI schemes.

Bourdieu's theory, developed at the epistemological level and intended to bypass the dichotomy and antinomies between structure and agency, macro and micro, and intention and cause among others, is appropriate in this study. For a PFI procurement, and the practices produced and

construed within the PFI relationship, are neither completely reducible to the structures upon which they are based, nor are they solely reducible to pure agential influences.

In terms of research methodology and methods, the thesis adopted a qualitative approach to allow for a close engagement with actors within their organisational context. This approach offers an opportunity for greater understanding of the underlying practices within an organisation. A case study approach, employing the use of both primary and secondary data and analysis was used. A case study approach was used as it enables an in-depth understanding of the phenomenon under study (Yin 2009).

Secondary data on NHS PFIs drawing from previous academic literature, business cases, and reports from bodies relating to the implementation and evaluation of PFIs were collected and analysed. The analysis of the secondary data brought to the fore post-implementation issues associated with NHS PFI contracts, the objective relationship between the parties, and the structures upon which PFI practices are based. The secondary data analysis also afforded the identification of the relevant stakeholders, and the evaluation and ascertaining, from an objective perspective, relevant PFI practices.

The thesis also used observations and semi-structured interviews. Observations were made of the meeting of the *People Vs PFI,* a pressure and civil activist group within the field of PFI. Semi-structured interviews were also conducted with the relevant stakeholders identified in the secondary data analysis to ascertain the perceptions of the stakeholders on issues of VfM and affordability in NHS PFI contracts. The interviews are also used to tease out other interests that respective stakeholders have in PFI contracts and the strategies they employ to the realisation of their objectives.

1.5 Structure of the Thesis

The study will be organised into eight chapters. The second chapter presents the methodological approach used in the thesis. It contours Bourdieu's theoretical approach, and outlines the main concepts from his oeuvre in their usage in the thesis. It also discusses the research methods employed in the study and offers a rationale for the use of case studies, semi-structured interviews and documents and archival records analysis.

The third chapter contextualises infrastructure finance in the NHS. The chapter draws from Bourdieu's discussion of *the bureaucratic field* to present a meta-synthesis on the evolutions of PFI, infrastructure finance in the NHS and the related restructurings in their applications to the NHS. It discusses the capital funding regime in the NHS prior to the introduction of the PFI, through to the adoption of PFI in the NHS. The chapter also presents an overview of the decision-making process of the PFI in the NHS and identifies the relevant actors and their relationships.

The fourth chapter presents a review of the related literature on PPP/PFI and VfM. It explores the meanings of VfM and affordability and discusses the literature on the conceptualisations and appraisals at the procurement stage of the contract, and the post-implementation evaluation stages of both concepts of VfM and affordability in the literature.

The fifth chapter presents a discussion on the conditions of possibility of a PFI procurement and in addition to chapter 3, addresses the first research question of the thesis. The chapter presents an account of the conditions, actions, and elements coming together to form the conditions of possibility permitting relevant government actors to view the PFI as a promising alternative to finance and deliver the procured services. It addresses the structural conditioning for a PFI procurement stemming from outside of a procuring authority through to the micro-level conditions motivating the PFI procurement.

Chapters 6 presents the operational delivery of VfM and management of the projects. The chapter draws from case specific documents and archival records, and the respective interviews with the principal stakeholders related to the case studies. The chapter also considers the role of institutional structures that feed into and define the *nomos* of the respective procurement.

Chapter 7 presents a cross-case discussion and analysis of the findings with specific reference to Bourdieu's theoretical discussions. The final chapter, eight, concludes the study by presenting a summary of the discussion together with concluding comments, limitations and contributions. The chapter also present a reflexive account of the study and the ethical considerations made during the research. The chapter concludes by presenting the scope for further research on PPP/PFI.

1.6 Concluding Remarks

The use of PFI has changed the landscape of public sector procurement and delivery of public services. It has provided additional capital investments augmenting and even replacing in some instances government fiscal efforts at infrastructural development and provision of public services. The argument for the continued use of the policy is because it provides VfM throughout the procurement process (HM Treasury 2012a). This thesis considers the argument of VfM as the rationalising motif of PFI contracts, and seeks to evaluate VfM and affordability at the operational stage of NHS PFI contracts.

The thesis adopts Bourdieu's *Theory of Practice* as the theoretical framework to guide the enquiry and the enquiry process. The thesis drew on and analysed secondary data to conceptualise and evaluate post-implementation VfM and affordability, and to construct the conditions of possibility of a PFI procurement at the procurer's level. The study also employed the use of observations and semi-structured interviews to understand from the stakeholders' perspective, whether the PFI is affordable and is delivering VfM, while exploring the related issues that might arise. Analysis of

the discourse from both primary and secondary data afforded an understanding of the respective interests that are at play and the strategies employed to the realisation of those interests. The next chapter presents the methodological approach employed in fulfilling the research objectives.

Chapter 2: Research Methodology and Methods

2.1 Overview

The previous chapter presented an introduction to this thesis, and outlined the research questions and objectives pursued herein. This chapter presents a discussion of the theoretical and methodological frameworks employed in this research. The chapter draws on the arguments (developed in later chapters) that the conception of VfM and practice of its evaluation within PFI projects is both enabled and constrained by politico-socio-economic structures that not only shape the meanings given to VfM, but also influences the practices of its evaluation. This is because the very conception of PFI and VfM is intricately interwoven into the political, social and economic relations that allow for and shapes the meaning given to them. A critical theory approach based on Bourdieu's social praxeology is thus chosen towards uncovering the conditions of possibility and practices in and around VfM evaluations.

The chapter reflexively accounts for the effect of over-theorisation[8] (Humphrey 2014), and of excessive clinging to "methodisation[9]" (Modell and Humphrey 2008:95), which has been argued to plague accounting research lately. Baxter and Chua (2008) argues that the production of valid knowledge is irreducible to the technicalities of executing pre-defined criteria but rather is premised on the dexterity of the researcher in the knowledge production process. Critical theory, as the chosen approach in this research, is synthesised using Bourdieu's social praxeology: a reflexive methodological approach. Bourdieu's method provides a guide both to the construction of the research object and the methodological approach adopted. While Bourdieu argues for

[8] Humphrey (2014) discusses over-theorisation to be the excessive clinging to theories that predetermine a research approach and pre-empt findings. He argued against over-theorisation, arguing that it essentially limits the discovery process. A proposed solution is that a theory should rather be woven into cases while maintaining the cases' integrity.

[9] Methodisation, Modell and Humphrey (2008) argue, is the dogmatic following of methods and methodology to the detriment of the development of ideas and the production of useful knowledge.

methodological polytheism, he argues against the eclectic selection of methods not adequately related to the research object, an argument also fronted by Gurd (2008). The methods selected for this thesis are therefore adequate to the extent that they are consistent with the research object.

This chapter draws from the oeuvre of Bourdieu to develop its theoretical and methodological frameworks. It begins by critiquing theoretical reason, the antinomy between the social physics of objectivism (and positivism) and the social phenomenology of subjectivism. It follows on to discuss the Bourdieusian social praxeology as a solution bridging the gap between the antinomies. An outline of Bourdieu's theoretical concepts in their formation of the theoretical framework for this thesis is thus presented, as well as a discussion of his methodological framework.

The subsequent section discusses the research methods used in this research, discussing the rationale for adopting a case study method, the data collection process and the method of data analysis. The chapter concludes by providing a discursive summary of its contents.

2.2 Bourdieu's Critique of Theoretical Reason

Bourdieu attempts to transcend the antinomies and dualities present in social sciences that affect the grasp of reality: those between structure and agency, micro and macro, and quantitative and qualitative, subject and object, choice and constraint, consent and compulsion, symbolic representation and materiality, intention and cause *etc*. (Bourdieu and Wacquant 1992, Wacquant 1993). The object of Bourdieu's theoretical approach is to stem the antinomy between the approaches of 'structuralism' and 'constructivism', to provide an account of the true principle of action, which resides in the relations between structure and agency (Wacquant 1993). Bourdieu argues that the logic of actions neither reside in the structure nor in the agent, and thus cannot be grasped through the social physics of structuralism, nor through the social phenomenology of constructivism. He argues that both approaches, while bearing their own merits, do not adequately

explore the objective social conditions that enables and produces the subjective dispositions for the generation of actions – a true account of practice and its logic.

Bourdieu's theory assumes a non-Cartesian, historicist social ontology (Bourdieu 1993a). However, he develops his approach at the epistemological level, by critiquing the dichotomy of subjectivism and objectivism, and the related 'constructivist' and 'structuralist' approaches. Bourdieu makes a first break with objectivism: the intellectual tradition aiming to establish objective relations (structures, laws, regularities *etc.*) structuring practices and their representations, independent of the consciousness and will of the individual (Bourdieu 1977, 1990b). These objective conditions are held to be superordinate to, and more powerful than the symbolic constructions, experiences, and actions of agents. Objectivism attempts to break with the primary experiences of the social world, and therefore, produces knowledge not reducible to the primary knowledge possessed by the actors. A social physics within objectivism (often in the form of objectivist economism) attempts to grasp the objective principles constitutive of an objective reality by analysing the statistical distribution of material properties, and the quantitative expressions of capitals among agents competing in their appropriation (Bourdieu 1990b).

A purely objectivist reading of practice, Bourdieu argues, only presents the conditions of possibility allowing the "taken-for-granted" experiences of the social world possible (*ibid.*). While Bourdieu agrees with objectivism in its need to break with the everyday primary experiences of actors, he asserts the primary shortcoming of objectivism to be that it fails to grasp the link between the objective relations it explicates on the one hand, and the practical activities of individuals making up the social world on the other. Objectivism holds that the practical activities of individuals are nothing but the product of the operationalisation of the structure or regularity upon which they are based (Bourdieu 1990b, 1991). These structures, in turn, are only uncovered via selective methodologies and models built by the researcher, hence containing researcher's

subjective nuances. A social physics through objectivism ultimately leads to the reification of the social structures from which practice emerges. Results from objectivist research are but a projection of a (scholastic) vision of an agent's practice onto the minds of the agent, a vision which paradoxically can only be uncovered because of the methodological exclusion of the experiences that agents have of the structure (Bourdieu 1990c, Bourdieu and Wacquant 1992). As Deetz (1996) adds, objectivism in its usage of *a priori* concepts and methods is in fact as subjective and politically motivated as subjectivism, a break which objectivism seeks to achieve.

In recognition of the flaws of objectivism, Bourdieu breaks from objectivism, by recognising that the social world is the product of endless construction (Wacquant 1993). He presents that the structures of society that are held superordinate to agency are but the congealed outcome of the innumerable acts of cognitive assembly guiding the past and present actions of agents (*ibid.)*. Individuals, therefore, are not merely activated by external forces in the manner of iron filings in a magnetic field; they rather select and construct meaningful courses of actions; consequently, actively contributing to the determination of the very social factors that animate them.

Subjectivism on the converse holds that an adequate form of knowledge of the social world can only be grasped via the apprehension of the lived experiences of others. Subjectivism "reduces the social world to the representations the agent make of it" with the task of social science then being the construction of an account of the accounts produced by social agents (Bourdieu 1990a: 124). A social phenomenology under subjectivism presents an account of the symbolic properties of the social world, which are but a perception and appreciation of the material properties by the agent in their relationship to such properties (Bourdieu 1990b). Bourdieu argues that subjectivism gives primacy to agency, and construes society as the emergent product of the decisions, actions, and cognitions of conscious individuals (Bourdieu and Wacquant 1992). Constructivist approaches thus present 'contextualised self-interpretations' as the unit of explaining social order (Glynos and

Howarth 2007), by reducing social order to a collective classification only obtained by the "addition of classifying and classified judgements through which agents classify and are classified" (Bourdieu 1990b:135). Its main merit lies in the recognition of the role that mundane knowledge, subjective meaning, and practical competency plays in the (re)production of society (Bourdieu and Wacquant 1992).

Bourdieu argues that subjectivism suffers from two principal flaws. Firstly, conceiving society as the aggregate of individual perceptions, strategies and acts of classification does not allow for an account of their resilience; and for the emergent, objective relations these strategies and actions perpetuate and challenge (Bourdieu and Wacquant 1992). Secondly, it does not also explain why, and according to what principles the "work of social production of reality itself is produced" (*ibid*.: 10), nor of the origins of the categories that social agents employ in their (re)production of society (Bourdieu 1977). To insist on agency, therefore, should not imply a negation or the diminution of the efficacy of structure. The acts of classifications guiding the choices of individuals are systematically oriented by the mental and corporeal schemata emanating from the internalisation of the objective structures of their social environment, *i.e.* agency is itself socially structured (Wacquant 1993). Structural determination is thus housed in the core of agency and is indistinguishable from it.

2.3 A Bourdieusian Solution to Theoretical Reason

Bourdieu thus argues that social practices must be understood in terms adequately incorporating objective readings of the structural compositions while inculcating the subjective experiences of social agents. His approach is not aimed at simply combining or articulating a joint structure and agency; but rather to dissolve the very distinction between those two antinomic viewpoints of social analysis by providing an empirical-cum-theoretical demonstration of the simultaneous necessity and inseparability of the objectivist and the subjectivist approaches. He does so by

presenting a social praxeology that turns the antinomic viewpoints into moments of analysis; a double reading designed to capture the 'double reality of the social world' (Bourdieu and Wacquant 1992).

To Bourdieu, the object of an enquiry is "to uncover the most profoundly buried structures of the various social worlds which constitute the social universe, as well as the 'mechanisms' which tend to ensure their reproduction or their transformation" (Bourdieu 1996b: 1). Bourdieu and Wacquant argue that this social universe leads a double life, existing twice:

> … in the "objectivity of the first order" constituted by the *distribution of material* resources and the means of appropriation of socially scarce goods and values… and in the "objectivity of the second order", in the form of systems of *classification,* the mental and bodily schemata that function as *symbolic* templates for the practical activities – conduct, thought feelings and judgement – of social agents (Bourdieu and Wacquant 1992: 7, original emphasis)

Bourdieu's social praxeology allows for a double reading of fact to grasp the dual existence of the social universe. The first reading disregards mundane representations to constructs the objective structures (space of positions), the distribution of socially efficient resources defining the external constraints that bear on interactions and representations *(ibid.).* The second reading reintroduces the lived experiences of agents to capture the internal dispositions structuring their actions *(ibid.).* Whereas both readings are equally necessary, epistemological priority is given to objectivist rupture over subjectivist appreciation *(ibid.).* His methodological developments cannot, however, be divorced from his theoretical approach.

This thesis adopts Bourdieu's social praxeology. The social praxeology is a relational methodology developed by the oeuvre of Bourdieu stressing dialectical relations between objectivism and subjectivism, and the implementation of an approach to enquiry capturing such dialectical relationship towards the (re)production of practice. Bourdieu's social praxeology as a methodological approach cannot, however, be divorced from his theoretical developments, which serves as the skeletal schemata around which a social enquiry is organised and executed, to fulfil

theoretical suppositions with empirical clothing of the skeletal pre-developed schemata. As Wacquant argues, Bourdieu's work is not developing a theory *sensu stricto*, but rather is developing a "method consisting in a manner of posing problems, in a parsimonious set of conceptual tools and procedures for conducting objects and for transferring knowledge gleaned in one area of enquiry into the other" (Bourdieu and Wacquant 1992: 5). The concepts or temporary constructs (*ibid.*: 161) include among others, *field, capital, habitus, doxa, and symbolic violence*, which form the basis of his *Theory of Practice*.

However, the thesis in adopting Bourdieu's social praxeology does not present to religiously follow Bourdieu's theory and method, but opts to 'think along' with his approach and the benefits it offers. As Malsch *et al.* (2011) argue, translating flexibility in applying frameworks such as Bourdieu's may allow the development of new, provocative and ground-breaking insights which otherwise may be constrained in the religious pursuit of beaten intellectual tracks. Furthermore, Bourdieu's oeuvre has been characterised as generally dense and inaccessible, exacerbated by the effect of lost meanings through translations (see Bourdieu and Wacquant 1992, Postone *et al.* 1993). Nonetheless, his approach offers a practical approach toward the problematization of VfM in PFI contracts and on its evaluation.

An exhaustive cartography of the oeuvre of Bourdieu cannot be sufficiently undertaken in a sub-section of a chapter as part of any thesis (and for that matter this thesis). The next section briefly lays out the central concepts of his *Theory of Practice*.

2.3.1 Theory of Practice

Practice within the *Theory of Practice* is neither determinate nor occasioned, and has a logic consisting of both fuzziness and regularity (Bourdieu 1977, 1990b). This follows from Bourdieu's view of social life, seen as:

> …a mutually constituting interaction of structures, dispositions, and actions whereby social structures and embodied (therefore situated) knowledge of those structures produce enduring orientations to actions which in turn, are constitutive of social structures. (Postone *et al.* 1993: 4)

The orientations thus simultaneously shape and are shaped by social practice. Practice does not necessarily become a product of these orientations, but rather are a product of the interplay between improvisations structured by social orientations and personal trajectories within a social space of possibilities of interest realisations.

The conceptual developments he presents of the workings of a practice thus encapsulate the bi-dimensional readings of society, captured in terms of the habitus, field and capitals, heuristically represented as (Bourdieu 1984: 101):

$$[(habitus)(capital)] + \text{field} = \text{practice}$$

He represents that practice is the product of the habitus' use of capital within a field. Bourdieu discusses however that that "notions such as habitus, field and capital can be defined, but only within the theoretical system they constitute but not in isolation" (Bourdieu and Wacquant 1992: 96). The relative definition of each concept is also only comprehensible relative to the definition of the other concepts.

2.3.1.1 Fields

Bourdieu argues that the social world can be represented as differentiated social spaces made up of distinct and sometimes overlapping fields which correspond to different spheres of activity and practice (Bourdieu 1985, 2005). A Field is:

> …a network, or a configuration, of objective relations between positions. These positions are objectively defined, in their existence and in the determinations they impose upon their occupants, agents and institutions, by their present and potential situations (*situs*) in the structure of the distribution of species of power (or capital) whose possessions commands access to the specific profits that are at stake in the field, as well as by their objective relation to other positions (dominations, subordinations, homology, *etc*.). (Bourdieu and Wacquant 1992: 97)

A field is a configuration of objective historical relations between agents and institutions around a social practice, within which is situated a struggle for and access to capital distributions. Fields are spaces of conflicts and competitions among the various positions over the species of capital effective within such field, and the power to decree the hierarchy and 'conversion rate' between the species of capital. The result of this continuous struggle is the continuous restructure and reshaping of the field itself, through the redistribution and redefinition of the weights and forms of capital available to a position. A change of the position of the agent[10] within the field will consequently alter the configuration of the field itself (Bourdieu 1993c). The structure of a field is thus determined by its agents who in turn are defined by the volume and structure of the specific capital they possess (Bourdieu 2005).

Within fields, agents make investments (*illusio*) towards the realisation of their stakes within the field, and can possess trump cards that could be used in realising their interests. These agents, by the positions they occupy in the field, can be categorised into the dominant or the dominated, classified per the possession of the capital viewed as the most valuable within the field.

Fields are (semi) autonomous in that they prescribe their own values, operate within their own unique logics and laws (Bourdieu and Wacquant 1992), whether explicitly articulated or not. The tacit, unexplained and unarticulated, and taken for granted rules are called *doxa* (Bourdieu 1990b). Thus, a said 'field A' could only influence 'field B' through the logic of 'field B' alone. Every field consequently prescribes its own unique regulatory principles and values which delimit the possibilities of the agents within a field to act towards the modification of the field or the maintenance of the status quo (Bourdieu and Wacquant 1992). Fields are however not completely

[10] As Bourdieu (2005) makes clear, the construction of 'agents' within a field is not limited to only social agents, but also extend to firms as institutional agents occupying positions in a social field.

autonomous because each field is immersed in the field of power[11] (Postone *et al.* 1993) also because of the tendency for a widespread field to colonise (on varying degrees) another (Everett 2002).

Put succinctly, therefore, a field defines itself by defining the specific stakes and interest configurations contained within it, which are irreducible to interests and states of other fields (Bourdieu 1985), nor are perceived by agents who have not been shaped (habituated) to enter that field (Bourdieu 1993c: 72). They prescribe their own values and possess their own regulative principles. The boundaries of a field are at where its effects end, *i.e.* where its stakes lose their impact, and where the effects of another field begin. Fields represent the objective dimensions of analysis and provide the objective structuring mechanisms subjectively internalised and utilised by the agent in the (re)production of practices. The concept also provides a frame for a relational analysis: an account of the multidimensional space of positions and position taking of agents (Postone *et al.* 1993).

2.3.1.2 Capital

Bourdieu introduces the concept of capital to understand the economy of practices and to account for the structure and functioning of the social world. The resources over which struggles are made within fields are conceptually defined as capitals: the accumulated labour in both its materialised and embodied forms (Bourdieu 1986). Capital, he argues, are in different species and forms, and their relative values depend on the perception accorded them within the field of appropriation (Bourdieu and Wacquant 1992). Capital also represents the capacity to influence and exercise

[11] The field of power is not a field as such but rather a space of relations among the multiplicities of fields (Bourdieu 1996b), explaining the structural effects and properties of practice not otherwise easily understood. The field of power is "the space of the relations of force between the different kinds of capital or, more precisely, between the agents who possess a sufficient amount of one of the different kinds of capital to be in a position to dominate the corresponding field, whose struggles intensify whenever the relative value of the different kinds of capital is questioned (for example, the exchange rate between cultural capital and economic capital); that is, especially when the established equilibrium in the field of instances specifically charged with the reproduction of the field of power is threatened" (Bourdieu 1998b: 32)

control over the future of oneself and of others, and as such can be construed as a form of power (Postone *et al.* 1993). The relative accumulation and utilisation of the different forms of capital define the social trajectory of the agents and the position they occupy within the field.

Capitals, Bourdieu presents, are in different forms, manifested primarily in economic, social and cultural capitals (Bourdieu 1986), with other forms of capital being evident relative to the field of analysis. Economic capital encompasses monetary and material wealth that can easily be converted into money, and may be institutionalised in the form of property rights. It is the most easily recognisable form of capital, and is of utmost importance to the success and survival of the social actor in all types of fields (Bourdieu 1977, 1984, 1986, 1991). Social capital is the aggregate potential or actual resources accumulated and accessible through the possession of more or less institutionalised social ties and networks by an agent (Bourdieu 2005, Cooper and Joyce 2013). Finally, cultural capital is manifested in the forms of cultural goods, competencies and dispositions (*ibid.)* and can exist in three states: the embodied, the objectified, and the institutionalised (Bourdieu 1986). Embodied cultural capital is inculcated and assimilated by the social agent and is thus integral to the person, and is manifested in the long-lasting dispositions of the mind and body. Objectified cultural capital refers to cultural goods; the physical manifestation of items such as historical artefacts and objects. Bourdieu notes that a precondition for the profitable appropriation of objectified cultural capital is the possession of embodied cultural capital, with profit appropriated proportionately to the amount of embodied capital held by the agent (*ibid.*). The institutionalised cultural capital exists in the form of certificates and qualifications that presume to guarantee the possession of cultural value with respect to the holder.

Other species of capital pertinent to the economic field and relevant to this thesis include financial, technological, and commercial capitals (see Bourdieu 2005). These species of capital are relevant to agents defined as firms rather than as social agents. Financial capital (potential and actual) is the precondition (together with time) for the accumulation and conservation of the other forms of

capital (*ibid.*). Financial capital is the direct or indirect mastery (through access to the banks and/or the financial markets) of financial resources. Technological capital is:

> the portfolio of scientific resources (research potential) or technical resources (procedures, aptitudes, routines and unique and coherent know-how capable of reducing expenditure in labour or capital or increasing its yield) that can be deployed in the design and manufacture of products (*ibid.*: 194).

In the case of the PFI, these capitals are deployed, in conjunction with commercial capital (the mastery of distribution network, marketing and after sales service) to justify design, build, finance, and operate and maintain (DBFOM) contracts in the NHS. Informational capital, a special kind of cultural capital pertaining to the bureaucratic field, refers to capital accumulated in the forms of statistics and "instruments of knowledge endowed with universal validity within the limits of its competence" (*ibid.*: 12).

Finally, Bourdieu (1993b) identifies symbolic capital, to be that of accumulated prestige and recognition. He argues that each form of capital becomes symbolic when it is known, recognised and perceived as legitimate and of "true" value within a field (Bourdieu 1998b). The essence of symbolic capital is in the mastery of symbolic resources based on knowledge and recognition; as a power with the function of a form of credit, presupposing a predisposition of those upon whom it bears to grant it credit (Bourdieu 2005). Symbolic capital provides the reasons for the existence of power-position relations, hierarchies and equalities, domination and symbolic violence within the field (Kuruppu *et al.* 2016). This is because symbolic capital grants its holder the symbolic power to consecrate and impose a vision and structure considered legitimate within a field (Bourdieu 1989).

While existing in various forms, capital can be converted from one form to the other, Bourdieu argues. Of the various forms of capital available, economic capital can most efficiently be converted into the other forms of capital than the other forms of capital, although a specie of capital recognised as symbolic can ultimately be transformed into economic capital (Bourdieu 1986,

Postone *et al.* 1993). Bourdieu's theoretical expositions, therefore, concentrate on the interplay among the various species of capital.

2.3.1.3 Habitus

The habitus is a conceptual proposition seeking to transcend the binary divide between theories conceptualising practices to be the product of determinism (per the social physics of structuralism) and those of occasionalism (per the phenomenology and semiology of constructivism). Bourdieu argues that what is at stake in the social world are discernible and discerning agents whose practices continuously produce and transform the social world (even though the agents may not be fully conscious of that), but not inert and interchangeable particles of matter (Bourdieu 1996b). These social agents produce practices based on generative principles that are not solely reducible to rational calculations (Bourdieu 1990a), with the generative principles based on dispositions inculcated and internalised by the agent.

The habitus is the generative principle of practice. Bourdieu defines the habitus as:

> …systems of durable, transposable dispositions, structured structures predisposed to function as structuring structures, that is, as principles which generate and organize practices and representations that can be objectively adapted to their outcomes without presupposing a conscious aiming at ends or an express mastery of the operations necessary in order to attain them. (Bourdieu 1990b: 53)

These durable structured and structuring dispositions, the habitus, represent the generative capacity of an agent for improvised actions, practice and perceptions; organising practices and perceptions of practices (Bourdieu 1984). These dispositions are structured and transposable: structured in that they unavoidably reflect the social condition within which they are acquired, and transposable in that they can generate practices and perceptions in fields other than those from which they were acquired.

Habitus operates within the agents and is neither precisely occasioned, nor is it fully determinate of conduct. It orients actions and inclinations without recourse to strict determination or

rationalisation. It exists in the form of mental and corporeal schemata, a matrix of perception, appreciation and action (Bourdieu and Wacquant 1992). Habitus gives the 'practical sense' to individuals (a sense of what is appropriate in given instances), a 'feel for the game', and defines a person's bodily '*hexis*[12]' ((Bourdieu 1991). Habitus engenders actors to produce sensible and regular thoughts and practices without the resolute of meaningful behaviour, and without the explicit obeyance of explicitly posed rules (Bourdieu 1990a).

Habitus is a product of history, and is constantly reinforced or modified based on the experiences of an agent. As the generative mechanism for practice, the habitus is the source that (re)produces history. The habitus "is creative and inventive, but within the limits of its structures, which are the embodied sedimentations of the social structures which produced it" (Bourdieu and Wacquant 1992: 19). Because the habitus is a product of history and experiences, it is possible for different individuals to have similar habitus based on shared history and experiences, effectively creating a class habitus producing objectively harmonised practices in the absence of explicit coordination (Bourdieu 1977: 80).

Habitus is understood relationally with the concept of field, for the structures that typify a field's structure the dispositions constitutive of the habitus. The habitus is only effectively realised in relation to the field, and it is only through the habitus that any potentiality lying within a position in a field can be realised (Bourdieu 1996a). On fields, the habitus is the incorporation of an agent's position on that field as a disposition, thus embodying the hierarchical structures eminent and considered legitimate within that field (Bourdieu 1977, 1990b, 1998b). A social agent occupying positions in different fields may inhabit more than one habitus, with each habitus engendering practice considered thinkable within each field. Taken together, the habitus presents an

[12] Bodily hexis refers to the durable organisation of a person's body and its deployment in the social world.

understanding of the wants of agents, and the chances of they realistically getting what they want, and how their wants can be achieved within the limits of a particular field (Bourdieu 1990b).

The notion of the habitus serves as the meeting point of objective and the subjective: how internalised structures are transposed and applied to the generation of practice. It represents the meeting point between structure and action and that of society and the individual. Conceptualising the habitus in this manner thus allows for the analyses of practice as both regular and fuzzy, being the product of objectively coordinated structures neither reducible to conformance to rules nor conscious strategy.

To sum up, the habitus produces individual and collective practices in accordance to schemata of thought and actions engendered within an agent from past experiences. It obeys a practical logic that guarantees the conformity of practices within a field and their constancies over time. It has four properties (Wacquant 2011: 86). Firstly, it a set of acquired dispositions. Secondly, it holds a practical mastery which operates beneath the level of consciousness and discourse. Thirdly, it presents that sets of dispositions vary by an agent's position and trajectory within a field. Finally, structures making up the habitus are malleable and transmissible because they result from pedagogic work.

2.3.1.4 Doxa and Symbolic Violence

As argued earlier, fields often contain tacit, unwritten, taken for granted rules – the doxa – which produces a practical sense in the objective nature, leading an actor into misrecognising the subjective nature of their 'social reality', and into the (re)production and conception of certain world views and practices (Bourdieu 1977). Doxa is also the point of view of the dominant when it imposes itself as a universal view. Doxa resonates strongly in fields where questions of legitimacy do not arise, and where symbolic struggles are not fought. In these fields, the dominant representations and structural positions are perceived as legitimate, self-evident, and in the natural

order of things (*ibid.)*. It is doxa that creates the doxic knowledge within actors to create the harmonisation of practices, by contributing to the structuring dispositions that become internalised by the actor.

Within a field, therefore, a struggle for what is tacitly accepted (and/or rejected) becomes a scene of struggle to secure the symbolic representation of reality. Bourdieu defines the dominant to be occupying a position within a structure such that the structure works on his behalf (Bourdieu 2005). As doxa often work in the interest of the dominant party, it becomes an active field of struggle where the dominant parties actively attempt to secure the construction of discourses to their favour, while the dominated seeks to challenge the existing establishment. Efforts from the dominated to question doxa come in the form of heterodoxy, which is met with discourses spawn to defend doxa. This, Bourdieu represents, marks the transition into orthodoxy (Bourdieu 1977). Domination[13] is thus secured through the control of the doxa (with doxa producing a legitimate unequal distribution of capital), which in turn create the inclinations and dispositions internalised by the agents within the field.

Domination in the form of symbolic violence, a mode of domination characterised as subtle invincible and euphemised (Krais 1993), is what is of interest to this thesis. Symbolic violence is the "violence which is exercised upon a social agent with his or her complicity" (Bourdieu and Wacquant 2004: 272). Symbolic violence is exerted on the dominated through their categories of perceptions and actions, constructed from the world view of the dominant and applied to the relations of domination, thus making such relations appear as natural (Bourdieu 2004).

[13] Domination takes many forms, including physical violence, coercion, intimidation and symbolic violence (see Bourdieu 1990a). Regardless of the mode of domination, the act of domination is only possible in a doxic climate to allow the dominated to accord acceptance and legitimacy to the mode of domination.

Prior research has posited that VfM has different meanings to different stakeholders (Demirag and Khadaroo 2008, Khadaroo 2008), and the value appropriation process within a PFI relationship is not necessarily compatible between stakeholders (Kivleniece and Quelin 2012, Rangan *et al.* 2006), as respective stakeholders have varied interest that theoretically works against each other[14]. The operationalisation and rendering of the abstract concept of VfM within a PFI scheme despite it being highly fluid and ambiguous, and its ability to hold together parties to the PFI contract through the mediation and stabilisation of the diverse interests of stakeholders could effectively be rendered under symbolic violence. Symbolic violence thus allows for the uncovering of both the meaning of the concept of PFI VfM and how its operationalisation affects the evaluation practice built on it.

2.3.2 Theory of the State

To Bourdieu, the state is not a unitary reality that is well defined, clearly bounded and well-coordinated, but is rather a splintered space of forces struggling for access to and control over the definition and distribution of public goods – the bureaucratic field (Bourdieu 2014, Bourdieu *et al.* 1999, Bourdieu *et al.* 1994, Wacquant 2009). To Bourdieu (1994: 4, original emphasis), the state is:

> the *culmination of a process of concentration of different species of capital:* capital of physical force or instruments of coercion (army, police), economic capital, cultural or (better) informational capital, and symbolic capital. It is this concentration as such which constitutes the state as the holder of a sort of meta-capital granting power over other species of capital and over their holders.

Through the process of concentration of these capitals (which proceeds concurrently with the construction of corresponding fields) emerges the meta-capital (statist capital), enabling the state to exercise power over the different fields; species of capital; and the rate of conversion between the various species of capital (Bourdieu 1998b). The concentration of material and symbolic

[14] For example, the private partner's wealth maximisation objective is not necessarily compatible with the public sector's welfare maximisation objective.

resources in the state allows it to regulate the functioning of different fields, either through financial interventions (such as public support for investment in the particular field) or through juridical intervention (such as the different regulations governing organisations and individuals) (Bourdieu 1998b). Thus, the stakes visible within and across other fields are in part influenced and structured by the state through its possession of the statist capital. If the state is thus to invoke an ideology in the backing of its exercise of statist power over different fields, it follows that the stakes and structure of such fields, the relative value of capital within the respective fields, and the rate of conversion between the species of capital will automatically be redefined per such ideology.

Bourdieu presents that the state exists in and exercises its power through two forms: the objective reality, in the form of bureaucracies, authorities, rules and ceremonies; and also in the subjective form, within the minds of social agents as dispositions engraved therein (Bourdieu 1996b, Bourdieu 1998a). The dual existence of the state enables it to be the monopolistic manipulator of public goods, and the maker of efficient corporeal and mental schemata.

An understanding of the subjective form of the state is useful for the purposes of this thesis, as it enables the construction of how meanings of PFI-VfM are shared within PFI practices. Firstly, Bourdieu defines the state to be the foundation of logical conformity and moral conformity[15] among its subjects (Bourdieu 2014), through the imposition and inculcation of an identical or similar cognitive and evaluative structures[16] (Bourdieu *et al.* 1994). He follows to present that the state as an organisational structure and regulator of practices exerts on actions formative of the dispositions (habituses) in its subjects, through the constraints, and corporeal and mental discipline it imposes on its subjects (*ibid.*). Thus the state, through the framing it imposes on practices,

[15] Bourdieu draws both logical conformity and moral conformity from Durkheim. Logical conformity refers to the similarity in logical perceptions held by social agents in terms of the categories of thought, perception and construction of reality. Moral conformity on the converse refers to an agreement on moral issues among social agents. Bourdieu (2014) submits that moral conformity is founded on logical conformity.

[16] In *The state nobility: Elite schools in the field of power*, Bourdieu (1996b) demonstrated the empirical manifestation of how the state excercises this power to conformisms

imposes and inculcates *state forms of classifications*: common forms and categories of perception and appreciation, social frameworks of perceptions, and of understanding and of memory (Bourdieu *et al.* 1994). It is through the dispositions orchestrated by the state that is founded the relations of doxic submissions attaching the subjects of the state to its established orders.

As discussed earlier, habitus (re)produces regular thoughts and practices through the reproduction of the internalised structure as a 'feel for the game' or an indeterminate logic (Bourdieu 1990a, 1998b). Bourdieu argues however that where the habitus fails to produce practices required by the structure, codified rules are introduced because indeterminacy cannot be relied upon (Bourdieu 1977, 1984). Codification of rules tends to be employed in "critical and dangerous situations" (Bourdieu 1990a: 78) which occur when significant amounts of capitals are at stake. Within the realms of the state, codification is employed as a mechanism formative of dispositions, and goes hand-in-glove with discipline and normalisation of practices (Bourdieu 1990a, Cooper and Joyce 2013).

Bourdieu (1990a) argues that writing in formalised language is an essential feature of codification. Cooper and Joyce (2013: 110) observe that formalisation enables the de-contextualization of logic, enabling one to "go from logic immersed in an individual case, to logic independent of the individual case". Whereas codification represents an attempt at informing and forming a uniformity in practice, Bourdieu does not believe that the formal authoring of laws produces that uniformity (Bourdieu and Wacquant 1992). Codification and formalisation rather, he argues, creates spaces for excellent actors who in the right conditions have the 'game at their fingertips' – *virtuosi* – to play the game to the limits, even to the points of transgression, while managing to stay within the rules of the game (*ibid.*).

Agents within the bureaucratic field struggle for the control of the statist capital. Wacquant (2009) observes that the bureaucratic field in this contemporary period is marked by two internecine

struggles between various sectors of the state. The first struggle opposes the 'higher state nobility' of policy-makers' intent on promoting market reforms against the 'lower state nobility' of executants attached to traditional representations and missions of government. The second struggle pits the state's 'left hand' against its 'right hand' (Bourdieu 1998a, 1999, 2008). Bourdieu (*ibid.*) presents the state's left hand to be the 'spendthrift' ministries tasked with the discharge of social functions such as education, health, housing, welfare among others. The state's right hand, comprises ministerial cabinets not directly responsible for social services; the private and public banks; and technocrats in charge of the disbursement of funding for the left hand of the state. The state's right hand is thus predominantly preoccupied with enforcing economic discipline through various means such as budget cuts, deregulations, and the provision of fiscal incentives.

The deployment of Bourdieu's concept of the bureaucratic field allows for the construction of the perimeter and missions of the state as sites of socio-political struggles; to link the development of the neoliberalist policies such as the PFI to that of welfare provision, and to fully attend to the constitutive capacity of symbolic structures embedded in the bureaucratic field towards the representations made of VfM and the acquisition of PFI projects.

2.3.3 A connective summary

Taking the three concepts together, therefore, allows for the understanding of practice to be situated within the relations between field and the habitus. Wacquant summarises the relationship between the three concepts as:

> [a] field consist of a set of objective, historical relations between positions anchored in certain forms of power (or capital) while habitus consist of a set of historical relations "deposited" within individual bodies in the form of mental and corporeal schemata of perception, appreciation and action (Bourdieu and Wacquant 1992: 16).

A complete *Theory of Practice* is only possible via the interaction between the habitus and the field, with the field existing only because of the existence and actions of social agents, and the

habitus structured by the existence of the field. The interactions between all three concepts are therefore necessary to produce practice, with the task of an enquiry being to uncover what those three conceptions are in practice and to understand the relationship between them.

The acquisition of PFI projects and the evaluation of PFI-VfM can be adequately understood within the *Theory of Practice*. The field of PFI is established between different parties, represented at the scheme level as a contract between the private party, public procurer and third-party stakeholders. The operations of the projects are bound between explicit and implicit regulations as outlined within the contract documents. Evaluation of VfM and the perceptions accorded the process thus depends on the respective stakeholders' habitus, which informs the understanding (s)he brings forth to the evaluation, and the practical sense of the evaluation. Each stakeholder inherently has their own stakes they wish to be realised, and strategically would wish to gear the outcome of the evaluation towards the realisation of his stakes within the field. The relative conformity of the evaluation practice, or the fuzziness thereof, could ultimately be linked to practical senses accorded evaluation by the habitus.

2.3.4 Bourdieu's method

The proposed methodology of uncovering the habitus-capital-field relationship is total science both theoretically and methodologically flexible, reflexive and suitable for the enquiry at hand. Bourdieu argues against choosing pre-set methodological packages as all-in-one approaches to every phenomenon. He also against the development of theory outside the research activity that nourishes the theory. He, therefore, presents that the methodology of data production, as well as theoretical developments, are intrinsically bound to the object of the research (Bourdieu and Wacquant 1992). He continues to argue that the concepts of his *Theory of Practice* are but toolkits designed to help solve problems. He thus argues for methodological polytheism not divorced from theory but reflexively developed to suit the object of enquiry *(ibid).*

The reflexivity Bourdieu preaches is not one of textual reflexivity (reflection on fieldwork) but of epistemic reflexivity, built around three key biases that may be evident in the knowledge production process including:

i. the social origins and coordinates of the researcher (his/her habitus), which can be controlled by one's acknowledgement and self-criticism;

ii. the position occupied by the researcher in an academic field, which is less evident; and

iii. the intellectualist bias that could cause a researcher to view the research object as a figment representations of reality to be explained, rather than as practical problems requiring solutions. (see Bourdieu and Wacquant 1992)

Epistemic reflexivity focuses on the impact of un-thought categories of thought and how they delimit what is thought and also predetermine the thought (Bourdieu 1990a). His position, therefore, is that an analyst of any research object necessarily operates within what he analyses, and is him/herself, an agent with a habitus within the field of analyses. Towards the development of a reflexive method, Bourdieu proposes three guiding principles:

i. the construction of the research object;
ii. engaging in a three-level approach to studying the field; and
iii. engaging in participant objectivation.

On the first principle, Bourdieu argues for the construction of the research object to be practically representative of real world problems for relational analysis. It also considers the discursive effects of different discourses and their implication on the construction of the research object (see Bourdieu and Wacquant 1992, Jayasinghe and Wickramasinghe 2011). The second principle entails analysing the position of a field vis-à-vis the field of power; mapping out the objective structural relations between occupants of the field; and analysing the habitus of the agents

occupying the respective positions within the field (Bourdieu and Wacquant 1992, 104-105). The final principle, engaging in participant objectivation, regards the awareness and controls of the self-interests a researcher has in the object of the research and also on the categories of perception and understanding the researcher brings to uncovering the research object (Bourdieu and Wacquant 1992). Both aspects of objectivation contribute to the refinement of a construed research object as well as the methodology of uncovering the object.

In conclusion, the social praxeology preached by Bourdieu is one grounded both theoretically and empirically in the research. It provides the skeletal schemata around which a study is organised. Positing on methodology, Bourdieu submits that researchers should summon relevant techniques and methods relevant and practically usable to uncovering the research object as well as on the practicality of data collection (Bourdieu and Wacquant 1992: 227).

2.4 Rationale for Using Bourdieu's Approach

The choice of a theory is foremost a personal choice, to the extent that it helps in uncovering and explaining a research object (Broadbent 2002, note 6). Bourdieu's approach is selected not just because it proposes an approach to overcome the dualities and antinomies of structure and agency, and objectivism and subjectivism, but also because it offers a conceptual framework for a multilevel analysis, and presents an epistemological and methodological framework for tackling issues of reflexivity in the research process (Özbilgin and Tatli 2005).

A few researchers have employed the theory of practice in the study of accounting as a social science (Cooper *et al.* 2011, Cooper and Joyce 2013, Everett 2004, 2008, Ezzamel *et al.* 2007, Jayasinghe and Wickramasinghe 2011, Kuruppu *et al.* 2016, Malsch and Gendron 2013, Neu 2006, Neu and Ocampo 2007, Neu *et al.* 2008, Rahaman *et al.* 2007, Xu and Xu 2008). Conversely, at the time of writing, no known piece of published work had incorporated Bourdieu's theoretical

lens in examining any aspect of PFI and its operations. On a much broader scale, Andon (2012) and Broadbent and Guthrie (2008)[17] acknowledge that writers within the field of PFI rarely drawn on extant theories in overtly articulating their research in to PPP/PFI. Broadbent and Guthrie (2008) called for the use of 'alternative' research approaches to accounting research to examine contextually technical subjects in an attempt to study and theorise the linkages of accounting to other technologies and to offer empirically informed theorising. Similarly, Andon (2012) intimated that only empirically informed theoretical analysis stood the chance of making academic work relevant for policy and practice.

On the use of Bourdieu's insights in accounting research, researchers generally drew from Bourdieu to examine systems of domination and their reproduction through symbolic violence (see Golsorkhi *et al.* 2009), with accounting researchers drawing on Bourdieu to examine accounting practices in their aid in the (re)production of dominations. Rahaman *et al.* (2007) for example, drew upon Bourdieu to examine the colonising power of the World Bank, exercised through various technologies (including accounting) in persuading the Ghanaian government to privatise water services. Similarly, Everett (2008) drew on Bourdieusian insights in examining the role of editorial reviews in accounting in the reproduction of research elites.

However, Malsch *et al.* (2011) noted that relatively fewer accounting studies employing Bourdieu's theoretical framework holistically employ three of his core concepts[18], with the most over-looked concept often been the habitus. They discuss that though a central notion in defining practice, the habitus was more developed theoretically by Bourdieu than being empirically demonstrated. Cooper and Joyce (2013) added that the habitus may only be hermeneutically

[17] Andon (2012) in his review of articles presented that only about 29% of the papers reviewed explicitly identified a theory informing their analysis, an observation consistent with that of Broadbent and Guthrie (2008).

[18] In their review of published accounting articles, Malsch *et al.* (2011) found that only 4 out of 18 papers had holistically drawn on all of Bourdieu's core concept, with the habitus been the most over-looked concept in usage.

gleaned, but cannot be directly apprehended in empirical research. These together might account for the relative under-usage of the concept of the habitus. This thesis in contrast employs all three of the central concepts of Bourdieu. It contributes to both theory and the literature by examining the role of VfM and its evaluation, as accounting practices, contribute in the (re)production of domination in the relationship between PFI partners.

Bourdieu's frameworks allow for the conceptualisation of practices emergent from within the field of PFI to be construed as the products of the structures internalised as dispositions within the field. These structures are also structured structures structured in relations to the field of power. VfM is thus not reduced to materialist manifestations devoid of context, nor reduced to the achievement of measurable, predetermined, material and monetary indicators generated from linking inputs through to outputs. It is rather held as the product of dispositions, and as such, contains both subjectivities and objectivities.

Consider a purely objectivist approach wherein the conditions of possibility for a PFI procurement, and VfM were reduced to purely materialist manifestation whose regularities could be observed. This purely objectivist reading would lead to context stripping and the reification of structures; producing findings not entirely reflective of reality (see Bhaskar 1998, Burrell and Morgan 1979, Guba and Lincoln 1994, Johnson and Duberley 2000). Conceptualising VfM under this approach will also lead to the treatment of findings as representing the phenomenon itself. As Tsoukas (1997: 831) argues, however, "to reduce something to allegedly objective information and then treat that information as if it was an adequate description of the phenomenon at hand, is to obscure the purpose behind the information". Thus, characterising reality to be based on indicators allows for the flourishing of ideas of social engineering where it is thought that control could be exercised purely by solely controlling the indicators. Applying this characterisation to VfM as purely objectively denoted has led to the concentration of government attention on economic stewardship

while obscuring social impact assessments of investment alternatives (Cooper and Taylor 2005). The object of this thesis is, however, to present a context-rich analysis, making objectivism an inappropriate approach.

Whereas it is necessary to introduce a subjective dimension to this enquiry, a pure social phenomenological approach would also be deficient. A subjective approach, bearing only on the subjective projections of the stakeholders as to the constitution of VfM and the conditions of possibility for a procurement will not completely integrate and take account of the structural limitations that hover over and subsist within the conscience and subjectivities of agents to help explain the consistencies (or fuzziness thereof) in the practices within the PFI field. PFI contracts are implicit within a web of socio-politico-economic relations that structure its operations and hence the meaning and evaluation of VfM. An integration of the objectified structures is thus necessary to present a holistic picture of the evaluation for VfM in PFI contracts.

Bourdieu's social praxeology in its double reading of reality offers an approach that helps in the construction of emergent practices within the field of PFI.

2.5 Research Methods

Following the theoretical and methodological developments presented above, the adopted research methods are necessarily geared towards inculcating both the subjective and objective dimensions of evaluation theory into the thesis. The thesis adopts a qualitative approach, adopting a position that "ultimately all research is infused with culture, values, beliefs, stories, language, perception, cognition, ideology and politics" (Parker 2012: 56). The qualitative approach is adopted as it allows for a close quarter engagement with actors within their organisational context, offering an opportunity for greater understanding of the underlying practices within an organisation. The practice of evaluation of VfM in PFI contracts is construed as socially constructed, historically

grounded, and located within the socio-politico-economic relations that define the practice and how it is reproduced. The overall research design of this thesis takes into account the research questions under examination, the methods used to obtain the data, the data analysis process, the research subjects, and how access was obtained.

The study, via the employment of case studies, document analysis and interviews, explores the field of PFI and of VfM evaluation. As argued under the Bourdieusian expositions, the methods adopted are practical and intricately webbed into the research object. This is because the methodological choices are not just shaped by the theoretical and empirical aims, but also by practical and heuristic influences such as those of historical, personal, ethical, and organisational factors among others that shape the research object and method (Buchanan and Bryman 2007).

2.5.1 Case studies

This thesis adopts a case study method[19], a qualitatively grounded method that allows for the intensive study and exploration of a single group, events, communities and/or their multiplicities (Bryman and Bell 2011, Yin 2009). The case study method was chosen as it allowed the research object to be grounded within the context while explicating the richness and depth of the case as a special possible case. The method also allows the elucidation of the shared meanings (Gillham 2000, Hancock and Algozzine 2006, Scapens 1990) contained and shared by the research subjects within the broader context of the evaluation of VfM.

Three cases of procurements by NHS Trusts were selected, with the names of the Trust anonymised in this thesis. Each respective case is unique within the study in terms of the scope and size of the project, and the relative size of its procurer. Actual names of the Trusts are

[19] Gerring (2007) submits that case study is situated somewhere between a method of data collection and a methodology (a research strategy designed to investigate a particular object in its 'real' social context) with Scapens (1990) emphatically submitting that the case study is a research method and not a methodology.

anonymised in this thesis in accordance with the ethical undertaking between the researcher and the participants. The first case is that of a relatively small NHS Trust, HT1, who procured a PFI solution providing half of hospital building infrastructure and hard facilities management (FM) services restricted to the PFI building. The second is that of a medium-sized NHS Foundation Trust (FT), HFT2, who procured a comprehensive set of services including the PFI infrastructure and both hard and soft FM services. The third and final case is of HFT3, one of the largest teaching and research NHS FTs in the UK. HFT3 procured a solution delivering additional hospital capacity the related hard FM services.

Each case is unique, and the respective procurement conditions and contexts do provide unique insights unique to each case. However, all PFI projects within the NHS are inherently homogenous in that they derive from and operate within the broader context of government regulation and procedures for procurement and evaluation. Hence, the projects are simultaneously homogenous and heterogeneous, or, captured in Bourdieusian terms, operating within semi-autonomous fields. The feature of projects sharing characteristics while being different allows for the three cases together to simultaneously be idiographic and nomothetic (Bryman and Bell 2011). Each case is ideographic in that it will help illuminate on its key differential characteristics and their influences on the evaluation of VfM, while together allow for theorising based on their shared commonalities.

Whereas it may be argued that a sample of three cases is not quantitatively sufficient to provide generalisations, this thesis argues that theoretical generalisations (which this thesis aims at) could still be made (Berry and Otley 2004, Scapens 1990, 2004). The findings of each case are also informative of a special case of a PFI procurement, thus allowing for a richer interpretation of the research issues (Humphrey and Scapens 1996). The case study method is thus seen as appropriate as it enables the explication of a particular case of what is possible, to particularise the general and

to generalise the particular through theoretical and empirical explication (see Bourdieu and Wacquant 1992: 234).

2.5.2 Access and data collection

Multiple data collection techniques were used for the purposes of this thesis, including semi-structured interviews, document analysis and observations. The secondary data, sought primarily for document analysis purposes, was the starting point for the collection of data and the selection of the specific cases. The documents analysed in this thesis include those relevant to all PFI procurements, through to those specific to the respective cases considered herein. Documents and records related to general PFI procurements included guidance documents, regulatory pronouncements, PFI projects lists, reports from HM Treasury and the DH, NAO reports, and reports and evidence from parliamentary oversight bodies among others. These were relevant in constructing an understanding of the field of PFI. They also served as sources for understanding the nature of the bureaucratic field and the influence it waged on other fields. These records were relatively accessible and were hosted on the relevant government websites and government archives.

Case specific documents were relatively more difficult to access. The documents within this category used in this thesis include the business cases that were developed for the respective procurements (and their appendices which are classified as separate documents), minutes of board meetings related to the PFI procurement, Trust's annual reports and plans, among others. These documents were requested under the Freedom of Information (FOI) Act of 2000. Requests were sent to ten Trusts that had been presented in the records of HM Treasury to have procured PFI projects. Of the ten, six granted the requests, albeit with some redactions in the information supplied. However, not all data requested was granted, especially in relation to the appendices and other information on the procurement the Trusts deemed confidential to release. One Trust, (HFT3

in this thesis) returned draft copies of the requested business cases which did not reflect the final terms of the contracts. For the three cases studied in this research, subsequent requests were, some of which were granted. However, the rapport the researcher later established with the interviewees aided in the release of some documents which were considered confidential, and in the case of HFT3, the final business cases and some other supporting documentations.

Following the receipt of the secondary data, interview invitations were sent out principally to the Chief Executive Officers (CEOs) and the Finance Directors of the Trusts who had responded to the FOI requests. The three cases selected were the ones that had officials, therefore, wishing to partake in the study. The CEOs served as the gateways to securing subsequent interviews within the Trusts and with their PFI partners.

2.5.3 Interviews and interview instrument

Semi-structured interviews were conducted with key actors in the in the respective PFI procurements who were primarily involved in the operational management of the respective projects; in the advisement of the procurements; or are active stakeholders in the projects. Interviews were used on the premise that it allows for the construction of an understanding of complex processes and phenomena in the same terms as understood by the participants (Blumer 1986).

In all, sixteen interviews were conducted for the thesis, as presented in Table 2.1. The number of interviews conducted was not by design, but rather a reflection of the practicalities surrounding the studies. Firstly, access was generally difficult to negotiate, potentially because of confidentiality clauses in PFI contracts (see also Edwards and Shaoul 2003a, 2003b). As some SPV agents interviewed later presented, SPVs and their providers were particularly keen on staying away from the limelight, so as not to attract unwelcome attention. HFT3's SPV and

providers for example, who the Trust said they were in a major dispute with, refused to commit to the study.

Secondly, the pool of potential interviewees within procuring Trusts was smaller relative to the expectation, expectation constructed from pre-procurement ambitions of the Trusts in their cases. This was because contract management structures had changed post-commission of the projects, leaving a smaller number of employees with diminished roles to work on the projects than anticipated. Also, because a high staff turnover, a relatively fewer number of people within Trusts believed they were well-informed to contribute to the objects of the study. The number of interviewees thus reflects the number who were willing and able to contribute to the study.

Table 2.1: Interviewee details

Group/Case	Interviewee	Code
HT1	HT1 CEO	CE1
	Director of Strategy and Corporate Services	DEF1
	HT1 Project Manager	DEF2
	SPV CEO	PTE1
	Director of hard FM service provider	PTE2
HFT2	HFT2 Finance Director and Deputy CEO	HDC
	HFT2 Project Manager	HPM
	SPV General Manager	HPT
HFT3	HFT3 CEO	TCE
	HFT3 Deputy Finance Director	TFD
	HFT3 Project Manager	TPM
Professional accounting services	Partner	ACC1
	Director of infrastructure and financial services	ACC2
	Associate Director of Corporate Finance	ACC3
Others	Junior Doctor	DOC1
	Doctor	DOC2

The interviews were semi-structured to allow participants the opportunity to discuss issues freely, whilst still centring the discussion on the primary object of the research. The advantage of using semi-structured interviews was that it simultaneously allows the research explore and seek explanations for phenomena uncovered through the interviews and document analysis (Saunders

et al. 2009, 2016). Interview schedules were constructed based on the preliminary results of the document and archival analysis, and informed from a theoretical standpoint. Bourdieu's theoretical concepts laid the foundations for the construction of the interview schedules, designed to elucidate the habitus of the interviews and to inform on the practices they produce.

In all, three sets of interview schedules were developed. The main schedule, shown in Appendix D, was designed for the interviewees of the procuring Trust and the users of the procured facilities. This schedule formed the foundations for the exploration of the research objects. The other two schedules, shown in Appendix E and F, were tailored to the PFI SPVs and their providers, and to those in the accountancy services respectively. The need for the differences in questions was to account for the respective practices the interviewees undertake, and to allow for the construction of the research object from the viewpoint of interviews who responded to questions of relevance to them.

The interviews were iteratively performed. The questions asked in each subsequent interview were generally based on the emic responses from the preceding interviews. Thirteen of the sixteen interviews were audio recorded and transcribed. The Deputy Finance Director of HFT3 was not available for a face-to-face interview, but submitted his written responses. He provided further written clarifications upon the researcher's request, based on further probing of his responses. The doctors did not, however, wish to be audio recorded. The researcher however made notes during the discussion that were later included in the analysis. As their interviews followed the first of the two observations made of the meetings of the *People Vs PFI,* their responses corroborated the presentations made during the meeting's discussion.

2.5.4 Data Analysis

The data collected is analysed by employing Bourdieu's two-staged analysis, the first and second orders of analysis (see Bourdieu and Wacquant 1992). The first-order analysis was specifically

meant to grasp the objective structures in an around PFI procurements; to map out the positions and distribution of capital among agents with the respective field of procurement as well as the broader field of NHS healthcare delivery. In this vain, the document and archival analysis were important to gain insights into the both the network of relations of the actors within the fields of PFI (at both policy and scheme levels and their interrelationship) and to establish the various interests held by actors within the field. The discussion presented in Chapter 3 reflects the first stage of the objective analysis, by identifying the network of relations as well as the distribution of socially efficient resources within the bureaucratic field. As the fields have a shared history with the construction of dispositions, this chapter also reflects the construction of the structures later deployed within specific PFI fields. Similarly, Chapter 5 presents the network of relations and sets the boundaries that allow for field specific logics to be deployed. It lays out the field of specific PFI procurements, and identifies the principal players and the distribution of capital within respective fields, capitals that define the objective constraints bearing on interactions and representation. Chapters 3 and 5 brings to the fore, an objective analysis of the conditions of possibility for procurement, and of the conception of VfM and its evaluation as part of the first-order analysis suggested by Bourdieu. They also provides a benchmark for the second-order analysis conducted on the interview and observational data. The first-order analysis was necessary to adumbrate the social space and its structure for analysis (Bourdieu and Wacquant 1992: 233) so as to focus the study on the object alone.

The second-order analysis reintroduced the lived experiences and appreciations of the actors occupying the respective positions in their respective fields, *i.e.*, the habitus and its actualisation. The second-order analysis, primarily conducted on the interview and observational data, augmented the analysis of the first-order, and is primarily represented in Chapter 6. As products of the habitus, the practices presented in that chapter draw from a relational analysis between the positions, dispositions and distribution of resources within each field of analysis. Chapter 6

therefore brings the triad central concepts of Bourdieu to bear in developing an understanding and critique of practice; the modes of domination and their reproduction within fields of PFI; and the role of VfM as an accounting technology in contributing to the (re)production of dominations.

2.6 Concluding Remarks

This chapter discussed the feasible methodological approach for framing and examining the conception and evaluation of VfM in PFI relationship and uncovering the conditions of possibility for a procurement. It outlined a critique of theoretical reason from Bourdieu's perspective and presented a theoretical and methodological framework drawing from Bourdieu as applied in the thesis.

Bourdieu's social praxeology, a methodology arguing within it the theory of society explicating practice, is chosen as the methodological approach. The approach provides guidance towards the problematization of the research object and the selection of possible methods towards uncovering social phenomena. It is a preferred approach as it gives value to both roles of structures and agency in the (re)production of practices, and construes practices as products neither from a purely deterministic nor an occasionalist point of view. The methodology provides a perspective on the duality and the dialectical relations between structures and agents.

The case study method is selected for the study, conceiving each case as a special case of what is possible in PFI practices. The thesis drew on the analysis of documents, observations and semi-structured interview data to provide a historical context of PFI practices, identify the relationship and interrelations between actors in relevant fields, and to uncover the logics of practice in PFI practices.

Chapter 3: NHS Infrastructure Finance and the Bureaucratic State

3.1 Overview

The NHS is built around the principle that good healthcare should be available to all irrespective of wealth, and is largely free at the point of delivery (DH 2015b). The financing of healthcare infrastructure in England since the establishment of the NHS in 1948 has traditionally been the responsibility of the government. However, the increased devolution of the NHS through various reforms and restructuring has culminated in the creation of a 'neoliberal state' with healthcare administering responsibilities. The process of creating the neoliberal state through the adoption of NPM practices in the 1970s/80s in the pursuance of neoliberalism has allowed for the proliferation of different financing options. The influences of NPM in the public sector in general, and in the NHS in particular, and of the reconfiguration and modernization of the practices within the NHS has already been highlighted in the literature (cf. Broadbent and Laughlin 2005b, Cochrane 1993, Ezzamel and Willmott 1993, Mackintosh 1993).

The objective of this chapter is to present a synthesis of the literature on PFI in the NHS, with specific reference to the bureaucratic state. The chapter charts the development of infrastructure finance in the NHS since 1948, contextualising the impact of the devolutions and reorganisations on infrastructure finance, and the increased reliance on private finance. These reorganisations set the stage for the use of private finance in the NHS, and thus for the PFI. The PFI itself was built on the bedrock of neoliberalism (and for that matter NPM). Since the introduction of PFI in 1992, the government has sought in different ways to encourage its usage. The chapter thus presents on the evolution of the PFI as a policy and on the developments of the PFI in the NHS.

The NHS has seen numerous reorganisations since its creation. Apart from the relative stability between 1948 and 1974, the NHS has undergone about 20 reorganisations since, depending on how they are counted (Timmins 2012). Those noted in this chapter are those with significant

impact on capital finance in the NHS. The chapter is structured to reflect the macro-level conditions that affected all NHS procuring authorities, and contextualises the evolution of infrastructure finance in the NHS since its inception in 1948. It discusses the various reforms introduced into the NHS which had an impact on infrastructure finance, ultimately culminating in the introduction of the PFI as a financing mechanism. It, therefore, addresses the structural conditioning for a PFI procurement stemming from outside of a procuring authority, conditioning the micro-level structures, thus motivating a PFI procurement.

Construing the PFI policy as part of a statecraft of modernisation (Broadbent and Laughlin 2005b) places it within a web of broader welfare reforms. Wacquant (2009) observes that welfare reform as a statecraft necessarily integrates material and symbolic elements. In material terms, it involves the reorganisation of public bureaucracies with oversight responsibilities of the dependent populations. In symbolic terms, it involves the production and diffusion of new and official perception and appreciation categories, which provide a language for the depiction and justification of state functionaries while simultaneously shaping the subjectivities of the state's subjects. As products of the bureaucratic field thus, the reorganisations through to the introduction of the PFI helped influence the structure and *nomos* of the fields of respective PFI procurements.

The chapter is structured as follows. Section 3.2 presents a development of NPM as the bedrock of some of the reforms introduced in the NHS post-1970s and of the PFI. Section 3.3 presents on the PFI; its introduction and subsequent evolutions. It also identifies the principal players who gave rise to the policy and the subsequent tensions that brewed in the bureaucratic field. Section 3.4 presents the evolution of infrastructure finance in the NHS, by focusing on the various reforms with capital finance implications. Section 3.5 presents a connective summary on the reforms vis-à-vis the PFI, with section 3.6 presenting the concluding remarks on the chapter.

3.2 'New' Public Management

The reorganisations in the NHS arguably drew their credence from NPM. The ideas and discourse on NPM were largely introduced in many countries during the 1970's to streamline the public sector and its operations (Hood 1991, 1995). NPM, under the embrace of neoliberalism[20], has since influenced political-economic practices (including deregulations, privatisation, and withdrawal of the state from many areas of social provisions) and thinking since the 1970s (Harvey 2005).

Prior to the 1970's however, traditional public administration based on a bureaucratic welfare system had heralded a hegemony over the administration and management of the public sector (Osborne 2006). Under traditional public administration, the state through hierarchical and bureaucratic mechanisms and structures infused with public sector ethos, provided social goods for the good of the collective rather than for private gain (Bourdieu 2008, Ezzamel and Willmott 1993). Within this period, the central governments were heavily involved in policing and funding the delivery of public utilities and services.

In the 1970's however, ideologues and practitioners increasingly questioned the role of the state in modern life, and also the efficiency with which the state performed its functions. The British economy's experience of depression in the 1970s was ascribed to an overblown public sector which was inherently inefficient (Letza *et al.* 2004 citing Sanderson 1997 and Foster 1994). The Conservative government led by Margaret Thatcher, also saw the public sector as wasteful and inefficient (Broadbent *et al.* 1996), and introduced NPM reforms aimed at "reorganising the state, improving economic performance and reversing national decline", and to "curtail the range of services performed by the government" (Humphrey *et al.* 1993: 9).

[20] Harvey (2005: 2) defines neoliberalism as "a theory of political and economic practices that presupposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade." The neoliberal state's role is thus to create and maintain the institutional framework appropriate for such practices.

NPM is neither a unitary nor a monolithic concept. Though representing a myriad of reforms and definitions, Dunleavy *et al.* (2006) submitted that NPM is a composite of three fundamental themes of public sector reforms focused on disaggregation, competition and incentivisation, drawn from concepts of modern business practice and public-choice influenced theory. At the core of NPM is the argument that the private sector is more efficient than the public sector. These reforms aimed at breaking the public sector into (semi) autonomous units with flatter hierarchical structures and specialised duties; introduced a provider/purchaser separation to aid in the development of competitive environments in the provision of services; and the introduction of performance measurement to which rewards were tied (*ibid.*). NPM reforms thus had the objectives of attempting to improve public sector efficiency by introducing market disciplines into 'bureaucratic' organisations, controlling public expenditures, or purely to achieve ideological goals of reducing the functions the state performed, all in the hope of improving public sector VfM (Cochrane 1993, Ezzamel and Willmott 1993, Gray and Jenkins 1995)

Broadbent (2002: 440) presents that NPM is "premised by the general programmatic assumption that inputs should be linked through to outputs and that they should be measured in monetary terms." Bolstered by accountability and governance concerns, NPM reflects a linear mode of thought and belief that everything can be rendered measurable in monetary terms (*ibid.*). Bourdieu takes issue with this economistic bias of neoliberalism (and NPM by extension) especially with it ascription of models of economic behaviour to that of social behaviour (Bourdieu 1998a). As a "desocialized and dehistoricized 'theory'" (Bourdieu 1998a: 95, original emphasis), neoliberalism redefines the social in terms of the economic, through the language of quantifiability, calculability, cost-benefit rationalisation, and private business management techniques. In the process, any part of the social irreducible to economic terms is left out.

The reforms, therefore, came with the introduction of competitive tendering; internal markets and the provider/purchaser divide which redefined the role of the public sector in the provision of public services. As Broadbent and Guthrie (1992) submits, these reforms led to the public sector initially out-contracting the provision of services (initially secondary and non-essential services, then to those of primary services) to the private sector. This also meant that the public sector needed not to provide upfront finance for the provision of the service but could pay for the service after it was rendered.

Neoliberalism through NPM discourses thus informed the "involution of the state" (Bourdieu 1998a: 34) – the withdrawal of the 'nanny' state. The worldview presented through neoliberalism (and NPM) established itself as a doxa (*ibid.*) within the bureaucratic field. This doxa redefined the structure of the bureaucratic field, and restructured other fields to which the bureaucratic field had influences (see Bourdieu 1998c). Such is the case of the reforms in the NHS, especially those from the mid-1970s and later: the inspirations for the PFI policy.

As part of the economic liberalisation, the reforms began with:

> a deregulation that removed statutory restriction on competition in both the public and private sectors, and unto a widespread privatisation programme, involving the transfer of public to private ownership most of the nationalised industries and service areas (Letza *et al.* 2004: 165).

These developments on NPM reforms parallel those in of the reorganisations in the NHS, especially that of 1990 and the introduction of the NHS internal market. Same developments account for the macro and microeconomic rationales of the PFI, and sets the stage for the introduction of the PFI and the active involvement of the private sector in public service delivery.

3.3 The Private Finance Initiative

Prior to 1989, the government was not very keen on admitting private capital in the finance of public sector projects (Broadbent and Laughlin 2003a). Between 1982 and 1989, the Ryrie Rules

(named after Sir William Ryrie, a senior Treasury official), set the criteria that should be met before private finance could be employed into nationalised bodies. The criteria set by the Ryrie rules were that for any privately financed solution to be employed, it:

> must be shown to be more cost-effective than a publicly financed alternative, and that privately-financed expenditure by the nationalised industries could not be additional to public expenditure provision, which would be reduced by the amount of any private finance borrowed (Economic Affairs Committee 2010, para 15).

These criteria, according to Broadbent and Laughlin (1999: 98-99), were originally set up:

> to control the relationship of the public and private sector in terms of investment capital in the nationalised industries where, it was argued, that lack of public sector finance meant that profitable opportunities were being lost.

The rules generally presented that private capital could be used if it provided the most cost-effective solution. The rules were perceived as being overly restrictive and crowding out private capital (Broadbent *et al.* 2004), because the government could borrow more cheaply than the private sector, thus proscribing private finance (Heald and Geaughan 1997). This perception was especially prevalent among ideologically pro-market members of the Conservative government like David Willets MP (Ruane 2010).

However, Sir Ryrie cited in Clark and Root (1999: 348) submit that:

> these rules were not intended to prevent the use of private finance in public sector projects. They were intended to focus attention on the issue of bills being posted to the future, an option that is likely to be attractive to Ministers because their budget would face no immediate charge.

The rules were retired in 1992 with the introduction of the PFI, which allowed for the posting of bills to the future, as shown in Figure 3.2[21] (which shows estimated future liabilities on current projects).

[21] See page 59. An important caveat should be noted on the data used in plotting Figure 3.1 and Figure 3.2. HM Treasury (2016b) presents that the data is nether complete nor audited. It is based on submissions from the procuring authorities only. It does not include expired or terminated schemes, and does not include signed schemes for which the procurers did not submit returns. Thus, some schemes appear in this dataset, but not in earlier sets even though they were signed and have been in operations for some time; with some appearing in the earlier dataset not appearing in the later dataset. An example is the 'Airwave' project in the Home office, which has been in operations since 2011, but did not appear in the Treasury dataset until that of 2015.

3.3.1 PFI: 1992 to 1997

The PFI was introduced in 1992 against a backdrop of a recession, high unemployment, low investment in infrastructure and an ideological drive urging the continuous involvement of the private sector after privatisation had largely run its course (Clark and Root 1999). Ruane (2010) argues that PFI at its launch drew strongly from the ideas of David Willetts MP,[22] contained in a pamphlet (Willetts 1993) on ways of introducing private finance into the NHS. Foot (2004) later presented that the pamphlet was sponsored by BUPA, a health insurance company, and that Willets had authored it while being a consultant to the private health firm, Healthcall.

During the recession of 1991/1992, the government sought to reduce public expenditure while simultaneously stimulating growth. As Norman Lamont, then Chancellor of the Exchequer, cited in Broadbent and Laughlin (1999: 95) stated, the government sought to do this by:

> pressing ahead with our policies on privatisation, deregulation, cutting out waste and keeping the tax burden of companies and individuals as low as we can.

Commitments of the government to ideals of the NPM were still apparent. As Broadbent and Laughlin (2003a) argued, all public bodies that could be sold were sold, providing much-needed cash injections to the government.

Perceptions that the private sector possessed more technological capital which made them more efficient and effective than the public sector, and the desire for the continuous involvement of the private sector in public affairs contributed to the government seeking ways to solicit the private sector's continued involvement. PFI was thus an option that would deliver the involvement of the private sector in public service delivery while also providing additional sources of funds for development. At the ideological level, the PFI contributed to the reduction in the number of

[22] Willets went on to be an economic advisor to Dresdner Kleinwort merchant bank, a major beneficiary of PFI (Ruane 2010)

functions that the state hitherto had to perform directly: a "hollowing out the state" (Heald 1997 citing Rhodes 1994).

With the PFI's introduction in 1992, the private sector was to be engaged under the policy to DBFOM 'high quality' infrastructural facilities to deliver quality services over a long-term contractual period in return with the hope the public sector will be delivered VfM (HM Treasury 2012a). It was held VfM would be delivered via the appropriate transfer of risk to the private sector and the employment of an innovative approach to service delivery and cost management. Contracts under PFI are often signed with a consortium organised in the form of a Special Purpose Vehicle (SPV) specifically for the PFI contract, often because of the myriad of integrated services expected to be delivered.

Froud (2003) suggests the use of PFI (and PPP's in general) is based on the concepts of competition, efficiency, contractualism; and through policy making and public service delivery, applies management by contract to reduce the size of the state and it functions. These concepts and ideas draw from NPM. Linder (1999) also argues the multiple meanings and forms of PPPs trace their respective justification to those of NPM and practices thereof. Mayston (1999), on the linkages between the PFI and NPM, contends that PFI is an extension of the "contractualisation" under NPM to include capital services ownership and management of by the private sector. NPM, it is imported from the arguments, served as the bedrock for the development and use of the PFI. In addition, Spackman (2002), McQuaid and Scherrer (2010), and Hodge and Greve (2013) summarise commonly espoused rationales for the proliferation of PPP/PFI schemes (as presented in Table 3.1), most of which draw their justifications from the general NPM arguments.

Table 3.1: Common rationales for PPP/PFI schemes

Spackman (2002)	McQuaid and Scherrer (2010)	Hodge and Greve (2013)
1. Easing budgetary pressures faced by governments through off-balance sheet financing 2. Bypassing controls on public sector investment to address neglected public infrastructure problems 3. Evading formal constraints on borrowing and spending faced by governments 4. Semi-privatisation through the self-financing of PPPs 5. Enabling expedite deployment of infrastructure finance to publicly financed initiatives 6. More effective monitoring of PPP contractors by private financiers 7. The contractual benefits of leveraging performance against private financier's long-term capital 8. Enforcement of whole-life costing by both partners in relationship	1. Private sector efficiency, innovation, competition and choice 2. Whole-of-life and performance oriented management 3. Economies of scale 4. Reducing the overall tax burden 5. Spreading risks across parties 6. Leveraging public asset values	1. Improve business confidence 2. Provide better VfM 3. Provide better on-time and on-budget delivery 4. Provision of subsidy and assistance to businesses in global market 5. Improve political feasibility for imposition of user fees 6. Aid in putting infrastructure issues onto public policy agenda 7. Improve accountability 8. Improve government performance on budgets and other performance indicators

PFI, however, took to a slow start, necessitating the launch of concerted efforts to push its adoption. These efforts took the form of strategies aimed at creating a governance infrastructure for the PFI, reforming the institutional arrangements of the state, and strategies aimed at manufacturing consent for the adoption of the policy (Ruane 2010). These state-level efforts were aided by concerted efforts of ideologically driven think tanks and business coalitions (*ibid.*) with the aims of providing academic veneers to the project of the new state and business nobility, and to advance their interests.

First was setting up of the Private Finance Panel (PFP) in 1993 to provide policies and guidelines to facilitate the implementation of the policy (Shaoul *et al.* 2008b), and Private Finance Units (PFU) in capital spending departments to stimulate PFI's implementation (Shaoul *et al.* 2007b). In addition, the Public Private Partnerships Programme (4ps) was established to accelerate the deployment of PFI in local services (Ruane 2010). The membership of these bodies primarily consisted of financial advisors on secondment or on loan from the private sector who not only advised on the application of the PFI, but also crafted the general guidelines in their application within PFI (Shaoul 2011). Lipsey (2000) noted that the involvement of the private advisors was to help overcome the opposition to the policy in the civil service, an indication of the divergent interests represented in the bureaucratic field as noted by Bourdieu (1996b). To give it a further push, the government declared private finance a major source of public expenditure growth and introduced a universal testing rule requiring public procurers to explore capital projects against PFI options before approval could be given for procurements (Economic Affairs Committee 2010).

Despite best efforts, relatively few PFI projects were signed by the time of the 1997 election with most projects concluded in roads and prison but not in health and education. Shaoul *et al.* (2008b: 17) ascribed the reasons for the slow take-off to "lack of expertise on the part of public authorities, legal difficulties, as well as broader political resistance". PFI thus did not gain much traction

because of the inadequacies of symbolic reforms that had to accompany the material reforms introduced. Of the projects still in effect as at 31 March 2015, only a few were signed between 1991 and 1998 (see Figure 3.1).

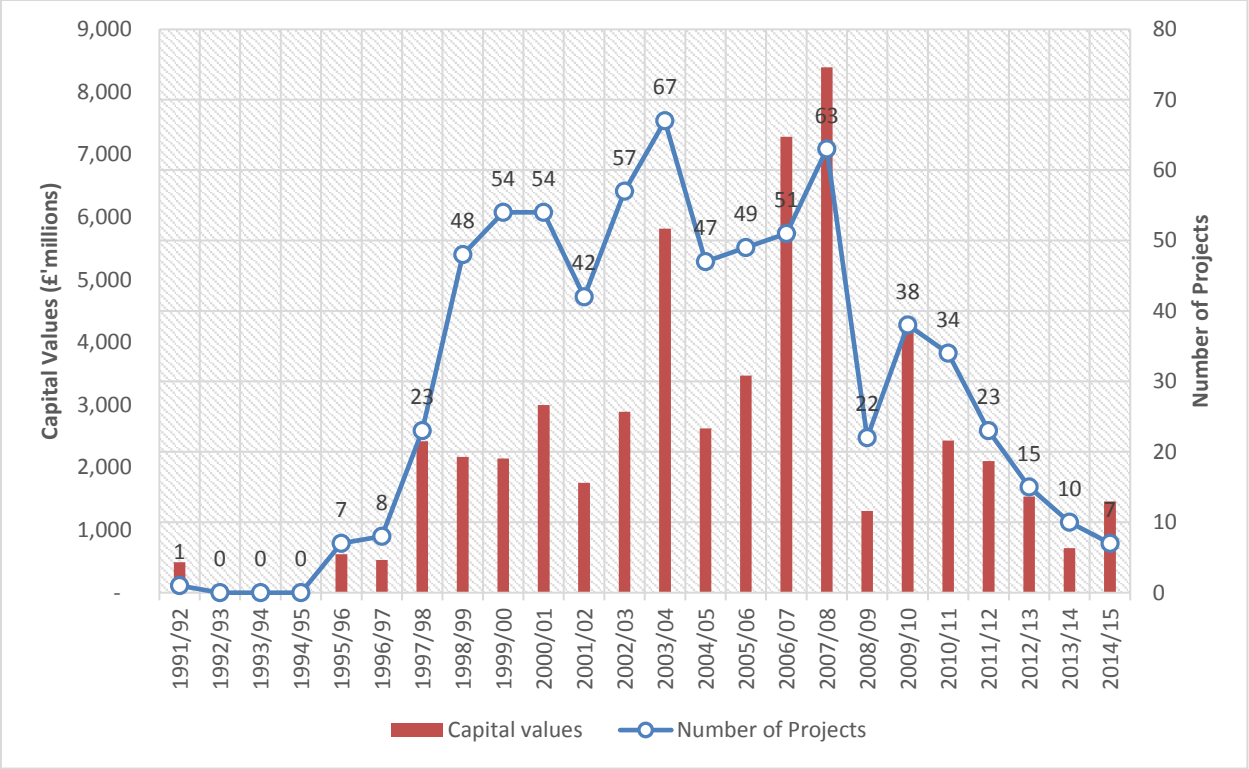


Figure 3.1: Signed projects per fiscal year

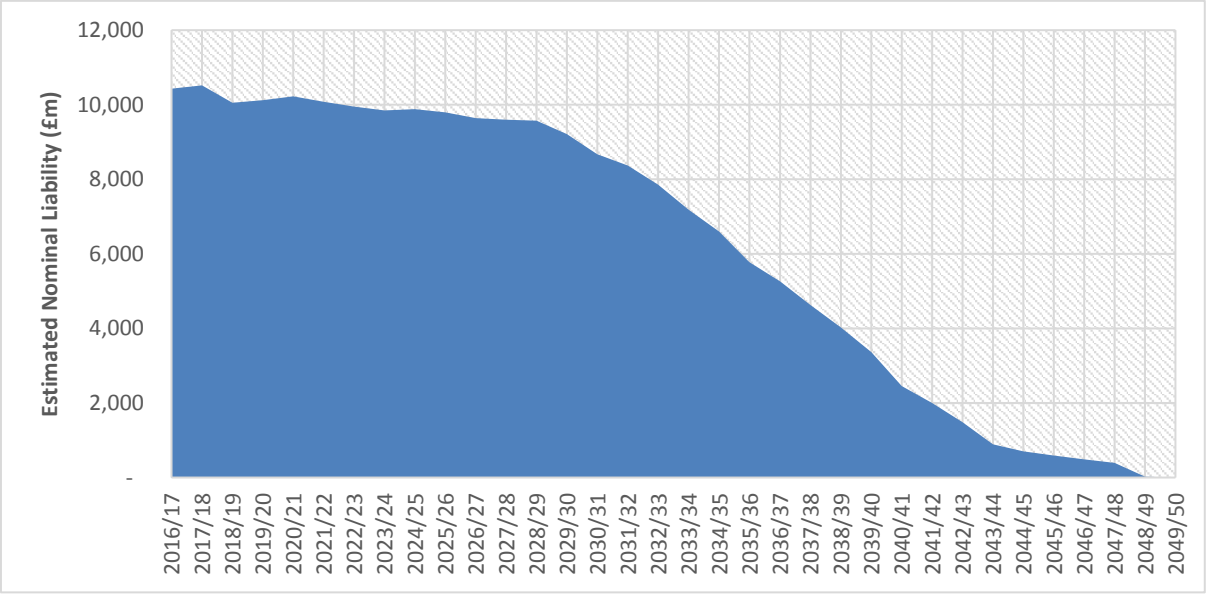


Figure 3.2: Estimated nominal liabilities

Source: Data from HM Treasury (2016a), PFI and PF2 current projects.

3.3.2 PPP: 1997 to 2012

The PFI was rebranded and revamped under Tony Blair's Labour government in 1997. In response to the structural failings preventing the PFI from a smooth implementation, the Bates review (headed by Malcolm Bates, a former member of the PFP) was instituted to make recommendations towards the streamlining the PFI process (Broadbent *et al.* 2000). The Bates review produced 29 recommendations, paramount of which included the disbanding of the PFP in favour of the Treasury Taskforce to be controlled from HM Treasury. The Taskforce was to make recommendations on the design and implementation of PFI projects (the project arm), and also on the policy overall (the policy arm) (Clark and Root 1999). Both private and public sector staff staffed the Taskforce. Its Chief Executive, Adrian Montague, led a career illustrative of *pantouflage*[23]: a phenomenon where individuals move to and fro between the public and private sectors (see Ruane 2010). In addition, legal barriers such as the issue of *ultra vires* in relation to local authority transactions were removed, and PFI credits introduced, all as attempts to aid the implementation of the policy (Clark and Root 1999, Shaoul *et al.* 2008b).

Later on, a second Bates review, tasked with examining ways of improving infrastructure support for the PFI and ways of encouraging greater commercial exploitation of public assets was instituted (Ruane 2010). Recommendations of this led to the creation of Partnerships UK (PUK) to replace the projects arm of Treasury Taskforce, and tasked with expediting and expanding the use of PPPs (Shaoul *et al.* 2007b). Another review, the Gershon review (under Peter Gershon, Chair of GEC Marconi), was undertaken in 1998, recommendations of which created the Office of Government and Commerce (OGC) to replace the policy arm of the Treasury Taskforce. The OGC was

[23] Bourdieu used the term *pantouflage* to refer to instances where public servants, after gaining experiences and cultivating relationships within the public sector, takes up opportunities within the private sector wherein they exploit the capitals they had accumulated within the public sector (see Bourdieu 1996b).

responsible for devising a standardised framework for the uniform application of the policy in government departments (Allen 2001, Khadaroo 2006).

Following the financial crisis of 2008, the Labour government directed HM Treasury to setup an in-house 'commercial bank' with capabilities to lend to PFI projects that could not raise sufficient debt on acceptable terms to finance their projects (HM Treasury 2009). This 'bank' found form in the Infrastructure Finance Unit, and was set up in 2009. Later in the same year, the Chancellor of the Exchequer announced the formation of Infrastructure UK to take on the role of government advisement on infrastructure procurement process. Infrastructure UK subsequently developed and implemented the PF2.

Shaoul *et al.* (2007b) charted the involvement of the private sector in the bodies created within HM Treasury to advise on the policy and its application. They presented that government has effectively transferred the management of the PFI procurement process to representatives of the private sector with close linkages with owners, financiers, and contractors with interests in the continued used of the policy. PUK, itself a PPP with 51% of its shares privately held, at incorporation raised finance from Jarvis and Serco: principal players in the PFI market likely to be shortlisted for major PFI projects (Ruane 2010). Shaoul *et al.* (2007b) argued that conferring the responsibility of promoting PPP/PFI to a profit-making entity institutionalises the potential of conflict of interests given PUK's close linkages to contract bidders. PUK made its income from both parties in a PFI relationship: through fees it charged from government departments upon the operationalisation of projects, and through royalties from contracts awarded to private sector firms (Ruane 2010). Ruane (2010) in mapping the presence of key individuals on the boards of multiple institutions with interests in PFI, concluded that a network of organisations and units existed within the state which collectively advanced and managed the interests of the PPP agenda.

The enthusiastic embrace of PFI by the Labour government was in sharp contrast to their original disapproval to the policy as a backdoor privatisation route. While in opposition, Labour argued that allowing the private sector to build, own, and manage public infrastructure was tantamount to privatisation (Dean 1996: 1253). Clark and Root (1999) presented that the financial and political pressures that led the Conservative government to introduce PFI accounted for Labour's embrace of the policy. Dean (1996) had predicted that with Labour's opposition to tax increments contrasted with their desire to improve public services, they would accept a modified form of PFI that reduced expenditure now in favour of future liabilities. The proposition of Dean, therefore, gives credence to the macroeconomic incentives influenced policy choices in relation to the PFI.

Labour shared with the Conservatives, "the ambition of correcting the apparent failings of public sector organisations through applying private sector principles of efficiency, competition and entrepreneurship" (Grimshaw *et al.* 2002: 478), thus, adopting NPM arguments. Labour's approach to reaping the benefits of private sector expertise was by 'forging' partnerships with the private sector (Broadbent and Laughlin 2005b). Labour rebranded and extended the PFI to include concessions, franchises, joint ventures, *etc.*, which together became PPPs. PPP's were presented as the "Third Way" (Giddens 1998), an approach, Giddens argued, offered the rewards of market systems and state control while avoiding the polarisation between the two. The adoption of the "third way" also afforded a substantial increase in the role of the private sector in public service delivery (Jupe 2012). Giddens, through the "Third Way" and other works, "gave an academic veneer" to political projects (such as the PPP arrangements) of the higher state and business nobility (Bourdieu and Wacquant 2001: 5), offering an additional level of legitimisation for the use of the PFI.

In addition to the above, the government employed both light and heavy-handed approaches to secure the compliance of the lower state nobility – the civil servants tasked with implementing the

policy. Ruane (2010) discussed that resistance to the policy ranged from caution to scepticism, and in some cases, outright opposition (especially from UNISON). The government broadened consultations for official guidelines, and eventually negotiated a retention of staff agreement for the NHS for example. The perceived virtues of the PFI was spun, with PFI presented as a partnership accommodating the interests of the partners (*ibid.*). Civil servants also believed their jobs were at risk for non-compliance to PFI demands (*ibid.*). As Bourdieu (2005) discusses, however, technical and cultural competence is one of the main weapons of the civil servants in the battle for monopoly control. In an attempt to structure civil servant's competencies thus, guidelines and regulations were issued centrally, with seminars organised by various Treasury units, sympathetic bodies to the PFI course, and the NAO[24] in an attempt to expose the civil servants to the idea and inevitability of PFI (Ruane 2010).

The highest numbers of projects were signed within this phase, as evidenced in Figure 3.1.

3.3.3 PF2: 2013 to date

The Private Finance 2 (PF2) was launched in 2012 as a rebrand of the PFI, in response to criticisms of the PFI. HM Treasury (2012a) admitted that some aspects of the PFI model had not been satisfactory. They cited the slow and expensive procurement process, insufficiently flexible contracts, inappropriate risk transfers, insufficient transparency on PFI liabilities *etc.* as some of the failings of the PFI model that necessitated a reform and rebrand (*ibid.*).

[24] The theoretical role of the NAO makes it both a "regulatory intermediary" (King *et al.* 2007) and/or a "border worker" (Newman 2012). This is because whereas the NAO cannot implicitly question policy, they nonetheless are mandated to perform performance audits from which the execution of policy could be improved through lessons learnt. Their contributions to public discourse are both inclusive of government pronouncements and/or independent of government pronouncements. In the process, they can serve as "regulatory intermediaries" through which overall objectives are defined and distilled in the hierarchical system of public procurement, but also are quasi-independent of the government, and hence the conceptual designation of they doing "border work". Within the bureaucratic field however, they are more within the higher state nobility, or the right hand of the state, owing to their preoccupation with demonstrating the adherence to pre-conceived outcomes.

HM Treasury (2012a) presents the PF2 as a collection of reforms that will strengthen the government's position in PFI relationships, permitting her to better realise VfM while being duly accountable to the populace. These reforms, said to be based on inputs from stakeholders including advisors, investors, contractors, service providers, trade unions and academics, did not change private sectors' responsibilities under a PFI contract but essentially changed the structuring of PFI relationships.

The reforms can be categorised into (1) those aimed at the financing and ownership structure in PF2 relationships; (2) measures to improve on the realisation of VfM; and (3) those aimed at improving accountability and transparency. On the financing and ownership structure, the reforms include the introduction of public sector equity, and the redesign of the PF2 to enable access to long-term debt finance and capital markets. On measures to improve on the realisation of VfM are those of the introduction of the flexible service provision; measures aimed at accelerated and economical procurements, measures aimed at improving on appropriate risk allocation and a replacement of the existing VfM guidance. The final category is composite of measures aimed at improving the accessibility of the PF2 performance and contracting process with the aim of improving overall accountability. Table 3.2 summarises the key reforms contained in the PF2.

The PF2 is only applicable in England with effect from 2013. Although not within the locus of this thesis, the inputs made by the PF2 in the context of reforms provides useful points of reference in the discussions on the PFI and its performance appraisal. As part of the reform process, HM Treasury hinted on the introduction and development of new VfM assessment guidelines for the PF2 as part of a commitment to the development of comprehensive guidelines for PFI/PF2 procurement. This, however, is still in development with the government, despite the withdrawal of the VfM quantitative assessment tool (Treasury Committee 2014) after NAO's (2013a)

criticisms. This thesis only makes use of the PF2 to the extent that it broadens issues on PFI procurement in general, but is not used as the central point of analysis.

Table 3.2: Reforms under PF2

Theme	Focus	Reform
Financing and Ownership Structure	Financing	• Introduction of minority public equity co-investor in PF2 projects • Restructuring projects to achieve lower gearing to facilitate access to capital markets and other long-term debt finance • Introduction of funding competitions for a proportion of equity to attract long-term investors
	Budgetary control	• Introduction of control total for all PFI commitments arising from PF2 signed contracts with off-balance sheet status
Improved VfM delivery	Risk Transfer	• Greater management of risks by the public sector, including consequential risks and costs arising from unforeseeable regulatory changes, changes in utility costs and insurance among others.
	Flexibility	• Removal of soft service like catering and cleaning from contracts, while allowing procuring authorities the discretion of including certain maintenance types among others. • Introduction of periodic reviews of service provisions.
	Accelerated Delivery	• Commitment to shortening the tendering phase to less than 18 months, unless exemption is granted by the Chief Secretary
Transparency and Accountability	Transparency	• Introduction of additional checks at pre-procurement to strengthen scrutiny • Introduction of the requirement of private sector to publish equity return information • The government will publish annually, a report detailing projects and their financial standings

Source: Adapted from HM Treasury (2012a: 13)

3.4 Reforms and Capital Finance in NHS

NHS reforms were crafted to alter the objective and subjective existence of the state: to restructure the bureaucracy in healthcare provision (the objective) and to reconfigure the disposition of agents (the subjective). This section follows the NHS through its principal reforms, concentrating on those with capital finance implications.

3.4.1 1948 – 1992: the seeds of marketization

The launching of the NHS by Labour government's health secretary, Aneurin Bevan, in 1948 marked the culmination of the nationalisation process set out in the NHS Act 1946. Hospital infrastructure has since been the backbone of healthcare, and has enabled the delivery of health services across the country. As part of the provisions of the Act, hospital infrastructure was to be financed mainly from central government grants, and occasional from private contributions through endowment funds. By 1956 however, not a single new hospital project was approved (Ministry of Health 1962), with the NHS left to operate with estates mostly inherited through the nationalisation process, some of which pre-dated the first world war.

In recognition of the under-investment in capital projects and the rising NHS expenditure, the Conservative government's health secretary, Enoch Powell[25] introduced the great Hospital Plan[26]. He raised a number of NHS charges, including the doubling of the prescription charges from 1*s* (5p) to 2*s* (10p), partly to finance the £500 million building and improvements programme contained in the great Hospital plan of 1962 (Timmins 1995). Powell's plans, however, met a rocky start. The measures introduced to stem the effects of the balance of payment crisis of 1964; the sterling crises of 1965 and 1966; and the devaluation in 1967, contributed to the curtailment of the grand plan *(ibid.).* By the mid 1970's, only a third of the schemes in the plan had been completed; a third remained in construction; and the last third not even started (Edwards *et al.* 2004, Gaffney *et al.* 1999a), all before the curtailment of investment due to capital constraints (Maybin 2007).

[25] It should be noted that Enoch Powell was one of the early monetarist who wanted to cut public spending.

[26] The plan aimed to build 90 new hospitals, drastically remodel another 134 hospitals, and provide 356 further improvement schemes costing over £100,000.

Until the administrative reorganisation of the NHS in 1974, NHS infrastructure finance depended almost entirely on government grants. The economic crises of the 1960's and 1970's, however, led to a rethink of alternative capital funding sources other than government borrowing (Evans 2008). The 1974 reorganisation, crafted by the Tories in 1973 and implemented by the Labour government in 1974, placed all health services into regional and area health authorities. This marked a key point in the devolution of the NHS and its capital finance, as the newly created authorities were vested with the authority to invest proceeds from land sales into their capital projects (Meara 1991).

The next significant devolution in the NHS with implication for capital expenditure finance was initiated by the 1987 review commissioned by Margaret Thatcher amidst concerns of growing financial pressures and level of control in the NHS architecture. NHS costs had risen by 30% in real terms between 1979 to 1987, with Thatcher's government seeking to think anew the domination of decisions by doctors in NHS, and by the local interests over which Whitehall had little control (Campbell-Smith 2008). At the same time, the English NHS owned a property portfolio of circa £24 billion, 40% of which was classified as 'in poor condition' and needing significant remedial spending (Audit Commission 1991).

The results of the 1987 review culminated into the NHS and Community Act (1990), which allowed for the creation of NHS Trusts and the introduction of internal markets. The internal market introduced a purchaser/provider split, with hospitals (classified into Trusts) as providers of health services split from the control of health authorities (classified as healthcare commissioners). The reorganisation was in fact based on the arguments of the benefits of adopting NPM practices, as part of a broader political agenda (see Shaoul 1998). The reorganisation had two significant implications for infrastructure finance in the NHS.

Firstly, as per the Act, Trusts were 'self-governing' within the overall NHS structure, but reported directly to the Secretary of State. The Trusts were to be run like corporations in the public sector, like those of the old nationalised British Airways (Shaoul 1998). They had relatively limited freedoms; could make capital investment decisions, and could directly (though not independently) negotiate for and use private capital in financing their capital projects. As public corporations, Trust assets were held to be financed from Public Dividend Capital (PDC) and government Interest Bearing Debts (IBD)[27] (Gaffney *et al.* 1999a). Trusts were required to pay capital charges back to HM Treasury for the use of the finance capital, with the argument that the capital charges "represented the opportunity cost of diverting funds from the private to public sector" (Shaoul 1998: 101). The capital charges were then recycled through the PDC to finance new investments, which would, in turn, attract new capital charges. The financing of additional projects thus required the availability of finance through the PDC and the IBD, effectively scrapping the block grant method of capital finance that preceded the reorganisation.

The second implication stemmed from the payment mechanism under the marketization policy, which meant that hospitals received payments based on the volume and price of services they were commissioned to deliver. Commissions were arranged into block contracts, with specific prices agreed for broadly defined services, based on historical funding patterns and locally agreed annuations (DH 2012). Trusts were expected to charge the commissioners a price covering the full cost of providing the services[28] (including the relevant capital charge, cost of capital, and depreciation); while the commissioners were free to procure services from the cheapest providers (Shaoul 1998). In effect, Trusts were required to make surpluses on their operations to cover the

[27] The PDC and government loans had similar functions as those of shareholders' fund and long-term liability respectively, although the government loans were dropped later on.

[28] This provided the foundations of the Payment by Results (PbR) introduced later.

capital charges. Capital finance was effectively written into the price for commissioned services, allowing Trusts to internally finance capital projects, provided they made sufficient savings.

The import of the reorganisation meant that infrastructure finance relied on internal and external sources. Internally, it depended on proceeds from estate sales and internally generated funds from Trust's operational surpluses. The main source of internal funds was the depreciation charge which was covered by the prices, but had no cash flow impact. This remained same under the Payment by Results (PbR) introduced later. Externally, it depended on the availability of funding through the PDC and borrowings, which required the repayment of capital costs on the borrowing, and the finance costs on both.

The developments in infrastructure finance and reorganisations in the NHS paralleled those in the wider state bureaucracy, both drawing from NPM. The end of this first period also coincided with the introduction of the PFI in 1992.

3.4.2 1992 – 1997: the sprouting of marketization

The introduction of the PFI in 1992 marked a significant shift in the method of financing projects. The Trust powers that were conferred meant that authorities could directly negotiate for capital under the PFI, subject to authorisations from the central government. As PFIs are ostensibly set up to require periodic repayment of both capital and finance cost, it suited the marketization policy as repayments could be made from the periodic revenue streams.

Shortly after the PFI's launch in 1992, and to construct the dispositions of NHS agents, NHS Executive issued a finance directive letter [FDL (93)03] to NHS Directors of Finance, imploring the usage of private capital (see Wright 1997). The letter also emphasised that more lease agreements would be permitted, and that assets procured through leases would not count against the calculations of Trust's 'external financing limits' – a measure defining how much a Trust can

borrow for capital expenditure. This presented a micro-level incentive for using the PFI. Additional circulars were subsequently issued, aimed at outlining the procedures to be followed in evaluating the possibility of using private finance, and in formulating business cases for proposed projects.

Regardless of the attempts to construct dispositions to encourage the use of the private finance, PFI in healthcare took to a slow start. Not until July 1997[29] did the first hospital PFI reach a financial close. This was partly because firstly, the was not sufficient clarity as to whether the newly created Trusts had the legal authority to partake in PFI contracts, and secondly, because the Trusts did not have proven financial track records to back such contracts (Edwards *et al.* 2004). The Labour government resorted to codification to normalise the use of PFI in NHS by introducing the NHS (Private Finance) Act 1997. The Act clarified and reiterated the power of the Trusts to enter into PFI arrangement; and as Edwards *et al.* (2004) noted, effectively undertook to guarantee the payments to the private partners in the event the Trust fell into dire times.

However, between 1980 and 1997, only 7 new schemes with capital costs of about £25 million were completed, with the NHS as a whole left to operate with dilapidated estates with significant backlog maintenance costs (Edwards *et al.* 2004, Gaffney *et al.* 1999a). However, the introduction of the NHS (Private Finance) Act 1997, together with increased institutional incentives and devolutions, allowed the NHS to be the single largest user of the PFI, procuring over 120 new projects with capital costs of over £12 billion between 1997 and 2014.

3.4.3 1997 – date: the PFI and fruiting of marketization

In 1999, DH guidelines required PFI schemes to be devised to achieve an off-balance sheet status, although this requirement was dropped in 2005 (see NHS Executive n.d.). The same guidelines

[29] The first PFI scheme was of Dartford and Gravesham NHS Trust. Smaller schemes to a tune of just over £100 million had however been signed before this date (Wright 1997).

stated the reason for that requirement to be that off-balance sheet projects do not count against the Public Sector Net Debt (PSNB). In 2000, the Labour government introduced the NHS Plan (NHS 2000), which called for additional investment in various parts of the NHS, including those of infrastructure. The plan undertook to modernise healthcare delivery; to add 7,000 beds to existing care facilities, and to build 100 new hospitals by 2010 *(ibid.).* This expansion was to be accomplished by expanding the use of the PFI (NHS 2002). Within that period, the PFI was declared the "only game in town", (Public Accounts Committee 2011b: 7), effectively making it the *de facto* source of finance for capital projects. Authorities were seriously "encourage" to explore the PFI as a funding mechanism for all their capital projects (Treasury Committee 2011).

In "Delivering the NHS Plan" (NHS 2002), two other significant propositions having effects on capital financing were introduced: NHS FTs, and the PbR. A third proposition had the effect of determining the models of care and by implication a demand for infrastructure to deliver those models of care. These first two are considered below, with the third considered in the respective cases reports.

3.4.3.1 Foundation Trusts

The first initiative on FTs led to the Health and Social Care (Community Health and Standards) Act 2003 which laid the basis for the establishment of FTs. This marked a major turning point in the devolution of the NHS and the restructuring of accountability relationships. NHS FTs are autonomous self-governing public benefit corporations having the financial freedoms to trade on their own names and assets in the raising of finance and the deployment and development of capital and capital projects (DH 2002b, 2005). FTs are directly accountable to Parliament through their chief executives, and are independent of the DH in terms of accountability relationships[30]. They

[30] In all cases, the provision of healthcare to patients is free at the point of need.

are nominally accountable to their local communities, but in reality are accountable to their regulator, Monitor (Klein 2007). Monitor, an executive non-departmental regulatory body said to be independent of the government, regulates NHS FTs (NAO 2014b). Monitor is institutionally empowered to enforce the terms of authorisations of FTs when such terms are breached, and can dissolve FTs.

Within the capital constrained NHS, the introduction of FTs allowed for the direct accessing of capital from the private sector, subject to such borrowings delivering VfM (see Broadbent and Laughlin 2005b). Their borrowing limits are subject to the affordability of the commitments in terms of projected cash flows. The FTs' freedoms to obtain access to private finance is significant, given the relative restrictions faced by non-FTs. Table 3.3 shows a brief distinction between NHS FTs and NHS Trusts.

Table 3.3: The Difference between NHS Foundation Trusts and NHS Trusts

	NHS Foundation Trusts	**NHS Trusts**
Government Involvement	Strategically directed independently of government	Directed by government through NHS England
Regulation:		
Financial	Monitor	Trust Development Authority
Quality	Care Quality Commission	Care Quality Commission
Finance	Financially independent, subject to regulatory and legal restrictions	Financially accountable to the government through NHS England and DH
Accountability	Nominally accountable to local community and governors	Directly accountable to the government

In 2005, Monitor published the Prudential Borrowing Code (PBC) for NHS Foundation Trusts. The PBC presented a methodology for individual Trusts to score their creditworthiness to secure private finance, and to assess the maximum amount of credit obtainable by an FT. The PBC was

published with the expectation that FTs would be able to borrow directly from private finance without government support or guarantee. Trusts other than FTs were, however, subject to borrowing limits like the Prudential Borrowing Limit (PBL), which was based on the PDC. The PBL was to reflect the maximum cumulative borrowings a Trust may have, relative to their revenue generating capacities.

3.4.3.2 Payment by Results

The PbR was arguably the most significant development in the financing of acute services since 1948 (Appleby *et al.* 2012). Provided for in 'Delivering the NHS Plan', (NHS 2002) the PbR began a phased implementation in the 2003/04, achieving full implementation in 2009/10. It is an activity-based system determining the revenue to providers for the commissioning of healthcare. The PbR presents a nationally determined unit of healthcare requiring payment (the currency) and a set price paid for each healthcare unit (tariff) used in determining the payment for acute services (DH 2012).

Like its predecessor in 1992 under the marketization policy (block contracts), the PbR made no distinction in rewarding capital expenditure and revenue expenditure. The PbR only came in to standardise the units and currencies for commissioning, rather than the old system which relied on the contracting abilities of respective Trusts to secure higher prices amongst others[31]. The PbR system, introduced to model similar activity-based payment systems in other countries, did not give consideration to the capital costs of finance to the providers, , nor did it allow for the separate flow of capital grants to finance capital projects as done in other countries (Appleby *et al.* 2012). However, the DH, while presenting the tariff income under the PbR to be the main source of

[31] For a detailed exposition of the payment systems before the PbR, see Farrar *et al.* (2009) and Raffery *et al*. (1996)

funding for Trusts, introduced additional incentives for Trusts procuring new capital projects. For capital projects of over £25 million, the DH undertook to:

- cover the procurement costs (to a maximum of 2% of the capital value of the project); and
- provide financial support in the early years of project's operation, equivalent to 2.5% of the capital costs in the first year, 2% in the second, tapering to 0% over 5 years (DH 2006).

The impact of these on a PFI procurement meant that a financial assessment for affordability was principally based on projected levels of activities and the transitional support provided for capital projects under the PFI scheme.

The 2012 restructuring of the NHS by the Conservative-led Coalition government, hailed as the biggest in the history of the NHS (Timmins 2012), presents interesting political economy on the financing of healthcare in England. However, most of the aspects of the restructuring exercise arguably have similar effects of the marketization policy introduced under the Conservative government of 1979-1997 and the Labour government from 1997 to 2010 on capital finance. The import of the Health and Social Care Act 2012, however, is that it absolves the Secretary of State from the responsibility for the health of the citizens hitherto contained in the preceding Acts. This absolution entrenches the already stark divide within the bureaucratic field.

3.5 Field Structure

Following from the reforms discussed above, the structure of the bureaucratic field with specific reference to healthcare delivery is shown in Figure 3.3. The figure maps the flow of relations from the DH which has the responsibility and oversees healthcare delivery in the UK through to the delivery of services through the various service providers. Figure 3.2 outlines the structure of the relation through the lens of economic capital appropriation. Nonetheless, this structure also reflects the devolution of the NHS' politico-socio-economic functions.

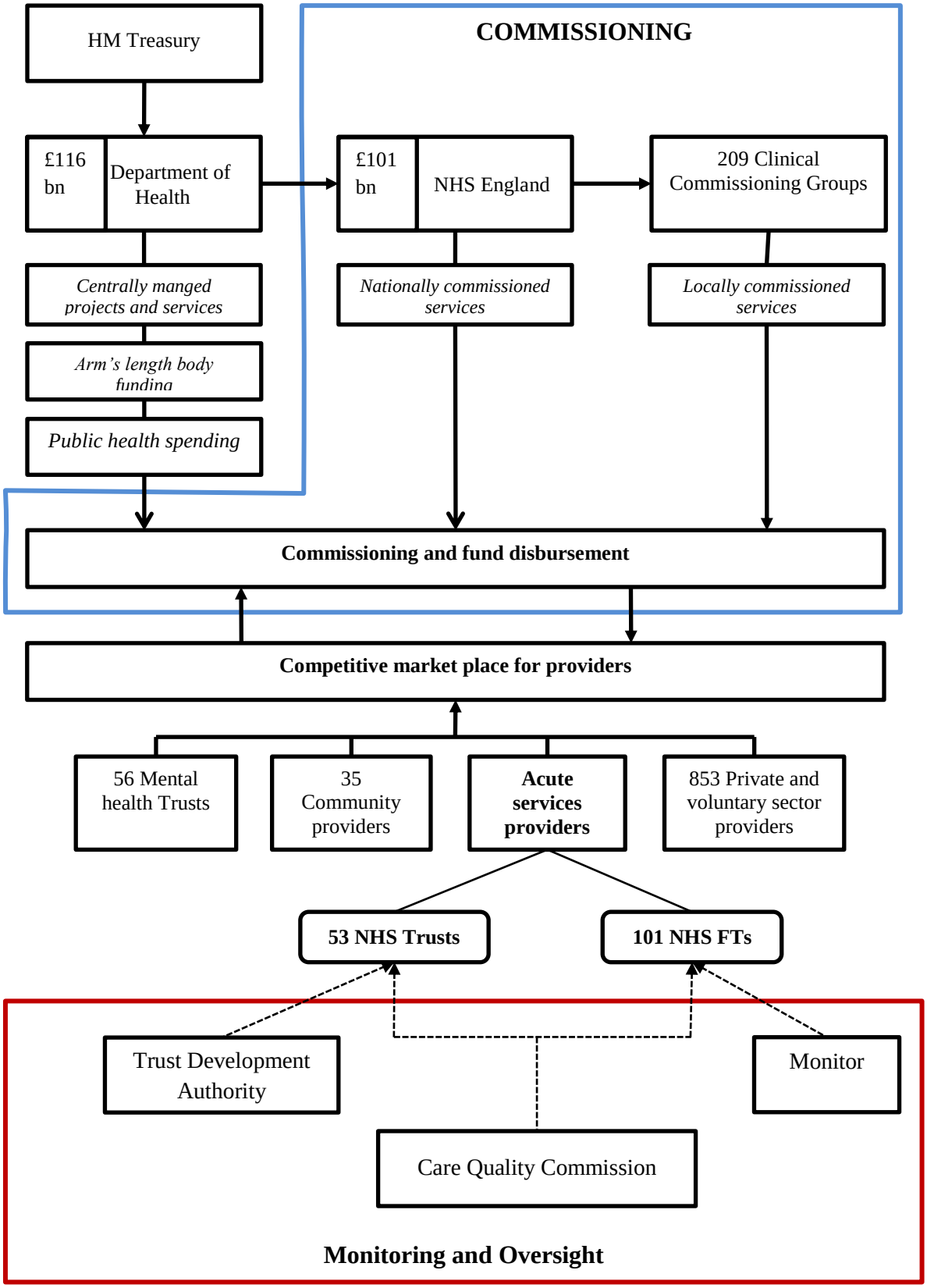


Figure 3.3: Structure of the healthcare bureaucratic field and the flow of money

All figures are based on 2015 spending review (HM Treasury 2015).

The relationship shown in Figure 3.3 follows the disbursement of budget allocations from HM Treasury to the receipt of services by the populace. The budget allocations made for healthcare delivery are decided based on spending reviews between HM Treasury and DH[32], the higher state nobility. HM Treasury allocates funding to DH (£116 billion in 2015-16), who in turn allocates funding to NHS England (£101 billion in 2015-16) (see HM Treasury 2015). NHS England, responsible for allocating and commissioning NHS services in England, in turn principally allocates funding for the commissioning of services through a total of 209 Clinical Commissioning Groups (CCGs) for the local commissioning of services (NHS Confedration 2016). In addition, DH and NHS England can directly allocate and commission services at the national levels.

The commissioned services are delivered through different providers, (the lower state nobility), generally allocated via competitive bidding between the providers based on the nature of the service. However, circa 47% of the NHS budget is spent on acute and emergency services (NHS England 2014). Acute services are delivered through 53 Trusts and 101 FTs (*ibid.*).

The constitution and structure of this field serve politico-socio-economic functions through a system of conceptual schemes deployed to aid their achievement. Each field of PFI procurement is thus a sub-field of the broader health economy[33]. The economy of practices within the broader field of healthcare and the respective fields of procurements, owe their coherence to the fact that they are products of a single system of conceptual schemes immanent in practice. These systems contribute to the organisation of the perceptions of objects and the production of practices (Bourdieu 1977: 118).

[32] The latest spending review was in 2015, from which the funding allocations presented in Figure 5.1 are drawn.

[33] The health economy refers to the market for the commissioning and provision of health services. At the local level, it refers to an area in which health services are commissioned and provided. The broader health economy thus is an accumulation of the respective local economies.

The respective procurements of the cases considered in this thesis are treated as distinct and semi-autonomous fields akin to the general functioning of fields as social microcosms of differentiated societies (Bourdieu 1996b). As social microcosms, the boundaries of specific fields are determined at the points at which the field's effects are no longer found. Thus, each procurement, whose economy, positions and position taking are primarily distinctive and operationally contained within the limits of the contract, defines such microcosms as independent fields. Conversely, NHS (including its institutions and structures) form a field whose structures dictates to each member institutions the strategies befitting its position, via the deployment of statist capital available within the bureaucratic field. The *nomos w*ithin each respective field of procurement, the conditioning of the position taken primarily by the procuring authority thus draw from the bureaucratic field. However, the range of possibilities available to each Trust as dictated by its position within respective fields influences the strategies they adopt in the procurement and management of their contracts.

3.6 PFI in NHS: A Connective Summary

Economic choices in respect of NHS infrastructure procurement: whether to do nothing; to refurbish an existing infrastructure; or to procure a new infrastructure, and in the latter case, whether to procure through the PFI depends on the one hand, the (socially constituted) economic dispositions of the agents and the economic resources they can summon, and on the other, the state of the operable infrastructure at hand. These two conditions also depend on the economic and social conditions created by the state's infrastructure finance regime. Therefore, the state, and those able to impose their views on it, contribute substantially to producing the state of hospital infrastructure finance through all forms of regulations and financial assistances aimed at bringing their interests to fruition.

The market for PFI schemes is a product of twofold social construction to which the state contributes crucially[34]. First is the construction of demand through the production of individual dispositions, more precisely, of systems of individual preferences; and through the allotting of the necessary resources including state grants, as defined in laws and regulatory mechanism. The second is the construction of supply, through the policy of the state (or banks) which contribute to defining the conditions of access to the market, and more precisely, a company's position within the structure of the field of PFI, hence the structural constraints applying to their decisions.

The various reforms introduced into the NHS vis-à-vis the PFI market substantially help structure the dispositions at the level of procuring authorities, and hence the demand conditions for the policy. Each round of reform took the authorities within the NHS further to the left of the state, and HM Treasury and the DH further to its right. The *nomos* of neoliberalism apparent within the bureaucratic field through the exercise of statist capital, helped influence the respective fields of PFI procurements, which are discussed in later chapters. By atomising the NHS into self-manageable units with various degrees of self-determination, the 'individual virtue' is played over that of the collective. The material aspects of the restructuring of the bureaucratic fields featuring the redrafts in authorities and boundaries were subsequently followed by the symbolic elements, granting an easier transition into the application of PFI. The symbolic aspects of the reforms, especially exercised with a combination of the state's juridical capital (in the forms of legislations for example) and informational and cultural capitals (in the forms of prescriptive policy pronouncements) strengthened the position of PFI within the general infrastructure procurement.

The import of these reorganisations on capital finance vis-à-vis the PFI is clear. In the absence of central government finance, hospital Trusts with outmoded estates found that the only opportunity to develop and implement their estates strategies was through the PFI. Applicable accounting

[34]The state is not the only contributor to this construction. Others include advisory services, banks etc. the state however is by far the biggest contributor to the structuring process through its exercise of the statist capital.

standards that allowed for off-balance sheet treatment of PFI projects in the Trust accounts also offered both accounting and budgetary incentives for authorities to use PFI (Hodges and Mellett 2012). Since capital projects procured from public funds take a one-off significant charge against budgets, the PFI was more desirable and payment for unitary charges stem from revenue flows and would be classified as revenue expenditure (Public Accounts Committee 2011b) to be paid from periodic revenue generated by the authority. This makes the PFI option seem more affordable for individual Trusts than attempting to consolidate public funds for investment, especially in the context of the absence or denial of such public funding opportunities (NAO 2009b). This undercuts the government's claim that:

> The Government has no preference between conventional procurement, PFI or any of the other procurement approaches…. Its policy remains that PFI should be used for value for money reasons, regardless of accounting treatment… (HM Treasury 2008: 7).

Regardless, the government admits the PFI is part of a broader strategy for the reforming of the public sector, and for increasing investment while embedding VfM across government (*ibid*). It is within this context that the NHS acute Trusts procured their PFI projects.

3.7 Concluding Remarks

Reforms in NHS have contributed to the restructuring of the bureaucratic field itself into the centre and the periphery, and the cognitive structures of the civil servants within the field itself. The field is now represented in a form of divisions and subdivisions, matching lower levels of authority to ever smaller territorial units, creating 'central' sites of 'command' and 'conception' from which policy formulations are carried out, and the 'local' and 'external' outposts, from where decisions are carried out. These reforms and atomisation enabled the encroachment of private finance in the NHS. These reforms had their roots in neoliberalism and drew from NPM. Same NPM arguments account for the introduction and subsequent streamlining of the PFI as a procurement and capital finance method. Subsequently, the state continued to structure the demand side to the PFI market

in the NHS, by symbolically violating the dispositions of the various NHS authorities into according the PFI the status of a '*de facto*' capital procurement method. However, these structuring mechanisms do not fully account for the adoption of PFI at the micro-level. The *in situ* inclinations at the procurement levels are structured further by different local conditions, and the habitus possessed by the class actors acting on behalf of the procuring authority. The next chapter discusses the rationales for the continued use of PFI while the fifth chapter presents the micro-level conditions necessitating a PFI procurement.

Chapter 4: PFI and Value for Money: A Literature Review

4.1 Overview

Since the inception of the PFI policy in 1992, successive governments have embraced, modified and expanded the use of the policy into many other sectors of the public sector based on argued economic benefits. This chapter discusses the literature in relation to the macro and microeconomic justifications of additionality and VfM respectively. It begins by presenting a brief synopsis on PFI, and then discusses the macro-level opportunities offered through the PFI. This chapter considers the contested meaning of VfM by contrasting the government's propositions against those in alternative literature. The chapter then presents a section on the evaluation of VfM and the impact of performance management that influences the VfM determination process. The chapter concludes by presenting a summary of its discussion.

4.2 Private Finance Initiative (PFI): Meaning and Development

The involvement of private sector and finance in delivering public services in the UK dates back to a few centuries. Examples of PPP arrangements date back to the 17th century, where Trinity House, which had the authority to build and maintain lighthouses, entered into agreements with private partners to design, build and operate lighthouses (Harris 1969). The PFI is thus a continuation of such tradition in the public sector.

The PFI was introduced in 1992 to augment government's fiscal efforts at infrastructural development. The PFI attempts to harness private sector resources to improve the delivery of public services via improvement of the underlying public infrastructure. PFI is presented as a means of procuring public services from private consortia, with the private provider being reimbursed by the public procurer with unitary payments based on the facility availability and

service provision. Under PFI, the public sector submits specifications on the kind of services required and the private consortia through its SPV delivers to the terms of the specification.

In the NHS, PFI contracts are often in the form of DBFOM, with the content varying from one procurement to another. As such, soft and/or hard FM services are procured in addition to the availability of the infrastructure space. Hard FM services include the management of services related to the fabric of the building (facilities including operations and maintenance). Soft FM services are wider ranging services to support the operations of the procurer but do not directly relate to the fabric of buildings, and include catering, pest control, and security services among others.

PFI was introduced with the macroeconomic objectives of increasing fiscal expenditure without increasing the Public Sector Borrowing Requirement (PSBR) (Clark and Root 1999, Hodge 2010). Arguments for its continued use has since shifted to the microeconomic arguments of the provision of VfM (Broadbent *et al.* 2000). There is considerable debate in the literature as to whether the PFI is a procurement method or a financing arrangement (cf. Broadbent *et al.* 2000, Broadbent and Laughlin 1999, Hellowell and Pollock 2009). The government presents it as a procurement method (HM Treasury 2012a, Treasury Committee 2011), with the critical literature disagreeing. Some authors (e.g. Broadbent *et al.* 2000, Heald 1997, Shaoul *et al.* 2006) argue it serves both purposes. HM Treasury (2012a) also agrees it is a small but important part of overall government investment strategy. The macro and microeconomic arguments of PFI use are considered below.

4.3 The Fiscal Argument

The fiscal argument for the use of PFI is two-pronged: additionality, and control of the level of public debt. Both rationales are interlocked and enabled via various underlying mechanisms instituted by the state in the face of capital rationing and efficiency concerns (Broadbent and

Laughlin 2005b). The rational of increased public sector investment (additionality[35]), received more traction within the first few years of the PFI's introduction. As a matter of fact, the policy was introduced with the fiscal argument of additionality of investments. The policy was introduced to circumvent the apparent restrictions on government borrowing requirements, restrictions which were mostly self-imposed[36]. Given the 'limit in the public sector's ability to raise finance for investment', the PFI offered a leeway to raise and invest funds into public services (Winch 2012: 121). 'Additionality' thus allowed increased investment expenditure without adversely affecting the public debt, measured as the Public Sector Net Debt (PSND),[37] an indicator of government performance (cf. Heald 1997, Hellowell and Pollock 2009, Hodge and Greve 2013, Hodge 2010, Winch 2012).

The second prong of the fiscal argument, controlling the level of national debt, arguably has more loci to the application of the policy than that of the increased investment, mainly because of the accounting effect of the procurement (Broadbent *et al.* 2004), and the budgetary effect. The accounting regime used to record the PFI transaction determined whether the costs and liabilities of the PFI appeared on or off the government's and procuring authority's balance sheets, with different regimes prescribing different treatments for the same transaction (Hodges and Mellett 2004, 2012). HM Treasury guidelines initially held that PFI assets and related liabilities should be held off-balance sheet, based on the argument that the services procured from the PFI are

[35] Additionality refers to an increase in public sector investment expenditure resulting from a policy which would otherwise be absent without such policy (Heald 1997)

[36] Restrictions on government borrowing, like the current austerity regime, is self-imposed by the government. The rationale for restrictions varies, from purely economic arguments to those that are political in nature. Spackman (2002: 288) argues that governments constraints its borrowing "because of concerns about future taxation, demand in economy, effects on the cost of borrowing, and the need for flexibility to respond to shocks". Spackman (2002)'s argument is open to contention, but the arguments are out of the boundaries of this research. One thing is certain however, that these restrictions are resultant from a neoclassical orthodoxy in policy making (see Konzelmann 2014), and herald has heralded a hegemony over both Labour and Tory (led) governments. The consequence of these policies was to ease the introduction and continued use of the PFI policy part of the broader neoliberal policies of the involvement of privatisation and the out-contracting of public services.

[37] The PSND replaced the PSBR.

inseparable from the underlying assets (Broadbent and Laughlin 2005a, Heald 2003, Heald and Geaughan 1997).

The introduction of International Financial Reporting Standards (IFRS) into the public sector in 2009 meant that almost all PFI schemes were reclassified as on-balance sheet at the departmental level, but as off-balance sheet for national accounts and statistical purposes (Treasury Committee 2011). The Office for Budget Responsibility (OBR) (2013) presented that of the total PFI capital liabilities of £32 billion outstanding as at 2011/2012, only £5 billion was recorded on-balance sheet and hence affecting the PSND. Had the same projects been financed using conventional procurement, the entire liability would have contributed to PSND, consequently increasing it by 2.1% of GDP (*ibid*.). Fiscal sustainability rules at the national and European levels meant that the off-balance sheet financing the PFI offered provided an additional incentive for its proliferation at the national level (Treasury Committee 2011).

Accounting and budgetary arrangements also provided incentives for the PFI's use at the micro-levels. The Treasury Committee (2011) elaborates on these incentives, contending that at the departmental and procuring authority's levels, the architecture of PFIs represent smaller but longer commitments against departmental budgets, thus keeping expenditure within departmental limits, and within revenue expenditures of the purchaser. This made the PFI appear more affordable for the purchasers (NAO 2009b). This sharply contrasts with conventional procurement which has a significant one-off hit against capital budgets. The budgetary incentive was furthered with the availability of PFI credits from the government departments to stimulate the adoption of PFI (HM Treasury 2012a, Treasury Committee 2014). PFI credits, abolished in 2010, provided additional padding to budgets of procurers; a padding not available through other procurement routes.

However, both fiscal arguments have been criticised in the literature. Dean (1996) and Hall (1998) argued that PFI was substituting public investment in public infrastructure finance, rather than

complementing it. Timothy Stone, in submitting evidence on behalf of KPMG to the Economic Affairs Committee of the House of Lords (2010) opined that public sector investment would have been lower in the absence of PFI. Robinson (2000) and Whitfield (2001) also contended that the additionality from PFI could be substituted for from other forms of public finance while still realising the fiscal objectives of the PFI. Robinson proposed the selling of gilts whiles Whitfield proposed borrowing from the European Investment Bank.

Some authors have argued that the financial arrangement under PFI displaces the recognition and timing of payments of the debt but not its substance. Pollock *et al.* (2002) argued the policy displaced debt from the central government to the local government. Hellowell and Pollock (2009) and Hall (1998) argued that the underlying economic impact of borrowing through private or public means were the same. These authors thus argue the financial arrangement of the PFI only changes the form but not the substance of borrowing. The Treasury Committee (2011) also argued the use of off-balance sheet finance under PFI may prove to be less sustainable in the future as it will seem affordable from the budgetary perspective but prove costly in the long-run.

Finally, Hodges and Mellett (2012) in discussing the effects of the adoption of IFRS to prepare the national accounts (under which substantially all PFI schemes will be reclassified as on-balance sheet and count towards the PSND) suggested an end to using PFI as an off-balance sheet financing mechanism. However, departmental budgets are prepared using the European Systems of Accounts (ESA), under which capital investment related to the PFI rarely score against departmental expenditure limits (Treasury Committee 2011). Budgetary incentives still do exist under the ESAs to use the PFI thus. Further, the principles set out in IFRS are such that projects could still be classified as off-balance sheet if significant risk is demonstrated to be transferred to the SPV. As Froud (2003) argued, PFI contracts are prepared and negotiated with this end in mind, with risk allocations designed to allow for an on or off-balance sheet recognition. Though current

projects may consequently be classified as on-balance sheet thus, there is little to preclude future projects from being structured to allow for off-balance sheet treatment.

The discussion on the macroeconomic benefits of the PFI is thus inconclusive, but its import on VfM is not infinitesimal. Projects procured to fulfil non-VfM related objectives may tend to lag in convincingly assessing or evaluating for VfM. The continued use of the policy currently hinges on the microeconomic argument of VfM delivery. The next section presents a discussion on VfM.

4.4 The Contested Nature of Value for Money and Its Assessment

4.4.1 Conceptualising VfM

VfM is an important rhetoric in the public expenditure discourse, achieving wide use without specific definitions been assigned to its usage. Public bodies are generally expected to conduct their economic activities in a manner that delivers VfM. Statutory regulatory bodies such as the NAO exercise their mandates with the objective of improving on VfM in public sector expenditure among others.

VfM, though not clearly defined, is generally taken to encompass the pursuit of economy, efficiency and effectiveness (see Glynn 1985, Henley *et al.* 1983, Jones and Pendlebury 2010, Tomkins 1987), colloquially represented as the three 'Es'[38]. This conceptualisation has formed the foundation of government guidelines informing the development of the assessment and evaluation of VfM in PFI contracts.

[38] Credit is often given to the General Accounting Office of the USA for formulating and publicising the treble constitution of VfM of economy, efficiency and effectiveness (Henley *et al.* 1983, 1989).

In addition to the three 'Es', the NAO identifies a fourth E, Equity, which might be applicable in certain situations. Equity, they present, is the extent to which services are available to and reach all people that they are intended to, *i.e.* spending fairly. See https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/

Henley *et al*. (1983, 1989) in discussing the history of VfM assessment in the UK, trace it to the outcome of a dispute between the Comptroller and Accountant General (C&AG) and the Army Council in 1888, with the C&AG's position domineering that of the Army Council. The conflict was about a contract for Army ribbons, with the C&AG adopting the position that it was within its right to examine the contract not just on the conformance of the Army's expenditure with Parliamentary authorisations, but also in the economy of contracts. VfM has since been a concern in the public sector mainly engaging with the elimination of waste and extravagance (*ibid.*). It assumed greater significance in the 1980's as part of the wider discourses supporting the introduction and fashioning of reforms under NPM.

VfM in the context of the three 'Es' adopts the resource utilisation perspective towards its definition; and hence deals with the acquisition of resource inputs, its expenditure process through to the generation of outputs, and then to the utilisation of the output towards the fulfilment of identified objectives. 'Value' and 'money' are thus defined by Jones and Pendlebury (1988) as output and inputs respectively, with the relationship between the two generating VfM.

Of the three 'Es', economy is often said to receive disproportionate attention (Edwards *et al.* 2004, McSweeney and Sherer 1990). Economy is defined as "acquiring resources of an appropriate quality for the minimum cost" (Glynn 1985: 29). Henley *et al*. (1989) argued that economy often is demonstrated by achieving given results with the least resource expenditure; via the acquisition of inputs at the minimal costs; or through closely restricting the consumption of the resources. Economy is further bolstered by the notion that public finances must be expended on the cheapest option (Jones and Pendlebury 2010). Economy thus concerns only the cost of inputs to an activity, and is ascertained by the comparison of actual and estimated costs of an activity, or the comparison of costs of comparable activities towards the same outcome. Conversely, effectiveness is output[39]

[39] Outputs being the measurable services produced because of an intervention.

centred, and relates to the degree of success or failure in utilising outputs to achieve activity objectives (Jones and Pendlebury 1988). Effectiveness is assessed for by comparing the intended and actual outcomes[40] of an activity. Efficiency represents the resourcefulness in converting resources into the desired output in the most advantageous ratio (Henley *et al.* 1983). Efficiency thus is the ratio of outputs to inputs. Glynn (1985) presents that efficiency is enhanced by the derivation of the most output from a given input, or conversely by devoting the least inputs to the realisation of a given level of output.

To summarise, VfM could be said to be demonstrated in an activity if the least cost is incurred in generating the maximum outputs for the achievement of designated objectives. The three 'Es' are intricately related as and should in principle be delicately balanced for VfM to be evident. Thus, the 'right' inputs should be used in achieving the 'right' output and outcome in an efficient process to allow for the demonstration of VfM.

These rudimentary conceptualisations of VfM informed the foundation of the guidelines issued by HM Treasury for the *ex-ante* and *ex-post* VfM assessments in PFI procurements.

4.4.2 *Ex-ante* PFI VfM, affordability and their assessment

PFI project approval historically depended on two criteria: the demonstration of VfM and affordability (HM Treasury 2006b). The *ex-ante* and *ex-post* assessment guidelines of both concepts are however not detailed and objective enough to ensure that the sole appraisal and evaluation of procurement is to the benefit of the taxpayers (Broadbent *et al.* 2008, Edwards *et al.* 2004, NAO 2009b, Shaoul 2005). VfM analysis increasingly became important across government departments (cf. HM Treasury 2004, 2011a, 2011b), since the government demonstrably obtained finances at cheaper costs than through the PFI. The Treasury Committee (2011) presented that the

[40] Outcomes are also service-referenced, referring to the utilization of outputs. Assessment of outcomes requires the qualitative and subjective assessment of the short-term impact and utilization of the outputs in the everyday operations of entities.

Weighted Average Cost Capital of using the PFI in the wake of the financial crisis was double that of the government gilts, significantly increasing the opportunity cost of PFI's usage. The Committee also argued that the only way the use of the policy can continuously be said to be beneficial is if it provides cost savings over the public alternatives via savings through innovations and efficiency gains contributing towards improved VfM delivery.

HM Treasury (2006a: 29) defined VfM as "the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the users' requirement". In the context of the PFI, HM Treasury (2006b) submitted that VfM is not based on the selection of the lowest cost bid for procurement, but rather is a product of the relative comparison of the potential and actual outcomes of alternative procurement options. VfM, they further argued, is realised through the identification and management of the key VfM drivers that contribute to and sustain the delivery of VfM throughout the procurement process. A deconstruction of these definitions points to an attempt to operationalise the three 'Es'.

The NAO also defined PFI VfM as had HM Treasury (see NAO 1999), similarly presenting it as a relative concept, determination of which required a comparison with hypothetical comparator(s) (NAO 2009b). The NAO have been principally involved in the VfM discourse in the public sector, contributing to the discourse through the reports produced from their VfM audits in fulfilment of their statutory obligation of providing audits from which lessons will be learnt to improve practice. The NAO's publications often serve as the blueprint for VfM appraisal and evaluation in matters to which direct guidelines are not explicitly given by the government. Though the NAO submit their pronouncements should be used only as guides and should not replace official guidelines from HM Treasury and the departments, they are largely comparable with (existing or yet to be issued) regulations and guidelines from the government (Broadbent and Laughlin 2004b). Broadbent *et al.* (2008) argued that though not explicitly discernible whether the NAO or HM Treasury preceded the other in the provision of guidelines on identical subject matters, lead

pronouncements from either were often comparable to those of the latter. Broadbent and Laughlin (2003a, 2004b), further argued that the pronouncements of NAO often contributes towards the legitimisation of concepts such as VfM in the PFI. Heald (2003) citing Gray and Jenkins (1993) also contended that the NAO contributed to the institutionalisation of the meaning of VfM in the context of policy rhetoric. This role of "regulatory intermediation"[41] (King *et al.* 2007) the NAO performs: of distilling VfM from the policy to project levels, is helpful in discerning the conceptual definition of VfM.

Defining VfM as a relative concept, as has HM Treasury, influences its determination relative to the stage of procurement. At the procurement decision stage, VfM is assessed by the relative comparison between the PFI option and that of a hypothetical conventional procurement option, represented by the Public Sector Comparator (PSC) HM Treasury (2006b). The PSC is a hypothetical representation of a project's Net Present Costs (NPC) of the project, were it to be financed by the Exchequer or the procuring authority. The PSC is hypothetical in that while aiming to achieve same outcomes, it is unlikely to be genuinely publicly funded (Heald 2003), but serves as a benchmark for comparison with the PFI option (Broadbent *et al.* 2008).

The NAO (2009b) broadens the types of assessments into 'absolute assessments' and 'counterfactual assessments'. Under 'absolute assessments', projected outcomes under the PFI option are compared to the status quo, *i.e.*, not undertaking the project. Under 'counterfactual assessments', projected outcomes of the PFI option are compared to hypothetically defined publicly financed options, either in the form of the PSC or the Fall-Back Position (FBP). The FBP, a realistically fundable scheme, is "what would happen if the PFI scheme were rejected, in circumstances in which the PSC cannot be funded, and in which case the FBP is preferable to the

[41] Regulatory intermediation in this context is the process through which a regulatory authority such as the NAO occupies a regulatory space (between the regulator and the regulated) within which overall procurement objectives are distributed, modified and/or operationalised in pursuance of professional objectives.

status quo" (Heald 2003: 346). The FBP, if construed as less desirable to those of the PSC and the PFI, but relatively more desirable to that of the status-quo, would represent the 'do minimum option' for a counterfactual options appraisal (HM Treasury 2011a: 17).

Conceptually, appraising for PFI VfM is quite straightforward, as it involves a counterfactual method of appraisal based on a cost-effectiveness analysis[42]. The costs of all the counterfactuals – the status quo, PFI, PSC and the FBP, are discounted at the nominal rate of 3.5%[43] (see HM Treasury 2011a) to arrive at each option's NPC, with the option with the least NPC considered to be delivering VfM *ceteris paribus*. The PFI option is often considered to be of better VfM when it provides the outcomes at the least cost relative to the benchmarks used for comparison.

HM Treasury (2006b) divided the appraisal of VfM into 3 stages – the programme, project and procurement levels. The first level, Programme level assessment, assesses the suitability of the PFI as a procurement route and its VfM potential. The second, Project level assessment, identifies and assesses the VfM drivers for the procurement options with the third stage, the procurement level assessment which reappraises the VfM drivers to ensure the procurement presents VfM to financial close. The methodology for identifying options and their appraisal per the guidance, draws from the Green Book. HM Treasury puts forward that drivers of VfM should be identified and continuously appraised throughout the procurement process.

Generally, the PFI as a procurement option is said to deliver VfM through "a long-term focus on whole life costs; risk management expertise; and greater certainty for the public sector that services will be delivered to the specified standard" (HM Treasury 2006a: 4). Though presenting the

[42]The Green book (HM Treasury 2011a) presents two methods of appraisal Cost Benefit Analysis and Cost Effectiveness Analysis. Cost benefits analysis is used in appraising options with different costs and benefits compositions, while cost effectiveness analysis is used in appraising options with the same outcomes. Capital procurement options are in theory geared to the same outcomes, thus, the cost effectiveness module applies.

[43] The discount rate on earlier PFIs was set at 6% (see Pollock *et al.* 2002), and was reduced to 3% after the 6% was heavily criticised.

procurer with a higher cost of finance, the PFI option, per HM Treasury, delivers savings and efficiencies spanning the life of the project. The key drivers for VfM include risk transfer; flexibility; competition; whole life costs and innovation; and prompt delivery to time and budget.

To HM Treasury, the PFI option is effective in delivering VfM through effective risk transfer while delivering the required level of service and ensuring adequate flexibility in service demand and provision (HM Treasury 2006b). Procurement risks are often characterised to be of two kinds, risk that can be ascertained and passed on to the PFI contractor, and risks that cannot be passed on to the contractor. During appraisal, risks are identified and appraised, and allocated in principle to the person best able to manage and minimise them over time. The risks that cannot be transferred to the contractor are usually the same for both procurement options, while those that can be transferred are costed and added to the PSC as risks that would otherwise be borne by the public sector.

The cost of risk transfer is single-handedly accountable for the success of the PFI option's demonstration of VfM (Pollock *et al.* 1999, Pollock *et al.* 2002, Shaoul 2005) and has been an important justification for the procurement option from HM Treasury (Froud 2003), as shown in figure 4.2 below. Relevant guidelines from the DH attest to this, an example being the NHS PFI guidance; which supposes that VfM is achieved if the private sector assumes risks which otherwise will be borne by the public sector (NHS Executive n.d.). Treasury Taskforce (1997) justifies the higher costs of the risk transfer, arguing that the higher costs are the result of the private sector pricing the explicit risks of their investment.

Figure 4.2 represents the relative quantitative cost compositions of the PSC and the PFI options during assessments. It shows that the PSC is always less expensive to the PFI, *i.e.* until the inclusion of the costs of risk transfer.

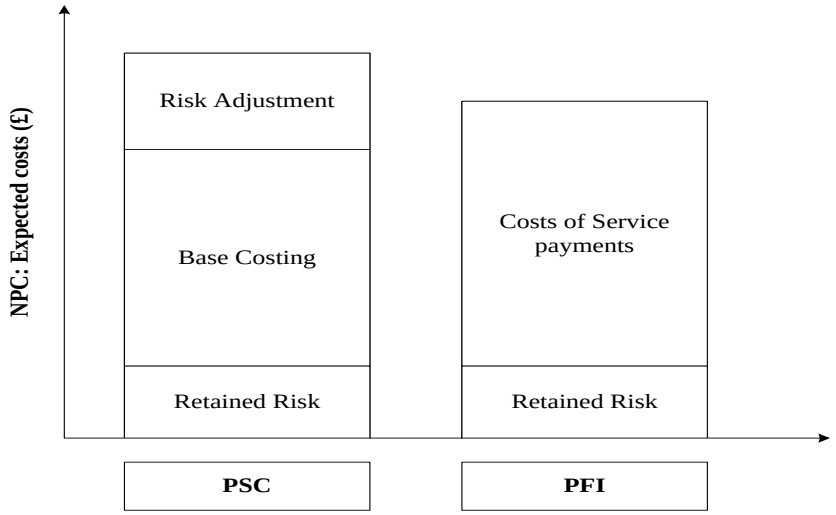


Figure 4.1: Relative composition of the PSC and the PFI coasted options.

Source: Adapted from Broadbent *et al*. (2008)

The PFI option is also thought to deliver VfM through output specification and the bundling of services over the contract term while allowing for adequate flexibility within the contract for services procured at a reasonable cost. HM Treasury (2006b) supposed that bundling of services allowed for contractors to innovate on ways to deliver on the procurement on cost-effective terms. It also supposed that by bundling up service requirements, consortiums worked in synergistic ways to minimise the cost of service delivery. The long-term nature of the contract, HM Treasury further argued, aided in the spread of cost over the term of the contract rather than focusing on the upfront costs.

In terms of ex-ante affordability assessment, the DH, with inputs from HM Treasury, required that for schemes to be deemed affordable, the costs of unitary payments needed to represent below 15% of the procurer's turnover (since lowered to 12.5%)[44]. However, PFI unitary payments are generally indexed to the rates of inflation, with the choice of an index being between the Gross Domestic Product (GDP) deflator and the Retail Price Index (the most widely used index) (NHS Executive n.d.). In principle, the indexation of service payments is to allow PFI providers to recoup

[44] This percentage was arbitrarily set, and the department could not fully substantiate the basis of determination for the criterion (see Public Accounts Committee 2013).

the inflationary effects on the costs of services provided to the procurer but not on the financing cost, and should not allow the private sector to directly pass on costs to the procurer nor allow costs to rise faster than income from commissioning (*ibid.*). In practice, indexation may be applied on the whole of the unitary payments (NHS Finance Performance & Operations 2009), creating excess indexation and allowing the SPV to pass on costs to the procurer (Scottish Futures Trust 2011). Also, as demonstrated in later chapters, incomes from commissioning has continuously lagged those of cost increases, hence defeating the principals on which indexation was based.

4.4.3 VfM: contentions from the literature

HM Treasury's conceptualisation of VfM and its proposed process of appraisal have been subject critique in the literature (e.g. Barlow and Köberle-Gaiser 2008, Broadbent *et al.* 2008, Demirag *et al.* 2012, Gaffney and Pollock 1999, Hellowell 2010), with discussions surrounding the definition of VfM and its operationalization, and on its determination process.

Firstly, on the three 'Es', Edwards *et al.* (2004) and English *et al.* (2010) contended that despite the conceptual definition of VfM being tied to the dimensions of economy, efficiency and effectiveness, focus is often kept on the aspect of economy in the determination of VfM. English *et al.* (2010) criticised the NAO's (2006a, 2006b) 'framework for evaluating PFI projects' (which attempts to operationalise the three 'Es') as constituting elements attempting to link to the three facets of VfM determination, but with the linkage rather made obscurely.

Secondly, the VfM drivers HM Treasury identifies, and the VfM determination process has also been critiqued in the literature. Much of the critiques centre on the appraisal process and methodology, and on the argued drivers of VfM; principally that of effective risk transfer, to which the PFI's success gravitates. Below is a brief presentation of the discussions in relation to the appraisal process and methodology, and on risk transfer and other VfM drivers.

4.4.3.1 Appraisal process and methodology

HM Treasury's (2006b) PFI VfM assessment guidelines, developed from the Green Book, presents for options appraisal to the arrival of VfM determination at the procurement decision stage. The assessment process, including the choice of benchmarks, have been criticised in the literature. The criticisms span the rationality underlying VfM calculations (Heald 2003, Shaoul 2002); the sensitivity of VfM calculations to underlying assumptions and the chosen discount rate (Cooper and Taylor 2005, Pollock *et al.* 2002); credibility issues in the affordability analysis (Froud and Shaoul 2001, Shaoul 2005) and the incompleteness of the VfM calculations (Coulson 2008).

The options appraisal process, as contained in the Green Book and in the VfM assessment guidelines, argue for the use of both quantitative and qualitative indicators and techniques of appraisal, with a few guidelines as to how the process should be. Quantification is used in costing the PSC and the PFI options on which decisions are made. Some authors (including Broadbent *et al.* 2008, Shaoul 2005) have criticised the guidelines as being overly reliant on the quantitative measures. The Green Book arguably also gives credence to quantification over qualitative inputs, arguing qualitative inputs could be used only when quantification is impossible (see NAO 2013a). While quantification is useful in projecting future benefits and costs and allows for finer decision making, its application in respect of PFI is susceptible to manipulation through the assumptions used in the process (NAO 2009b). Froud (2003) and Lonsdale (2005b) argued some of the most important determinants of the success or otherwise of options in delivering VfM are non-quantifiable, thus weakening the dependence on quantification as a decision criterion.

HM Treasury does encourage the use of qualitative assessments and advocates equitable weighting of quantitative and qualitative appraisal in the VfM determination process. However, Broadbent *et al.* (2008) argued that qualitative analysis was often used to reinforce the PFI option after it has proven to be desirable from the quantitative analysis. Also, qualitative assessments were often

used as a checklist for assessing the suitability of the PFI procurement option, without the same level of analysis extended to the PSC (NAO 2013a), thus not considering the wider benefits of the conventional procurement approach (NAO 2009b).

The PSC, the widely used benchmark for appraisal (Grimsey and Lewis 2005), has been criticised in the literature in regards to its suitability as an appropriate benchmark. Shaoul (2005) argued VfM analysis is premised on the appraisal of identical options differing in terms of financing. As Heald (2003) indicated, however, the PSC is usually unlikely to be a genuinely funded alternative to the PFI, and does not necessarily represent the cost of designing, building and operating the same project using public funding (Broadbent *et al.* 2008). The effectiveness of the PSC is thus diminished as an appropriate benchmark for analysis. Further, as the PSC does not represent realistic alternative finance for the project, there is a further incentive for procurers to manipulate its composition to achieve departmental approval. Shaoul (2005) further observed that many PFI projects, upon reaching financial close, significantly differed from initial outline analysis in the Outline Business Case (OBC) used to obtain approval, (and often at the behest of the private party), without the comparative alternative been updated, thus defeating the essence of the analysis.

The literature also referred to the subjectivities and the inadequacies in the appraisal process, critiquing especially the discounting methodology; the choice of discount rate, and the choice of and composition of the PSC. The Green Book prescribes the use of discounted cash flow techniques. However, the applications of discounted cash flow techniques in the public sector have been criticised for both its inappropriateness and its inadequacies. Pollock *et al.* (2002) contended that the government's use of these techniques was based on the capital and time preference arguments[45]. Gaffney *et al.* (1999b) Shaoul (2005) also questioned the appropriateness of

[45] For detailed elaborations of these arguments, see Pollock *et al.* (2002). Briefly, though, the time preference argument posits that the timing of payment is significant because different values are placed on consumptions separated by time, with most recent consumption valued more than later. The cost of capital argument presents that public expenditure should reflect market cost of capital rates so as not to crowd out private capital.

discounting methodology in the public sector, arguing that discounting techniques are used in the private sector where shareholder value maximisation was assumed. The appropriateness of the techniques in the public sector where public interest was supreme, with the absence of apparent shareholders, they argued, was restrictive.

Attention has also been drawn to the inherent inadequacies in using the discounting techniques on PFI appraisals in relation to the timing of cash flows and the discount rate applied. Discounted cash flow techniques allow higher weighting to be given to more recent anticipated cash flows than those into the future. Given that conventional procurement involves substantial initial cash outlays, the NPC of the PSC would significantly be weighted higher to those of the PFI, whose costs are spread over the contract period, extending into decades Shaoul (2005). Shaoul (2005) further contended that the usefulness of discounted cash flow techniques was significantly impaired as cash flow could not be adequately predicted.

On the applicable discount rate, HM Treasury (2011a) prescribes the discount rate of 3.5% be used in discounting long-term projects spanning up to three decades, and proffers the rate to be representative of time preference, and implicitly, risk and uncertainty. The choice of 3.5% is purely a policy decision, and supposedly represents the social time preference rate[46] (*ibid.*). This discount rate is used irrespective of the risk profile of the project and without regard to the cost of raising comparable government finance for the project. Broadbent *et al.* (2008) arguing on the ambiguity surrounding the blanket rate of 3.5%, and it being presented politically as the risk-free rate, argued that the rate was neither reflective of the project's risks, nor of the collective risks of all PFI projects. Gaffney *et al.* (1999b) also argued that the discount rate used already assumed some

[46] HM Treasury (2011a: 97) defines social time preference as "the value society attaches to present, as opposed to future, consumption" and the social time preference rate as "a rate used for discounting future benefits and costs, and is based on comparisons of utility across different points in time or different generations".
As a derivative based on the subjective selection of applicable models and data in determination, the inevitability that this rate is supposed to represent is however flawed, to the effect that the choices made in determination are themselves built on subjectivity. (See Evans and Sezer 2002, for example, in their determination of the social time preference rate and the challenge of HM Treasury's choice of discount rate) However, this argument is not very central to this thesis.

elements of risks (notably those of time preferences), while the appraisal methodology further entailed the identification and imputation of risk in the decision process. This, they argued, represented a double counting to the PFI's the benefit.

4.4.3.2 Risk transfer and other VfM drivers

Prior research has demonstrated that during appraisal, the cost of conventional procurement is always cheaper than that of the PFI option, with the reverse been true when risk is costed and added to the PSC (cf. Broadbent *et al.* 2008, Edwards *et al.* 2004, Gaffney *et al.* 1999b, Pollock *et al.* 1999). HM Treasury's position is that the extra costs from the PFI are offset by the transfer of risk to the private sector and by gains in efficiency from the involvement of the private sector. However, the value of risk transfer as a VfM driver has been critiqued in the literature.

Firstly, the premise of risk transfer is that risks are transferred to the party best able to manage them (see HM Treasury 2006a, 2012b). The number of notional risks to be transferred is dependent however on the appropriate identification and quantification of the relevant risks. The methodology for the identification and allocation of risk is problematic in that assumptions and changes thereof of uncertain future events can affect the balance either in favour of or against the PFI (Khadaroo 2008). Given that most PFI projects are resultant of starving central budget allocations, the subjectivity in determining the amount of notional risk to be transferred offers an opportunity for the procurers to secure the capital project which would otherwise be impossible to secure on VfM basis. Pollock *et al*. (2002) observed that the amount of risk transfer quantified in addition to the PSC was usually just about the amount needed to tilt the scales in favour of the PFI. It is projectable thus that the risk transfer analysis is exploitable to the securing of capital projects in the name of VfM delivery.

Secondly, the principle of transferring risk has also been questioned. Heald (2003) suggests that the government is often best placed to manage risks supposedly transferred to the private sector,

on which premiums are paid. Also, the government is ultimately responsible for the delivery of public service, and hence bears the ultimate risk of service delivery. Edwards and Shaoul (2003a) drawing from failed PPP schools, argued that teachers and students (*i.e.* the public sector or third-party interests) ultimately bore the risks that were to be transferred to the private provider. They also argued that the multiplicity of powerful interests in PFI relationship, political climate, specialised nature of procured services coupled with the lack of provider competition often meant the non-enforcement of terms of risk transfer (Edwards and Shaoul 2003b). Shaoul (2003) argued that risk transfers often proved ineffective when essential public services are procured through the PPP/PFI. Thus, purported risk transfer to the private sector is superfluous in principle, as the government is often best placed manage risks, and is often responsible for public services. The objective contributions of risk transfer to the delivery of VfM thus have been arguably watered down in the literature.

Finally, the VfM appraisal methodology conflates risk with uncertainty, and does not adequately deal with uncertainty in the appraisal process[47] (Froud 2003). This is because the 'technicist approach' the government adopts is premised on the idea that risks are identifiable and calculable, and can, therefore, be optimally allocated and managed in the PFI process (*ibid.*). In the process, uncertainties which cannot be defined or to which probabilities cannot be assigned are ignored. Furthermore, the principle of calculability is undermined in dynamic societies, as societal pre-configurations are malleable in the long-term. As such, information upon which present allocations of risks are based is not necessarily representative of conditions in the future, or as Rotheim (1995: 65) explained, "existing information cannot provide a serviceable guide to future outcomes where it is unreasonable to presume an unchanging reality". Thus, PFI decisions are more characterised

[47] According to Froud (2003), the distinction between risk and uncertainty lies in the possibility of identifying and assigning probabilities to events. Events with identifiable probabilities of occurrence are classified as risks. Conversely, uncertainties are events neither with known occurrence probabilities nor of prediction of timing.

by uncertainty (Froud 2003), but with the appraisal methodology not acknowledging uncertainties in the VfM appraisal.

Critiques have been raised in the literature on other drivers HM Treasury argues contribute to the delivery of VfM. These include innovation, competition and tendering, transaction costs and flexibility among others. HM Treasury (2006b) contended that the specification of outputs and the introduction of competition allowed for innovative ways to be developed by SPVs to deliver the required services. They also argued that the PFI was no less flexible than conventional procurement as it allowed for contract renegotiations to permit contract changes (*ibid.*). Barlow and Köberle-Gaiser (2008) however argued that PFIs increased the complexity of the service delivery process, adding that less innovative outcomes were produced which were not sufficiently flexible enough to account for changes in future requirements. The Treasury Committee (2011) also contended that these benefits were not unique to the PFI, and could be reaped from conventional procurement with the effective management of the procurement process.

4.5 *Ex-Post* Value for Money Evaluation

4.5.1 Government representations towards evaluation

Traditional *ex-post* evaluation of financial activities of public bodies in terms of VfM have been based on the broad criteria of economy, efficiency and effectiveness (English *et al.* 2010, McSweeney and Sherer 1990).This VfM construction is based on resource acquisition and use, and on the structural arrangements allowing the productive use of resources. PFI VfM post-contractual is specifically defined as an output of the relative comparison of the actual performance (captured via various indicators) to the stipulations made in the business cases, and the relative performances PFI against relevant competitive benchmarks (HM Treasury 2006a, 2006b, 2007).

In terms of *ex-post* evaluation of VfM in operational PFIs, no explicit framework is espoused by HM Treasury to guide the evaluation. Little guidance has been issued on post-implementation evaluation, relative to those of pre-contractual assessment. HM Treasury depends on the execution of performance management frameworks contained in individual contracts, together with inputs from the Green Book to guide the evaluation of operational projects.

The construction of the post-project evaluations frameworks reflects the intention of HM Treasury, eventually constricting the evaluation to those of the three 'Es'. Frameworks developed for PFI projects in the NHS in particular as part of the Full Business Cases (FBC) are developed in accordance with guidelines contained in the Capital Investment Manual (CIM) (NHS Executive 1995), and now in accordance with provisions of the Green Book (HM Treasury 2011a). The proposed framework in both guidelines supposes that VfM is resultant from the tripartite relationship between objectives (outcomes), inputs and outputs.

Objectives in the CIM are defined to be the changes in service or the resultant impact (or otherwise) of the project, captured in terms of outcomes in the broader sense. The framework proffers that objectives are layered, and should be specific, measurable and quantifiable (NHS Executive 1995: 4). Objectives are stratified into classes of 'policy', 'overall business', and of the 'specific projects' in a descending order. The extents to which these respective objectives are measured are couched in outcomes of the intervention. Outputs, on the other hand, are defined per the framework as the specific measurable results of the project, with inputs are defined as the capital and revenue costs, and the human resources committed to the project. The framework provides for identification and development of performance indicators as well as mechanisms for measuring performance along the lines of input-output-objectives while taking into consideration the assumptions and risks that may influence, or are symptomatic of the existence of the said indicators and criteria.

Current guidelines require consultation with the Green Book (HM Treasury 2011a) for the development of post-project evaluation frameworks (NHS England 2013). Pronouncements in the Green Book and in the earlier CIM vis-a-vis the PFI guidelines are largely consistent. On performance management, the Green Book calls for the development of systems with the ability to capture data in relation to financial management and outcomes of an intervention to aid in the evaluation of the extent of successes secured by the intervention. The proposed areas for evaluation of the success of an intervention nonetheless centre on the input-output-outcome evaluation framework. Like the CIM, the Green Book grants superiority to quantification and measurability of outputs and outcomes. The Green Book and the CIM, also provide unyielding superiority to financial management as part of performance management, thus accounting for the concentration of evaluation on the financial aspects of interventions (cf. Broadbent *et al.* 2004, 2008). Both guidelines propose a comparative methodological approach towards evaluation: the contrasting of outturns to contract stipulations and to appropriately constructed benchmarks.

4.5.2 NAO's representations towards delivery of VfM

NAO also conceptualises VfM as the pursuit of the three 'Es' defined from resource consumption perspective. They develop a framework based on the input-output-outcome relationship, as done within central government. A pictorial representation of this relationship is presented in Figure 4.2 below.

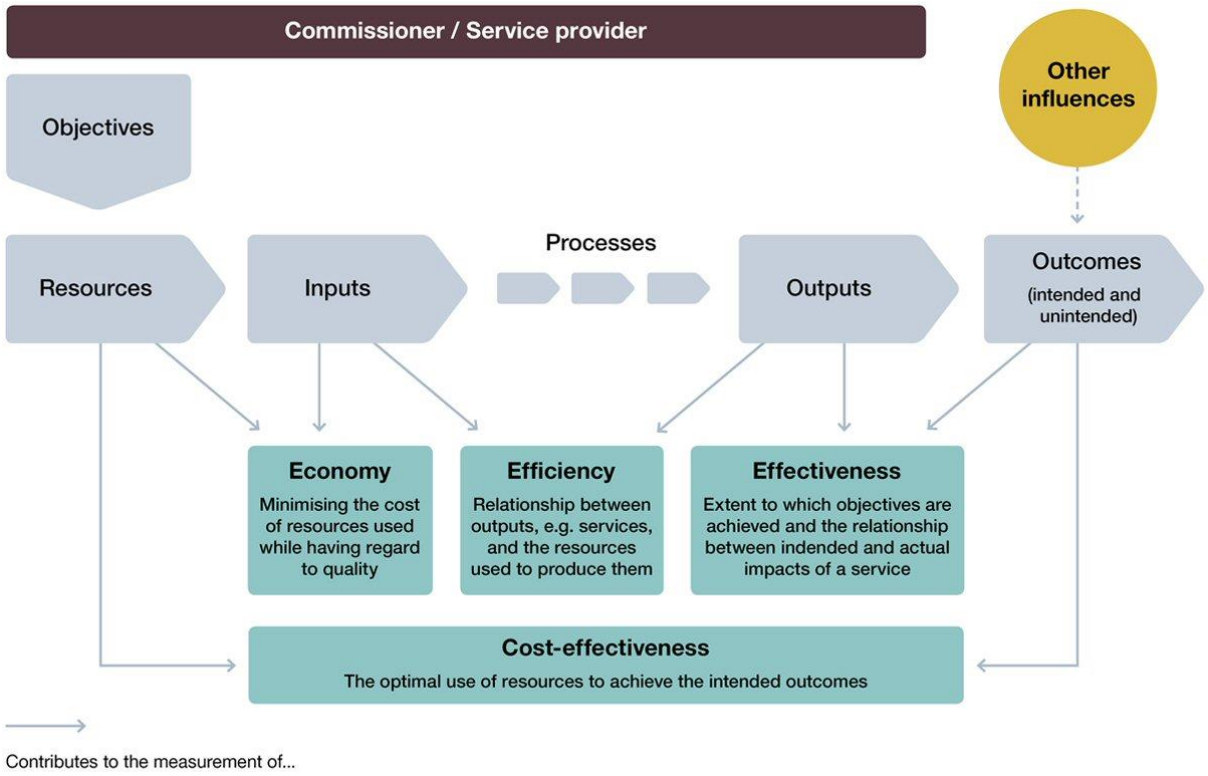


Figure 4.2: NAO VfM diagram

Source: NAO (n.d.)

The NAO developed "A framework for evaluating the implementation of Private Finance Initiative projects" (NAO 2006a, 2006b) to be used in the evaluation of the implementation and performance of PFI contracts[48]. However, The NAO presented that their framework was not to be construed as a replacement to official guidelines, but rather was meant to assist evaluators in the task of evaluating the implementation and performance of PFI projects. The NAO's role as a "regulatory intermediary" (King *et al.* 2007) and as a "border worker" (Newman 2012) however contributes to the legitimacy ultimately accorded their framework. As a regulatory intermediary, the NAO in the execution of its mandate of assessing the performance of PFIs on behalf of the public

[48] This framework itself builds on an earlier NAO framework developed to examine VfM in PFI deals, albeit the examination was limited to the contracting stage of procurement. Their earlier framework (NAO 1999) was built around four pillars, the satisfaction of which was construed to represent the realisation of VfM. These pillars were:

- make the project objectives clear;
- apply the proper process
- select the best available deal; and
- make sure the deal makes sense.

The inputs of these pillars formed the foundation of the new themed framework presented above, that replaced the original framework.

accountability bodies and ultimately the government, needs to define and operationalise their framework in accordance with the spirit of PFI procurements and policy. In the process, their framework could be construed as part of the formative guidelines to evaluation, as their pronouncements are largely consistent with those of HM Treasury (Broadbent and Laughlin 2004b). As a "border worker" independently intermediating between procuring authorities and the regulators, however, their pronouncements could also be argued to be independent of those of the government. This assertion is reiterated in the NAO's own submission that:

> Our framework is designed to complement guidance such as that issued by the Treasury. […] Treasury VFM Guidance sets out a range of requirements within the process, aimed at achieving good outcomes. Our framework provides a methodology for considering whether good outcomes in the process of implementation have been achieved. It remains important however that official guidance is used fully to achieve well designed and good value for money PFI projects in the first place (NAO 2006a: 7).

The NAO evidently defines and operates within the conceptual definition of VfM construed by HM Treasury.

The NAO framework divided the procurement into 6 distinct stages: strategic analysis; tendering; contract completion; pre-operational implementation; early operational; and mature operational stages. Of these stages, the mature operational stage is of interest to this thesis. The framework further identified themes around which evaluation questions could be framed for proper attribution. This framework has been employed by the NAO using a combination of methodologies in their various studies into PFI projects. The framework applicable to the mature operation stage, defined as the periods after the fourth year of operation to the end of the project (NAO 2006b), is summarised in Table 4.1.

Table 4.1: NAO's Themes and indicators for VfM delivery in operational PFI Projects

Theme	Indicators
1. The project fits with the business requirements of the Authority	• Is Service provision outturn meeting core business requirements? • Is the asset still fit for purpose and maintained to a good standard?
2. PFI is the appropriate delivery mechanism	• Has the Authority improved its performance since the PFI project became operational? • Has the Authority assessed whether maintaining the PFI deal for future service provision is the best value for money?
3. Stakeholders support the project's progress	• Is a good level of stakeholder satisfaction being maintained?
4. There is good quality project management	• Is there good quality project management? • Are good and constructive relationships between both parties being maintained? • Is the Authority taking steps to ensure that the project team continues to have the appropriate skills and knowledge for good service provision? • Has the Authority taken steps to plan for the end of the contract?
5. There is an optimal balance between cost, quality and flexibility	• Is affordability being maintained? • Are both parties seeking to maximise quality? • Is periodic benchmarking for price and quality taking place?
6. Effective risk allocation and management is taking place	• Is the Authority satisfied that the risk transferred remains optimal? • Are the Authority's risk-management procedures updated and working in line with changing circumstances? • Does the accounting treatment for the asset remain consistent with the actual risk that has been transferred to the private sector?

Source: Adapted from NAO (2006a, 2006b)

4.5.3 Critiques of frameworks

The received view's conceptualisation of VfM in terms of the three 'Es', as couched in the input-output-outcome framework in the public sector, has received several criticisms directed at the conceptual construction of VfM and the methodological approach towards VfM evaluation. These criticisms are especially relevant given the diverse nature of VfM in its application to the PFI context, with the rudimentary conceptualisations of the three 'Es' not capturing the complexities implicit in the PFI arrangement that ultimately impinging on the delivery of value into the procurement (see Edwards *et al.* 2004).

In terms of the framework proposed by the CIM, specific objectives are listed, with the concurrent establishment of performance indicators constructed for measurement purposes (see NHS Executive 1995). The framework often is restricted to the appraisal and evaluation of explicitly articulated objectives identified during procurement. However, objectives of public sector interventions are rarely explicitly articulated, but are rather often implicitly implied in organisational discourses (McSweeney and Sherer 1990), making it impracticable to evaluate outcomes against objectives that are taken for granted (Lapsley and Pong 2000). Besides PFI contracts have lifespans of decades, a frame within which the viability of certain indicators and objectives would have outlived their usefulness, and their suitability for evaluation purposes are thus diminished.

The successes of relying on contractual objectives alone to enable the assessment of outcomes and (hence effectiveness) are also exposed to criticism. While the explicit and concise statement of objectives is of primal importance to assessment and evaluation, conflicting guidance is given in the Green book, with an empirical demonstration of its weaknesses laid bare in the case of PFI. The Green Book, calls for objectives to be specific and measurable, but also presents that

objectives be stated in general terms to allow for the consideration of a range of options towards their achievements. It presents that (HM Treasury 2011a: 13):

> Objectives should be stated so that it is clear what proposals are intended to achieve. Objectives may be expressed in general terms so that the range of options to meet them can be considered.

On the whole, output specification and measurement have been characterised in the public sector to be notoriously difficult (Henley *et al.* 1989, McSweeney and Sherer 1990), with PFI contracts often containing vaguely defined objectives and stipulated outcomes (Froud 2003, Froud and Shaoul 2001). These weaknesses ultimately make it difficult to assess for effectiveness on the basis of general objective and output specification, especially in cases where there is high uncertainty in the relationship between inputs and outcomes (Everett 2003), as is in the case of the PFI.

In addition, VfM theory assumes strategies to be independent of objectives (McSweeney and Sherer 1990), an assumption not borne out in the PFI. VfM in its constitution as the three 'Es' assumes the explicit statement and ranking of objectives, before the identification of strategies towards achieving those objectives (*ibid.*). However, strategies are often not independent of the goals. In the case of the PFI, it is not realistic that the procurement objectives are established before the consideration of the route to procurement. The output specifications are specifically designed to fit the PFI solution, effectively tying strategies to objectives. The possibility of undertaking a real effectiveness analysis of the procurement route is thus diminished.

The foregoing arguments point to the need for a redefinition of what output and outcome are in the light of their spatio-temporality and as per the relevant stage in the procurement contract. This especially is important when in considering the effectiveness of a procurement route; especially where the inherent inflexibility and related inhibitions protruded by a PFI contract significantly counts as against those of alternative procurement routes.

On evaluation methodology, the approach of comparing procurement stipulations and outturns exposes evaluation of VfM to weaknesses apparent during the appraisal stages of procurement.

Methodologically, the PFI assessment guidelines privilege quantitative analysis over qualitative analysis, only employing qualitative analysis to back up decisions made on the basis of quantification (NAO 2013a). The reliance on quantification for ex-post analysis is also demonstrated in the Green Book. However, the *ex-post* evaluation for VfM is highly subjective (arguably more subjective than ex-ante VFM analysis) (Khadaroo 2008, Moro Visconti 2014). A methodical implementation of quantification will not be as effective in capturing the subjective dimensions VfM's constitution.

The reliance on quantification also means that important inputs from other stakeholders in PFI procurements are missed during evaluations. While generally three groups of stakeholders could be identified to a PFI procurement – private partners, the public procurer and external constituents each with varying definition of 'value' (Kivleniece and Quelin 2012), procedural recommendation as per guidelines of the Treasury are often limited to those of the public body representatives and the private partners, ignoring vital inputs from relevant stakeholders. However, inputs of external constituents are often important as their actions often have political and social ramifications to the legitimacy of public institutions and to the perception of service delivery thereof. Original frameworks in procurement contracts containing post-implementation evaluation intentions often do not capture all these extensions to the evaluation process.

Prior research (including Froud 2003, Lonsdale 2005a, Lonsdale 2005b) also put forward that procuring through PFI creates additional risks that necessarily are not considered during procurement assessment, and/or manifest themselves at later stages of implementation. Coulson (2008) after reviewing the Treasury's VfM guidelines contended that several types of risks were not considered during the appraisal of procurement options. The non-consideration of these risks means that the ultimate VfM arrived at during assessment, on which basis post-implementation is built, is inherently flawed, as the true VfM benefits cannot be assessed without the complete consideration of all consequential and incidental risks. While the consideration of additional risks

not considered during assessment may not be completely accepted by private partners, public interest's consideration of 'new' risks is important towards the provision of the evidence base for future procurement considerations.

Finally, VfM may intertemporal between time and space; in that it can vary from project to project, and from one procurement stage to the other within the same project. HM Treasury (2008: 38) acknowledges this assertion in their submission that VfM is a relative concept assessment of which "requires a considerable degree of judgment to be used", and that VfM is not just relative between projects and procurement routes at a given time, but also "relative over time". These assertions provide credence to the fluidity of the concept of VfM and the need for its contextual placement. The Treasury, while acknowledging this, provides little by way of guidelines to operationalise the problematized concept. The implementation of generic frameworks conceptualised at the procurement stages of contracts and executed post-implementation; do not fully capture the contextual complexities that may not be apparent at contracting. Rather, an improved framework ought to present opportunities for the inclusion of contexts into the evaluation to produces results that are more useful.

The critiques presented in the literature also extend to that of the NAO's involvement in VfM audits, both in terms of the nature of their mandate and its execution thereof. As earlier discussed, VfM is conceptualised in terms of the three 'Es' in public sector discourse, with the NAO primarily involved in the assessments of these in public expenditure. An important dimension of VfM audits, that of effectiveness, also has an overall bearing on efficiency and thus on overall VfM. Assessment of effectiveness, however, depends on several factors; including the establishment of procurement objectives, the examination of the soundness of such objectives, the assessment of procurement method as well as alternative routes towards the fulfilment of those objectives (Henley *et al.* 1983, 1989, McSweeney and Sherer 1990). Effectiveness thus has two aspects, an evaluation of the extent to which objectives are met and the assessment of the alternative routes

that could be employed towards those objectives. However, the political authority usually makes procurement routes and policy decisions. But the NAO has no mandate in assessing the soundness of policy. Moreover, the NAO's methodology in conducting VfM audits has been criticised as being over-reliant on quantification. Edwards *et al.* (2004) argued that work on VfM including, those of the NAO, largely concentrate on the economy aspects of the evaluation and appraisal which is easily leant to quantification, with Shaoul (2005) alluding such state to methodological and conceptual limitations in the operationalization of efficiency and effectiveness.

The NAO in an attempt to bypass this restriction on auditing effectiveness, define effectiveness as "the relationship between the intended and actual results of public spending" (NAO cited in English *et al*. 2010: 67). Despite this attempt to restrict effectiveness to the assessment of the extent of achievement of intended results, the NAO cannot completely be said to evaluate for effectiveness, as neither policy objectives nor procurement routes can be questioned, leading to what Grimwood and Tomkins (1986) termed "effectiveness evaluation gap". This conceptual deficiency could therefore possibly be said to affect the framework developed by the NAO.

The NAO's framework (2006a: 28-29) catalogues six thematic areas as well as their indicators towards which assessment is made in the operational stage of PFI projects (See Table 4.1). English *et al.* (2010) while arguing these themes assist in assessing VfM, however, contend that linkages of the themes to direct judgment of the three 'Es' are not directly apparent. Despite these deficiencies, the framework offers a useful start point towards the evaluation of VfM.

4.5.4 Project performance and accountability

> Using private finance brings a number of potential mechanisms and incentives that can improve the efficiency, quality, innovation, or management of risk sufficiently to drive VFM. These are not guaranteed, and may occasionally work against one other. For example, increasing innovation may put at risk the project delivery usually achieved with private finance. Different projects emphasise different drivers and some do not achieve enough to be VFM. (NAO 2009b: 23)

NAO (2009b) observed that there is no formal requirement for procurers to evaluate operational projects for their achievement of their intended outturns, nor to maintain and report performance data. Despite each PFI contract setting out elaborate performance management regimes, the execution of each regime varies from within projects (Broadbent *et al.* 2004). However, performance data is crucial to the determination of quality and compliance with contract terms of PFI schemes (Pollock *et al.* 2011). NAO (2009b) presented that effective performance management systems ought to offer incentives for performance, and be well calibrated and managed to secure the benefits of VfM. Edwards *et al*. (2004) argued however that maintaining such systems presented additional cost which could erode VfM. Another problem with performance management, as earlier observed, is objectively defining and ascertaining less tangible and qualitative aspects of performance. This could be accountable for the concentration of efforts on the financial and tangible aspects of project performance management, where outputs could be easily ascertained (Broadbent *et al.* 2003).

Generally, relative to those of *ex-ante* VfM studies, *ex-post* VfM evaluation has attracted little scholarly interest. In addition, the NAO undertakes mostly *ad hoc* reviews in the operational performance of PFI projects. In light of these, Broadbent and Laughlin (2004a: 8) lamented that "having exhaustively explored whether to pursue a PPP, it seems almost irresponsible to fail to analyse whether predicted outcomes actually occur". Nonetheless, the studies examining VfM have returned different verdicts. The dispersions and polarity in the verdicts are because of the innate ambiguity lodged within the concept of VfM itself, and other contextual factors related to its evaluation. In their review of Northern Irish PPP schools, Demirag and Khadaroo (2008), drew attention to the complexity of defining VfM *in situ.* They present that the constitution of VfM is conditioned by the manifestations of cultures, and forms and mechanisms of accountability in given PPP settings. Regardless, the following studies have looked at various aspects of *ex-post* performance of PFI projects.

NAO (2003, 2009a) examined the construction performance of PFI projects. In both instances, the NAO compared the performance (in terms of budget and schedule overruns) of PFI projects against those of conventionally procured projects. Their findings are summarised in Table 4.2.

Table 4.2: PFI Construction Performance

Criterion	Conventional (2003)	PFI (2003)	Conventional (2009a)	PFI (2009a)
Budget overrun	73%	22%	35%	46%
Schedule overrun	70%	24%	31%	37%

Source: NAO (2003, 2009a)

In both reports, the NAO found the PFI to have performed better in terms of delivery to time and budget, relative to conventional procurement. However, Pollock *et al.* (2007) cautioned against reading too much into these performances. They noted that the NAO study samples were neither representative of projects procured through either route. They also added that the measurement biases[49] contained in the survey data used for NAO (2003) and other reports meant that the findings from those should be cautiously used to gauge the success of the PFI.

Besides NAO (2010c) examined the use of PFI in housing, and found delays in PFI procurement process and costs overruns in about 21 of the 25 cases examined. In 12 of those cases, cost increases were more than 100% (Public Accounts Committee 2011b). NAO presented that they could not make a VfM judgement due to limited availability of evidence on procurement alternatives. Similarly, in the case of M25 PFI contract, NAO (2010d) found that delays in the contract process ultimately caused an increase in finance costs for the project. However, Economic Affairs Committee (2010) noted that despite the prolonged bidding process and the price hikes immanent under PFI, public sector tended to benefit from the increased likelihood of the projects to be completed to time and budget.

[49] They cite two sources of optimism bias: vagaries in definitions of capital costs; and the surveys measuring changes in works duration but not late delivery.

In terms of operational management of the projects, NAO (2010b) found in the case of hospitals that projects were well managed to deliver contracted services, and that the procurers expressed satisfaction on the operations of their projects. They also found no significant difference between costs of hotel services procured under the PFI and those procured through alternative routes. Similarly, Ive *et al.* (2010) found that PFI hospitals offered higher performance in terms of cleanliness and satisfactory patient environments over non-PFI hospitals, without significant additional costs.

Conversely, Shaoul *et al.* (2008a) and Pollock *et al.* (2011) argue that NHS PFI costs and charges are higher than anticipated in the business cases and generally do not represent VfM. As Shaoul *et al.* (2008a) observed, PFI contracts provide numerous ways of increasing charges given that procurers are locked in with monopoly suppliers in a relatively inflexible contract. Lonsdale (2005a, 2005b) also puts forward the thesis using Transaction Cost Economics, that PFI contracts effectively locked in procurers with suppliers armed with the ability to manipulate contract cost and prices with relative ease. These increased costs together put pressures on VfM delivery. Similarly, Edwards *et al.* (2004) in their review of operational PFI projects in roads and hospitals found that the projects posed significantly higher costs to the procurer and hence was not economical.

Overall, the claims of success are varied due to the differences in focal points employed to study the success or otherwise of operational PFI scheme.

4.5.5 Towards the evaluation of VFM

A number of approaches could be employed in evaluating the performance of PFI, depending on the conception of performance. Jeffares *et al.* (2013) presented that performance could be narrowly conceived in terms of the achievement of specified targeted outcomes within the context of the contractual agreement, or otherwise broadly conceived to include the direct and indirect effect of

the contract on particular stakeholders beyond the delivery of contractual outcomes. This aids in the outlining of the objectives of the evaluation. Hills and Junge (2010) submitted that the identification of evaluation objectives follows the choice of approach towards the objectives. They identified three kinds of approaches to evaluating the performance of projects:

> the outcome approach which compares the situation before an intervention with the situation after its introduction; the experimental approach which compares the outcome of an intervention with what would have happened in its absence by comparing two population groups (one taking part in the intervention, the other not); and the theory-based approach which articulates and tests the assumed connection between an intervention and anticipated impacts (Hills and Junge 2010: 8).

A variety of these approaches has been used in previous evaluative studies with regards to the relative strengths of each approach. Most empirical work on post-implementation evaluation adopt the criteria of comparing actual outcomes to respective anticipations of project procurement, with some research extending their focus to the wider implication in the public sector economy among others. While in principle the basis of evaluation of comparing anticipated and actual outcomes of alternative procurement routes is sound, it lacks in practicality. Edwards *et al.* (2004) observed that it is impossible to compare the actual cost of PFI against the PSC since the PSC quickly becomes out of date. The construction of alternative benchmarks may prove less reliable as PFIs tend to bundle services, the approximate supply of which may not readily be available. Further, Grimshaw *et al.* (2002) observed the relative difficulty in identifying and constructing benchmarks for less tangible aspects of project performance relative to targets.

In addition, the sharing and transfer of risk are highly uncertain post-implementation, as earlier discussed. Foremost, the success of risk transfer depends on a good contract that appropriately allocates and transfers risk in principle; and secondly on the successful execution of the contract post-contractual. The first part of agreeing on a good contract is essential for the *ex-ante* VfM demonstration, with appropriate contract execution necessary for post-contractual delivery of VfM. Regardless, contractualising the transfer of risk cannot be said to be effective as contracts cannot anticipate and effectively allocate project risks among parties (Froud 2003). Procurers at

the appraisal stage do not have complete knowledge of future occurrences. The effect of this "unavailable knowledge" (Jupe 2012 citing Mcsweeny 2009) contractualising the transfer of risk limits the scope and ability of the state to respond to and shape future occurrence and demands in relation to the project (Froud 2003). In general, *ex-post* risk transfer has not been found to be very effective. In some cases, not all risks quantified during assessment were transferred, while uncertainty was generally ignored (Broadbent *et al.* 2008). In other cases, additional risks created by virtue of the PFI project (categorised as system risks by Froud 2003) had been ignored (Edwards *et al.* 2004).

Further, the success of risk transfer centres on the effective enforcement of penalties for non-conformance of performance to stipulations. Pollock et al. (2011) citing the NAO presents that procurers are often disinclined to enforce penalties due to scepticisms of performance data, thus transferring risk back to the taxpayer. Edwards and Shaoul (2003b) also observe that penalties enforcements are often restricted given the monopolistic position enjoyed by the supplier, making it relatively impracticable to enforce certain penalty clauses in the contract. Effective risk transfer thus depends on effective contract and performance management for the delivery of resultant VfM.

In light of the above, Broadbent *et al.* (2003) and English *et al.* (2010) have sought to present guidelines towards evaluating VfM. Broadbent *et al.* (2003) suggest an *ex-post* evaluation system should have three key features:

> first, that overall the post-project evaluation should concentrate on only PFI aspects such as risk allocation, [facilities management] systems and non-financial aspects; second, that it should recognise that the post-project evaluation will inevitably be proactive in nature, particularly in relation to the financial aspects; and, third, that non-financial, culturally-related, operational aspects of the PFI project need to be a central part of any post-project evaluation design. (p. 437-438)

English *et al.* (2010) on their part suggests three building blocks for evaluating operational projects:

1. Assessment of economy, efficiency and effectiveness is key, but their constitution is contextually defined.
2. Evaluation (especially of effectiveness) entails going beyond a 'watchdog' role (*i.e.* compliance and accountability) to a "sheepdog" role (*i.e.* coaching and mentoring for improvement) role.
3. Compliance with policy pronouncements and internal reviews are necessary but not sufficient to judge the VfM delivery of the matured operational PPPs.

The above discussion, taken together, suggest it may not be straightforward to evaluate post-implementation VfM. HM Treasury has offered little guidance beyond that of the Green Book towards the evaluation of VfM. The NAO does not explicitly conduct a post-implementation evaluation of VfM of PFI projects and thus, their 2006 framework only aids in the evaluation of the implementation of the projects. Though it could be argued that a successful delivery on contract terms constitute effective delivery of VfM, a counter argument of successful project delivery serving as a base for evaluation could be made. Besides, most of the NAO's audits being *ad hoc* mean that only projects requiring audits will be looked at. Additional evaluation of projects that may not fall under the radar of the NAO is thus necessary to inform lessons towards the overall success of otherwise of the projects. Independent evaluations, not bounded by state and mandate restrictions is, therefore, helpful in providing useful inputs towards learning lessons for the alignment of future procurement.

4.6 Concluding Remarks

This chapter set out to review PFI and its rationalisations. It started by exploring the meaning and aims for the policy and the transition of its justification from the macroeconomic argument of increased investment, through to the microeconomic justification of VfM delivery.

Despite its centrality to the continued use of the PFI (and the PF2), VfM has not been precisely defined, with the literature presenting inconclusive evidence as to its objective demonstration either at *ex-ante* or *ex-post* project procurement. With the NAO spearheading the evaluation of PFI projects on *ad hoc* basis, further research is required to understand further, the performance of existing PFI projects. It is towards the evaluation of *ex-post* contract VfM that this thesis intends to contribute.

Chapter 5: Findings I: Conditions of Possibility

5.1 Overview

The third and fourth chapters of this thesis reviewed the development of PFI within the NHS, and the overall macroeconomic justification presented for its introduction and continued use. Chapter 3 outlined the macro-level structures structuring the field of healthcare regarding capital finance, and by extension, structuring the structures within respective PFI schemes. It concluded by arguing that the macro-level conditions and the *nomos* and structure of the bureaucratic field did not sufficiently account for how PFI schemes became thinkable and practicable alternatives to other forms of procurements at the level of the procurers.

This chapter discusses the conditions and elements that contributed to motivate relevant government actors and procuring authorities to procure through the PFI. It addresses the question of how the respective Trust's ambitions for a PFI scheme became viewed as acceptable, viable and reasonable during their respective procurement stages. The chapter presents an account of the conditions, actions, and elements coming together to form the conditions of possibility permitting relevant government actors to view the PFI as a promising alternative to finance and deliver the procured services. It, therefore, addresses the structural conditioning for a PFI procurement stemming from outside of a procuring authority through to the micro-level conditions motivating the PFI procurement.

The chapter primarily draws from an analysis of the documents and archival records related to the three case studies, each of which had its FBC approved in 2007, before the onset of the 2007 financial crisis. The approval procedures for the OBC and FBC remained the same for all the cases presented within this chapter, yet there are fine to significant nuances between the respective cases. These differences range from the conditions necessitating the procurement through to the PFI solution they procured.

This chapter reflects the macro-level conditions that affected all NHS procuring authorities, and how those influenced the micro-level case development for a PFI procurement. This draws from the theoretical influence the bureaucratic field as the field of power exerts on subfields whose existence depends on the structural functioning of the former. Each PFI procurement is treated as a semi-autonomous field because their field effects do not extend beyond the relationship between the network of positions constitutive of the local PFI structure (see Bourdieu 1993b). The construction of demand for PFI as products of the bureaucratic field and the related practices of procurement, however, owe their practical coherence to the fact that they are products of a single conceptual schemata guiding the conduct of practice (Bourdieu 1977).

The chapter is structured to reflect the conditions of possibility of the respective cases studied, by presenting their histories, the nature of their procured solutions, and their affordability and VfM stipulations. These accounts of the historical context for the cases are necessary to present an account of the past to demonstrate the stakes available at present within the respective fields of procurements. These accounts form the foundations for subsequent discussions on operational delivery in chapter 6. The names and sites of the procurers have been anonymised in accordance with the ethical undertaking for this thesis.

5.2 HT1: Contract under Duress

HT1 is an acute service provider in England. It was established as a second wave[50] NHS Trust in 1992 as part of the juridical provisions of the NHS and Community Act 1990. The Trust has since developed to be a principal provider of acute and community-based services to a total population of about 380,000. The Trust also provides specialist regional and supra-regional services to a

[50] Trusts were given their Trust status in waves, of which there were a total of three. HT1 was part of the second wave of applicants to be granted their Trust status.

population of about 9.8 million and employs about 5,000 staff. It is currently making efforts to achieve an FT status.

HT1 operates four hospitals [51] across three principal sites. The Trust houses the majority of its services at the Radium hospital, half of which was redeveloped under a £148 million PFI scheme[52] (herein called Radium PFI scheme). The procurement commenced in 2001 with the approval of the Strategic Outline Case (SOC) in 2001 (and subsequently the OBC in 2002) by the DH. However, the scope and scale of the project were significantly modified between the OBC and FBC stages, with the FBC receiving approval in 2007. The contract was for a period of 35 years from the date for the financial close, allowing for $2^1/_2$ years of construction and $32^1/_2$ years of operations. The project, commissioned in 2010, has since been in operation for at least 5 years.

5.2.1 Project history and procurement need

HT1's procurement and strategy was defined by the relative endowment of capitals as well as the interests it had at hand. The Radium PFI project had as its stake, the objective centralising the split-site operations of the hospital into the Radium location[53]. The project had a nominal capital cost of £148 million, with a total estimated nominal future liability of £756 million (of which £59 million has already been paid), excluding the effects of changes in the RPI and of variations. The scheme attracts a nominal unitary payment of £16.5 million per annum (p.a.). Figure 5.1 shows the procurement's timeline, from the drafting of the SOC through its commissioning.

[51] In total, HT1 runs an acute hospital (the site of the PFI), two community hospitals, and a walk-in centre.

[52] This scheme is not the only PFI scheme operated by HT1. In 2005, HT1 also procured a PFI scheme to provide accommodation for their medical staff. However, this scheme is not considered in this thesis, as it rather falls under PFI Housing sub-group. In 2013, following the reorganisation of the NHS which caused the abolition of Primary Care Trusts (PCT). HT1 also assumed another scheme previously operated by a PCT it absorbed. This too is not considered in the thesis.

[53] The ambition to centralise care delivery onto this site predates the incorporation of the hospital, having been envisioned in the 1970's, as identified in the SOC

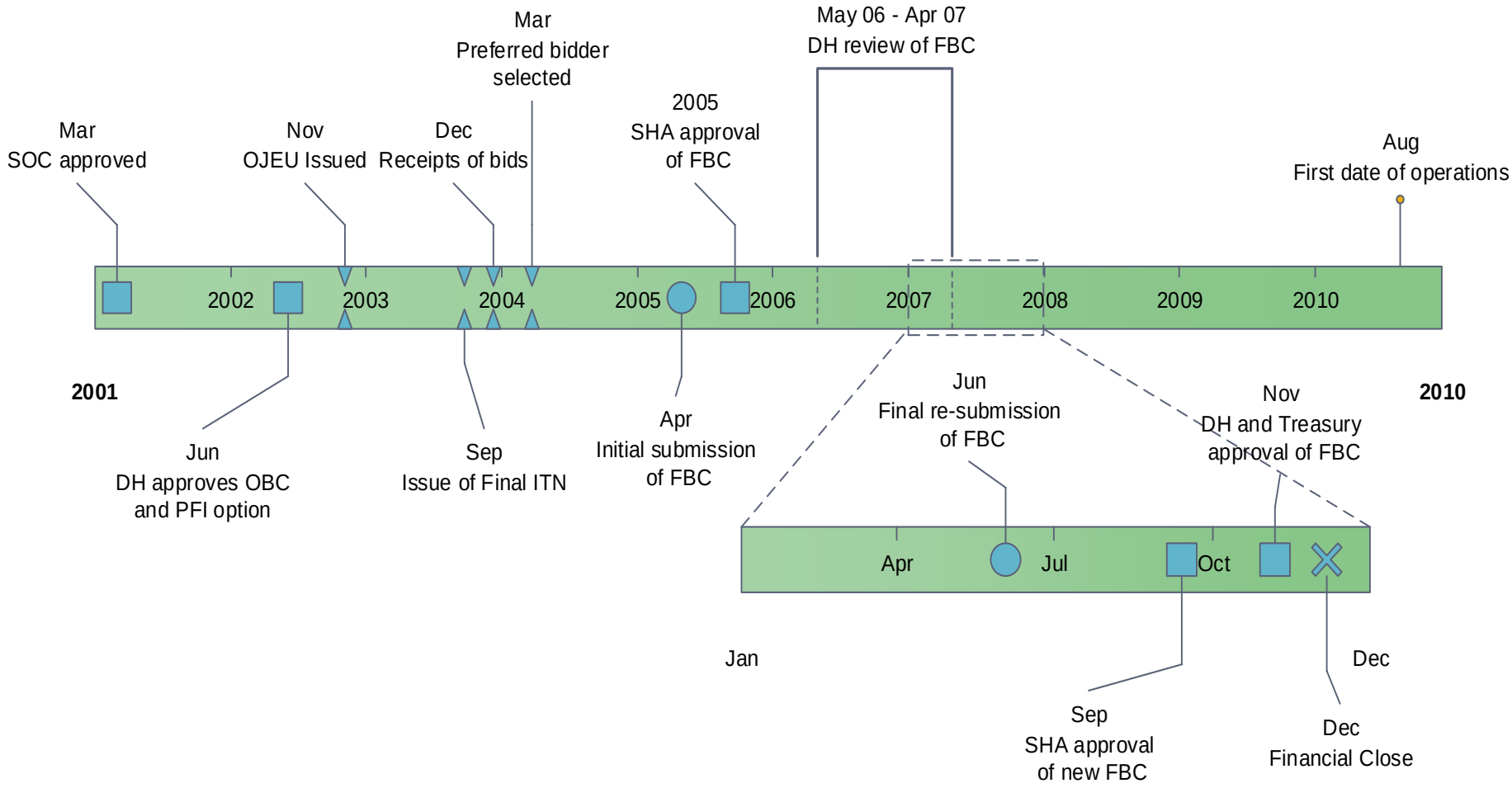


Figure 5.1: HT1 PFI procurement timeline

The hospital, prior to the project's procurement, principally delivered their services on two main sites in the same township, with operations distributed between the Terbium site and the Radium site. Both sites had a total capacity of 733 beds and 24 theatres. The SOC and OBC identified and made the case for the procurement, primarily citing inefficiencies resulting from the split-site operations; backlog maintenance; and inadequate capacity to accommodate then clinical needs and services nor those of the future. The FBC built on the arguments of the OBC, arguing that the estate they possessed was not fit for purpose, within the purview of the national clinical and service quality requirements.

The OBC argued the facilities the Trust used for service delivery rather proved challenging to deliver on the projection of the NHS Plan (2000). On the split-site working, the OBC argued:

> The current provision of maternity, children's and neonatal services takes place away from the main acute hospital site. This presents a number of significant clinical risks to both children and others. Additionally, critical care cover at the main hospital site is compromised when emergency cover is required at [Terbium] Hospital (HT1 FBC 2007).

It added that:

> Split site working jeopardises continued recognition for clinical training (HT1 FBC 2007).

The OBC also argued that the estate with which the Trust operated made it difficult to achieve targets in the NHS Plan, due to both inefficiencies and inadequate capacity. It argued that:

> The NHS Improvement Plan target to reduce the delay in treatment and admission times for emergency referrals requires a radical change in the clinical process for emergency patients. This change cannot be managed within the current facilities. The present Accident and Emergency department is approximately 30% undersized for the level of attendances projected for 2010.

The Trust estimated the backlog maintenance on both its hospitals to be circa £42 million[54]. In addition, HT1 argued that the estate was non-compliant with fire and health and safety regulations. These together contributed to poor patients' experiences and an increased infection risk stemming from the non-compliance with infections prevention guidance.

[54] This comprised backlog maintenance of £20 million for the Terbium hospital and about £22.4 million for the Radium hospital.

Bourdieu (1990b) discusses that the positions within a field are defined by the relative endowment of capital, which in turn defines the range of strategies available to which the habitus can capitalise on. The procurement need in this instance not only defined the position of HT1 within the bureaucratic field: the position of a Trust with limited economic and financial capital in the form of their estates, but with substantial cultural capital necessary to deliver on their responsibilities. These combinations presented them with the option of either refurbishing the existing estates or acquiring new estates, with both options equally dependent on the influence of the bureaucratic field as a field of power.

In recognition of the above, the OBC for the project was accepted and approved by the Local Health Authority (LHA), and the relevant network of primary care organisations. The OBC identified and appraised a number of options to deal with their estates shortfalls. HT1 settled on centralising the operations of the two hospitals onto a single site through a PFI scheme, while allowing for the modernisation of service delivery. The preferred option was for the integration of a new build into a refurbished old build, while disposing of the estate on Terbium site. With this option, the estate was to be expanded to accommodate new models of care. The cumulative effect of the new hospital development and disposal of the estate also allowed for the backlog maintenance to be dealt with. The preferred option was to provide a total bed capacity of 892 beds and 28 theatres, and the provision of 'shell and core' spaces for future expansion.

The need to replace the practically inefficient and functionally unsuitable estate drove the procurement. However, the PFI route was chosen because the Trust, as defined by their position within the bureaucratic field, had little opportunity to otherwise secure finance other than through the PFI. An interviewee presented that:

> The scale of the investment required far out-stripped what the Trust would be able to raise. And being an NHS Trust and not a Foundation Trust, you've got quite a lot less flexibility than when you're an FT raising finances (DEF1).

Within the circumstances thus, the PFI seemed the only viable option.

The PFI solution envisaged in the OBC for the expansion and modernisation of the hospital also called for the transfer of most FM services to the PFI providers. In addition to the physical capacity, the PFI solution was to deliver hard FM services and lifecycle maintenance for both the new build and retained estates, and some soft FM services.

Upon the approval of the OBC, advertisement, tendering and bidder selection were completed by 2004, and the initial FBC prepared in 2005. The Trust initiated the disposal of surplus estates (five different sites in all, but notably that of the Terbium hospital) in tranches, with the first tranche disposal effected in 2007, and the final in 2009. HT1 was expected to vacate the premises of the Terbium hospital by December 2009.

However, in 2005, the DH, as a higher state nobility with the power to influence subfields within their influence, initiated a review process for capital projects, especially those acquired through the PFI. The review process required that capital projects should prove to be consistent with clinical needs; account for NHS reforms, and most importantly be affordable to the procurer, especially within the context of the PbR, which had just been instituted. This affordability criterion required that the unitary payments under the PFI not exceed 15% of the turnover of the Trust. The original capacity envisaged within the OBC and subsequent FBC proved not to be affordable within the new regulations. The Trust and DH, however, decided to proceed with the scheme, by descaling and descoping the project. It presented that:

> To meet the affordability requirements of the DH review, it has been necessary to reduce the scope of the Project from that envisaged at OBC. The reduction in scope has been based upon a low-risk strategy for the [Regional] Health Economy of minimising redesign work so as to avoid abortive costs and other associated costs of delay to the Project (HT1 FBC 2007)

The revised project achieved an affordability ratio of 13.8%, lower than the required 15%.

The reason for progressing with the procurement linked to the original justifications for procurement and to subsequent developments. The FBC highlighted that inefficiencies in their operations, together with the backlog maintenance costs, could significantly be dealt with via the implementation of the project. It also argued that terminating the procurement could be a harbinger of financial costs, notably, those of abortive costs and of new investments required for the Trust to remain a going concern. These considerations arguably had implications on the project's VfM case, by both supporting and extending the VfM argument for the project in its own right, and tangentially to the project. In addition to these, the disposal of the Terbium had been initiated, with the trust contractually expected to vacate the premises by December 2009. This significantly diminished the ability of the Trust to accommodate existing models of care.

Another consideration, however, puts an overbearing perspective on the continuation of the project. The FBC argued that the Trust was unable to finance any significant capital project, as requirements contained in the PBL and the associated capital regime severely restricted their access to capital finance. Funding from the PDC was not also available for the financing of the project. There was an incentive, therefore, to press ahead with the procurement, given the stakes for both HT1 and the DH.

The resultant project represented in the final FBC, was descaled in terms of capacity. 'Shell and core' spaces to be used for future expansion were significantly reduced in the project. Table 5.1 presents the details of the changes made from the OBC to the FBC. Table 5.1 also shows that the total number of beds reduced by 118 beds from the old capacity to the FBC capacity. Furthermore, the project was descoped, in that, significant services hitherto envisaged as part of the PFI solution were dropped in order to meet the affordability and VfM criteria set by the DH and the Treasury. All soft and hard FM services for the retained estates were dropped from the project.

The procession of the procurement bears fact to the rudiments of reducing part of the inefficiencies and backlog maintenance. It however logically follows that the reduced scale, in particular, did not effectively deal with the resultant inefficiencies emanating from the retained estates. Of the circa £22.4 million backlog maintenance relating to the Radium Hospital, only £13.1 million could be dealt with through the acquisition of the new facility.

Table 5.1: Capacity changes for the Radium PFI project, from OBC to FBC1

	Old Capacity	OBC Capacity	FBC Capacity	Variance (FBC-OBC)
Beds-New Build	N/a	441	361	-80
Beds-Retained estate	733	451	254	-197
Total	**733**	**892**	**615**	**-277**
Theatres-New Build	N/a	11	10	-1
Theatres-Retained estate	24	17	14	-3
Total theatres	**24**	**28**	**24**	**-4**

The case for the procurement was best summed in the words of HT1's acting CEO at the commissioning of the project. He argued that:

> The decision to build a new wing was made because the old one was not fit for purpose. The NHS had a long history of delayed building works and projects being stopped halfway or going over their time limit or budget, and this is why the buildings became decrepit so quickly. A PFI gave us the option to build the wing that we needed and also allows us to keep it in a high level of condition. I would make the same decision again as there isn't any other option out there which can offer this, or in fact, I would choose a larger PFI than we have [now].

The foregoing discussion while laying the foundation of understanding the stakes and capital of HT1 prior to the procurement, had a second effect: laying the foundations for *ex-post* VfM evaluations, via the structuring of the habitus that was called forth in the evaluations. The class habitus of HT1 continued to be structured with the experiences via the ex-ante procurement activities (see Bourdieu 1998b).

5.2.2 PFI solution and provider

The proposed PFI solution following the descoping and descaling was a DBFOM PFI contract. The contract was for the development and construction of the new facilities, the provision of

hard FM services to the new facilities only, and soft FM service (limited to a helpdesk service to the new building). Thirteen organisations responded to the advertisement in the Official Journal of the European Union (OJEU)[55]. This reduced to four at the commencement of the Invitation to Negotiate (ITN), with two bidders emerging from the final ITN, of which Company-B was selected to provide the PFI solution. This undercuts the assumption of competition being an underlying driver of VfM in the PFI bidding project. The FBC, however, argued that the reduced competition was "increasingly common for NHS PFI Schemes",

The preferred bidder was also to provide all equipment that was fixed and part of the fabric of the facility, as well as equipment necessary for the delivery of the hard FM services. The solution was also to provide around-the-clock comprehensive Helpdesk service, acting as a hub interfacing between the Trust and the providers on operational matters. Where equipment already operated by the Trust was needed by the hard FM service provider, they were to be transferred to the provider free of charge (although the FBC argued this was to be very limited). Company-A was also to provide the network infrastructure integral within the new facility to link up with the Trust's existing network infrastructure, to be handed over to the Trust after its commissioning and testing.

Company-A, the FBC argued, had a proven track record of providing and operating healthcare PFI projects of similar scale and scope. The company has provided a number of PFI solutions to different government departments including those of Health, Education and the Home Office. They had provided services to three NHS Trusts prior to this project, and are currently providing PFI solutions to seven NHS Trusts. In Bourdieusian terms, the choice of Company-

[55] The OJEU superseded the OJEC (Official Journal of the European Community) in February 2003. Publications of adverts prior to this date are said to have been published in the OJEC rather than the OJEU. The OJEC and OJEU are used interchangeably in this thesis.

A was justified on the assumption that they possess the requisite commercial and technological capital to deliver on the service (seeBourdieu 2005).

As part of the PFI solution, Company-A set up the project company (SPV) Company-B Plc, through which the solution was being delivered. The SPV was financed by a mixture of index-linked bonds, loans and equity, as presented in Table 5.2. In addition to the equity investment, the shareholders of the SPV provided a subordinated loan of £18 million at a coupon rate of 12%. Company-B's overall funding structure (89.98% Debt and 10.02% Equity) is comparable to other PFI SPVs, which usually has a debt to equity ratio of 9:1 (NAO 2010a). The debt proportion of the SPV's capital structure is composed of senior debt through bank loans and/or bonds (*ibid.).* Conversely, the equity proportion is composite of a substantially smaller equity contribution (in the form of shares), and quasi equity in the form of subordinated debt issued by the SPV to its equity financiers (*ibid.).* [56].

Table 5.2: Funding structure of Company-B Plc

Source of Funds	£m	Capital Structure	Coupon p.a.	Arrangement fee
Index linked bonds	162.65	89.98%	2.22%	0.25%
Subordinate loan	18.07	10.00%	12%	2.50%
Equity	0.05	0.02%	-	

Figure 5.2 also presents the contractual relationship between the Trust and the PFI partners. As illustrated in Figure 5.2, the project agreement is between HT1 and Company-B Plc (the SPV). The SPV, contracted with Company-C Ltd, a company wholly owned by the Company-A group, to construct and operate the PFI project. Company-A Ltd designed and constructed the infrastructure, whereas Company-A FM services provide the FM solution to the operational project. During the construction stages of the project, the distribution of the 15% shareholder ownership was 49:51 for Company-A FM services and Company-A UK respectively, and

[56] This characterisation of equity is used similarly by the NAO in its NAO (2010a) report among others. This thesis also adopts a similar basis in classifying the equity to debt ratio.

during the operational phase, the structure was 51:49 for Company-A FM services and Company-A UK respectively. The ownership structure of the provider company reflects the arm having the operational responsibility with respect to the phase of progression of the project, with control lying with the construction arm during the construction phase, and with the FM service provision arm during the operational phase.

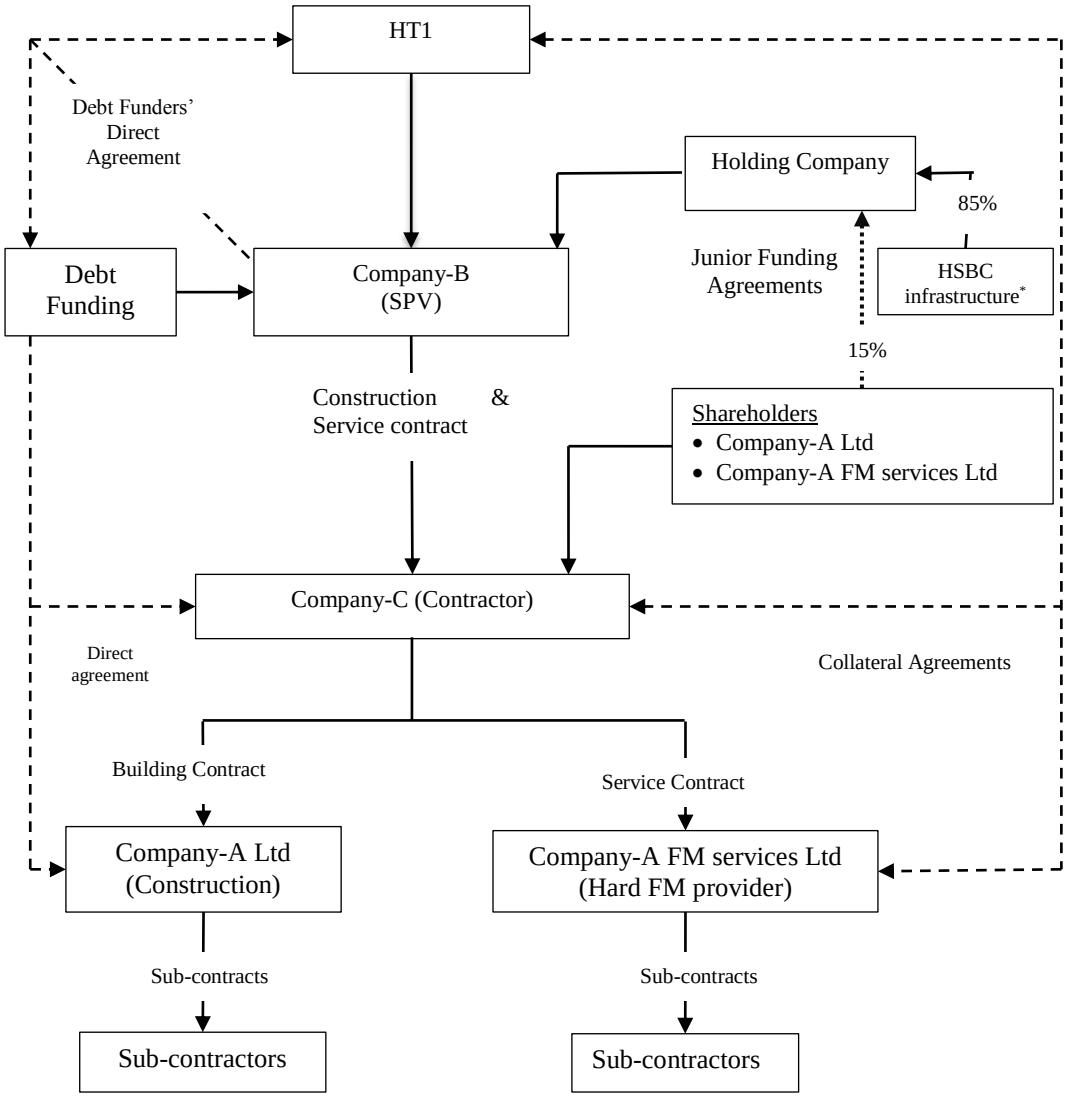


Figure 5.2: HT1 PFI contract structure

*At the time of data collection, Infrared Holdings had procured the stakes from HSBC Holdings.

5.2.3 *Ex-ante* VfM and Affordability

Both *ex-ante* affordability and VfM were significantly revised under the revised FBC. The project's affordability must be put in the context of the financial performance of the Trust prior to the FBC's approval. The Trust's financial performance was dotted with deficits, with the highest of £11.2 million recorded in 2005/06, as evidenced in Figure 5.3. HT1 had instituted a financial recovery plan to be implemented in 2007, anticipating surpluses of between £4 million and £8 million, for the periods between 2007 and 2010 respectively. These estimated surpluses were purported to stem from efficiency savings culminating in substantial cost reductions. The anticipations of the turnaround plan contributed substantially to the financial analysis made in assessing the affordability of the scheme. The financial analysis; modelled mainly on projected incomes from normal activities (based on the PbR and the related transitional support) and expected expenditure, projected surpluses from the approval of the business case through to the year 2020/21. The projected performance was thus believed to be sufficient to harbour the impact of the PFI scheme. The surplus projects for the years leading up to the commissioning of the project were largely realised, except for a recorded deficit in 2009/10.

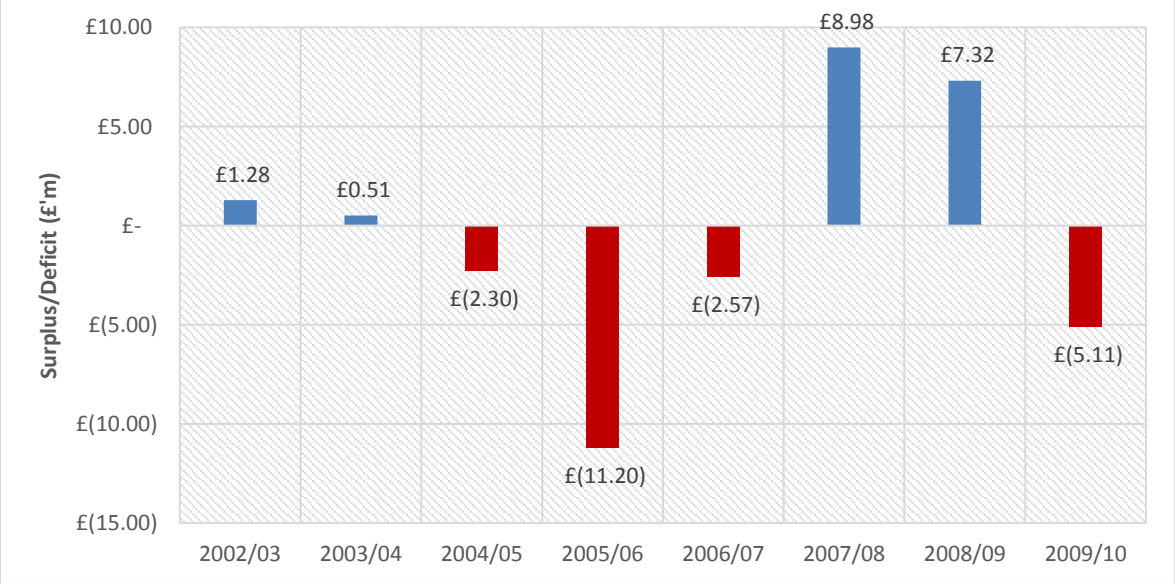


Figure 5.3: HT1 pre-PFI financial performance

A similar affordability assessment was made for the PSC option, with the same estimated income levels used in assessing the PFI option. The expenditure was tweaked to account for differences in cost in pursuing a publicly financed procurement. The resultant projected financial performance of the Trust with a PSC procured scheme was better than with a PFI procured scheme, as evidenced in Figure 5.4.

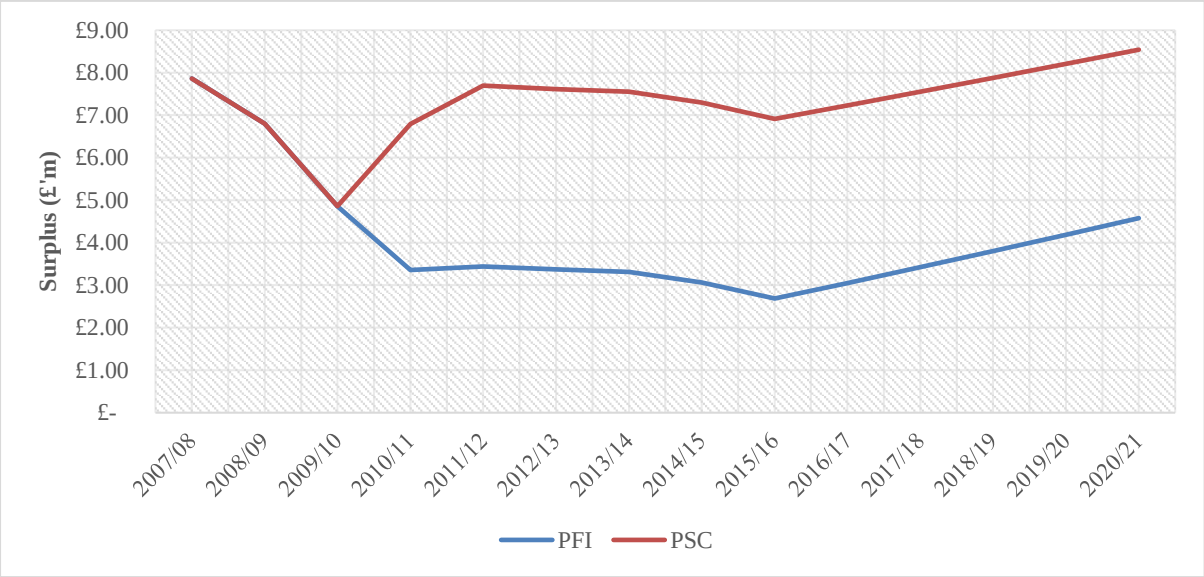


Figure 5.4: HT1 projected surpluses

The PSC of HT1 underwent significant changes from the OBC to the FBC, to take account of the capacity and scope changes the procurement underwent. The PSC was designed based on an agreed set of clinical output based specifications, primarily because the revised new facility was mainly meant to cater for the clinical needs of the Trust. The initial design assessment throws light on the on the post-implementation assessment of the design. The resultant PSC is contained in Table 5.3. The NPC of the PSC of constructing and maintaining the facility was circa £24 million less than the PFI option over both the contract term (35years) and economic life of the building (63years). The risk analysis, however, assumed risks of £26.7 million were to be transferred to the provider under the PFI. The resultant VfM savings was to the tune of £2.5 million. On the basis of the Equivalent Annual Costs (EAC), the VfM saving was

£168,000 for the contract term and £341,000 over the life of the asset. All the sensitivity analysis further supported the pursuit of the PFI option.

Table 5.3: HT1 VfM analysis

	35 years				63 years			
	NPC (£000)		EAC (£000)		NPC (£000)		EAC (£000)	
	PSC	PFI	PSC	PFI	PSC	PFI	PSC	PFI
Basic cost	2,394,487	2,418,619	155,809	157,379	2,670,758	2,694,804	155,123	156,520
Risk adjustment	69,069	42,356	4,494	£2,756	69,069	42,356	4,494	£2,756
Total cost	2,463,556	2,460,975	160,303	160,135	2,739,827	2,737,160	159,617	159,276
VfM gain (PSC-PFI)	**2,581**		**168**		**2,667**		**341**	

The risks transferred under the PFI arrangement are captured in Figure 5.5. Of the total risks transferred to the project, design risks, and construction and development risks contributed 42% and 30% respectively, both related to the period prior to the commissioning of the project. The risks transferred to the PFI provider also determined the accounting arrangement used for the initial recognition of the project. The accounting opinion following from the risk analysis, and advised by the project's financial adviser – Ernst and Young LLP; and the Trust's auditors, was off-balance sheet recognition of the scheme. The projected financial position, therefore, ignored the effects of resultant liability emanating from the PFI scheme. This arrangement is consistent with the initial requirement by the DH to craft PFI contracts to achieve an off-balance sheet status (NHS Executive n.d.), though this requirement was abolished in 2005, before the approval of this FBC. With the incursion of the IFRS reporting requirements into public sector financial reporting, however, the project had to be recorded as on-balance sheet. This consequently affected both the financial position of the Trust as well as their financial performance, via the on-balance sheet recognition of the future liabilities and the depreciation adjustments to be recognised from the recognition of the PFI assets.

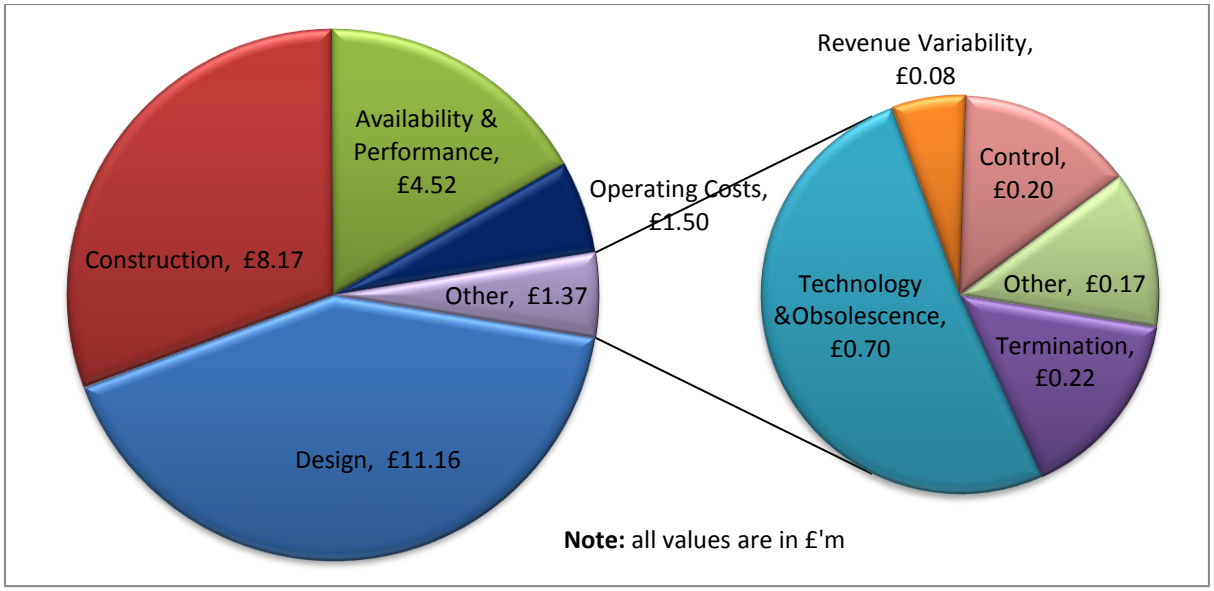


Figure 5.5: HT1 risk analysis

In terms of sensitivity analysis, capital expenditure and lifecycle maintenance under PSC needed to reduce by about 2.5% and 20% respectively to represent VfM of the PFI, *ceteris paribus*.

A contributor to the success of the PFI option delivering VfM was based on the savings to be made from the capital charges via the surplus estates, even though the FBC argues the proceeds were not necessarily required to demonstrate the VfM and affordability case. HT1 envisioned a surplus estate disposal scheme set to realise £9 million, £7 million and £15 million for years 2007/08, 2008/09, and 2009/10 respectively. The proceeds were to offset the costs of previous capital over-expenditure stemming out of enabling works on the site for the PFI project and hence, though forming part of the VfM assessment, did not ultimately account for the *ex-post* affordability. However, it was estimated that the Trust would incur £100,000 per month in additional costs if Terbium hospital were not vacated by the agreed date of December 2009. The FBC estimated a delay in the vacation of the hospital to be a less than a year, prescribing a total of £700,000 for the extra cost.

5.3 HFT2: Contract under Duress

HFT2 was one of the first Trusts given foundation status under the Health and Social Care Act of 2003. It succeeded its predecessor which was established in 1993 under the then NHS Act of 1990. The FT has since developed to become a principal provider of acute services to about half a million people from three counties and seven local authority areas. The FT employs about 4,000 staff to deliver its services. The FT currently operates three principal hospitals across three sites. Their principal site of operation is the 612-bed acute hospital procured through a PFI project commissioned in 2010.

The acute hospital procured under the PFI is the subject of this thesis. The facility was part of a broader PFI solution procured by a tripartite collaboration between three authorities: an acute hospital for HFT2, a mental health unit for a mental health authority, and an integrated care centre (ICC) for a primary care Trust. These facilities were procured in tandem, but this thesis, focuses on the acute hospital[57].

The procurement was initiated in 2003 prior to the Trust receiving its foundation status. It represented a second attempt at securing a PFI deal. The first attempt was in 1995, for a smaller £55 million scheme that failed to secure approval. The business need for the project was re-established in 1997 for a more comprehensive project. The DH acknowledged the need in 2001, recognising urgency to address the operational and financial inefficiencies resulting from the estates the Trust operated. The FBC reached financial close in 2007. Construction was completed in 2010, and the project was commissioned in the same year. At commissioning, the project had nominal capital and liability values of £301 million and £411 million respectively.

[57] Two SOCs and OBCs were independently developed: the first for the ICC and acute hospital, which were co-located, and the other for the mental health unit. Upon the approval of PFI as a procurement route, the business cases were merged into a single FBC, which reached financial close in 2007

The contract, which spans 32years, attracts a nominal unitary payment of £33 million p.a., (a total estimated future liability of circa £2 billion barring the effects of RPI and variations).

The PFI solution was procured on the backdrop of dilapidated estates and of operational and financial inefficiencies. The procurement was thus meant to alleviate the troubles and improve their efficiencies. However, 10 months after the commissioning of the PFI project, the FT significantly breached their terms of authorisation, and was put into special measures by its regulator – Monitor. The FT has since recorded significant deficits in its operations, and has since been significantly relying on financial bailouts from the DH and the Treasury to remain a going concern. The case has consequently been a subject of a NAO (2012) study and also a subject of a Public Accounts Committee (2013) discussion. In 2013, Monitor convened a contingency planning team (CPT) headed by PwC to report and recommend on the operation, clinical and financial sustainability of the FT and its procurement of the PFI project.

5.3.1 Project history and procurement need

Various arguments were advanced for the procurement. The FBC principally argued that:

> The publication of the NHS Plan in 2000, the inefficiencies and difficulties of operating across three hospital sites and the inflexibility and inappropriateness of much of the hospital estate, were the key factors behind the need to invest in a new hospital development...The fragmented service arrangements, together with the high population growth, national efficiency targets, lack of emergency capacity at [site B] within the health system and the poor quality of many buildings, have combined to stretch the system to breaking point.

The FT prior to the PFI procurement had delivered its services across four principal sites, three of which were in the same city (on site-A, site-B, and site-C). With the split-site operations, essential services that needed to be co-located were rather distributed across the sites. The FBC cited reasons of fragmentation, inefficiency, obsolescence, and the insufficient capacity of the estate as the primary drivers for the PFI procurement. The estate located on site-B and site-C, though accessible to the city's residence, was described as a "patchwork of buildings" some of which dated back to the 1920s. Some of these buildings, they argued, had exceeded

their functional and economic useful lives, and presented a threat to care quality. Site-A on the converse, had a relatively modern estate, commissioned in 1988. This site, however, was not readily accessible from the city via public transportation. Both sites had total backlog maintenance of circa £10 million.

As with other Trusts, HFT2 was required to adopt new models of care contained in the NHS Plan (NHS 2000), other regional and local planning and service frameworks; and to meet new efficiency targets set out nationally. These requirements, coupled with the fragmented estates and increased population growth, the FBC argued, stretched the estate to a breaking point. The fragmented and dilapidated estates however made it difficult for the functional and clinical relationship between the departments to be maintained to achieve their efficiency targets. For example, the FBC argued that the maternity and special care baby units and the paediatric units which often are co-located to maximise efficiency, were about a kilometre apart, located in site-B and site-C respectively[58]. The fragmented estates also caused for the duplication of services, making processes inefficient, and costly to maintain and staff. The state and nature of the estates also threatened the continuity of the hospital: isolations and fragmentation of some critical services attracted a threat of withdrawal of accreditation; with some facilities, such as the mortuary, not meeting the accreditation requirements.

The estates also had insufficient capacity to absorb then and future levels of activities. HFT2 argued the obsolete facilities caused unnecessary extensions to patients' length of stay and increased the risks of infections, and by extension, limited their ability in accumulating further economic capital. The structural integrity of the estates was also classed as inflexible, and did not meet some building requirements (such as those contained in the Disability Discrimination

[58] This meant that complications to either the mother or child pre or post-natal, significantly increased the risks to the party with the complication, were they located at a different unit. Were a baby to have complications after birth while they were still located in the maternity unity, the time and logistics to transport them to the paediatric unit severely increased the risks to the baby, not to mention the related social and economic costs.

Act 2005), hence compromising care delivery. HFT2, therefore, argued that the estate generally did not meet NHS building standards, and estimated the full cost of complying with NHS standards to stand at circa £200 million (two-thirds of the capital cost of the PFI build).

The FT thus argued that an investment in an acute hospital facility, located in Site-A, was needed to implement and develop new models of care; resolve operational and clinical inefficiencies resulting from the fragmented estates, and to replace outdated building stock that presented an increasing constraint to quality care delivery. The progression of the procurement is presented in Figure 5.6.

HFT2 identified the business need in 1997 and subsequently developed the OBC which was approved in 2003. The OBC identified site-A to host the new project. The estate on site-A was to be modified, with new facilities added to the existing ones. Surplus estate on site-A and site-B were to be disposed of to support the affordability of the scheme.

After the approval of the OBC, advertisement, tendering and bidder selection was completed by 2004, and the initial FBC prepared in 2005. Several structural variations were made to the proposed procurement in its progression from the OBC to the initial FBC. These variations were design specific; related to differences in the functional content and spaces and stemmed from changes in activity and resource planning. The principal alterations made from the OBC to the FBC included an overall reduction of 116 beds and 2 theatres, with the ratio of single bedrooms to four-bed bays increasing from 37% to 59% in the general acute wards among others. The increased ratio of single beds to four-bed bays, it was argued, was to improve patient privacy and quality of care delivered.

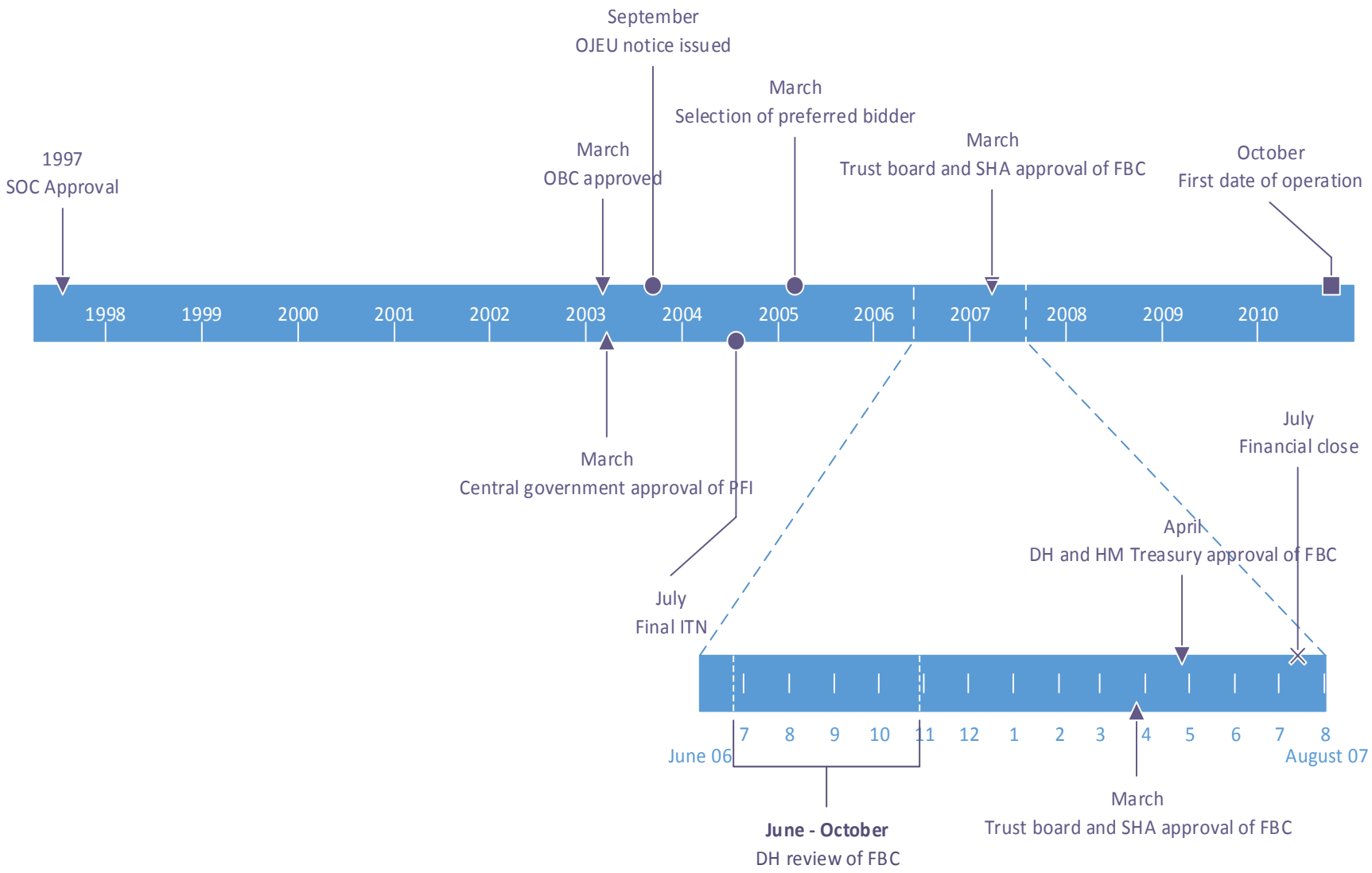


Figure 5.6: HFT2 procurement timeline

The FT's board, on the backdrop of a deficit in 2005, had in November 2005; decided the original scope of the scheme was unaffordable. The reductions in numbers of beds and theatres were thus an attempt to make the project more affordable to the Trust. This, however, followed the acceptance of the design and scope solutions from the preferred bidder in March 2005. The revised project proceeded to approved, despite reservation on the VfM and affordability cases presented by Monitor and a DH consultant. The above developments arising from the procurement need, also served as means of structuring the dispositions of agents further deployed at the operational stage of the project.

5.3.2 PFI solution and provider

HFT2 procured a comprehensive PFI solution that provided substantially all non-clinical services. The proposed solution was a DBFOM for a new facility, the provision of hard and soft FM services, and the provision of medical equipment through a Managed Equipment Service (MES). The PFI solution was also to provide the ICT network infrastructure integral to the facilities, all leading to connecting outlets in return for a nominal unitary payment of circa £33 million per annum (payable in advance), with an assumed RPI rate set at 2.5% p.a.[59]. However, the capacity procured was more than immediate needs, and thus contained spaces for future expansions and variations. Whereas these were considered in the VfM and affordability assessment, what was not envisaged was the cumulative impact of the cost (in general resource terms) of varying the contract during operations to account for such modifications.

The contract also required for the provision, lifecycle maintenance and the replacement of substantially all medical equipment (both fixed and mobile) within the facility. Equipment, fixtures and fittings integral to the body of the infrastructure were also to be provided through the PFI. In addition, all hard FM services were transferred to the private provider. The hard FM services

[59] All NHS PFI business cases assume an RPI rate of 2.5% as a projected long-term average in assessing the projected costs of the unitary payments (See Public Accounts Committee 2011b)

covered the maintenance of all facilities, including the maintenance of the external landscape. It also included the cost of utilities except for energy. However, the lifecycle maintenance costs of the IT equipment and of medical equipment under £5,000, furniture and furnishings in non-public/patient's areas and non-medical trust equipment were excluded from the contract. Comprehensive soft FM services were included in the contract, including services for catering; cleaning; linen and laundry; materials management; pest control; portering; security; service desk; traffic management; and waste management and disposal.

These together were to be provided for through the SPV selected as the preferred bidder, herein referred to as SPV-X. The SPV is financed through a mixture of equity and debt, at a ratio of 8:92, highly geared than the typical 1:9 observed by NAO. As presented in Table 5.4, the SPV is financed with a fixed-rate bond; subordinate loans provided by the principal investors and the MES provider, and equity. The SPV became the interface between the providers and contracting partner to HFT2. The respective service providers took over the staff of the Trust that hitherto provided the soft and hard FM services. This was because staff originally employed directly or indirectly by the FT was virtually made redundant, and were thus given an opportunity to retain their employment by transferring to the respective providers. At the time of data collection, the ownership of the SPV had changed, with JLIF infrastructure owning 30% and Infrared holding 70% of the SPV's equity.

Table 5.4: Funding structure of SPV-X Plc

Source of Funds	£000	Capital Structure	Coupon p.a.	Arrangement fee
Fixed rate bonds	392,683	92.03%	2.22%	0.25%
Subordinated debt	31,949	7.49%	13.5%	3.00%
MESc subordinated debt	2,000	0.4%		
Equity	50	0.01%	-	-

As with other PFIs, the process leading to the selection of the preferred bidder was relatively less competitive. Only three bidders met the mandatory requirement to bid on the contract, with only

two bidders made it to the final ITN. The cost and design solution from SPV-X was considered relatively lower and more acceptable respectively to that of their competitor, informing their selection as the preferred bidder in March 2005. The implication of the selection of SPV-X was on the presumption that their solution will lead to HFT2 conserving more economic capital while benefiting from the commercial and technological capital of the service providers.

The SPV is made of four separate entities: SFM, HCon, HFM, and MESc. HCon and HFM were both parts of the same group: H-Ltd, with the construction arm (HCon) tasked with the design and construction of the facilities, whereas its FM arm (HFM) was to provide the hard FM services. However, both firms did not have any prior experience in PFI or in the health sector. This was the first hospital project to be constructed by the group, and has since remained so at the time of writing. HFM was specifically incorporated in the UK to deliver FM services only within the confines of this PFI scheme. SFM is the soft FM service provider, and had had prior experience in providing hotel services to the UK healthcare sector. MESc, the MES provider, also had a history of providing lifecycle asset management to the NHS. There is a fifth entity within the SPV, with specific responsibility for third-party income. Under the terms of the agreement, the FT still owned the land over which the project stood, whereas the fabric of the infrastructure belonged to the SPV. Thus, post-project commissioning; the FT was to lease out specific retail areas within the new hospital to the SPV, with the resultant commission used in offsetting the accruing unitary charges. The consideration from this lease agreement was to be used to berate the PFI unitary charge, considered before determining the liability payable. Thir-Z, a third-party entity was granted the sub-lease over the retail space, and therefore pays for the sublease to the SPV. The lease arrangement brings two issues to the fore: the first hovers on the power relations between the parties; and the second on the unwillingness of the FT to deal directly with third parties. This arrangement effectively conferred too much power to the SPV, who have limited motivations to secure higher rents, as they ultimately are entitled to the same grossed charges.

The contract structure is presented in Figure 5.7. The figure illustrates the principal players within the contractual structure, the direction of contractual responsibility and the interfacing between the various parties replicated within the relationship.

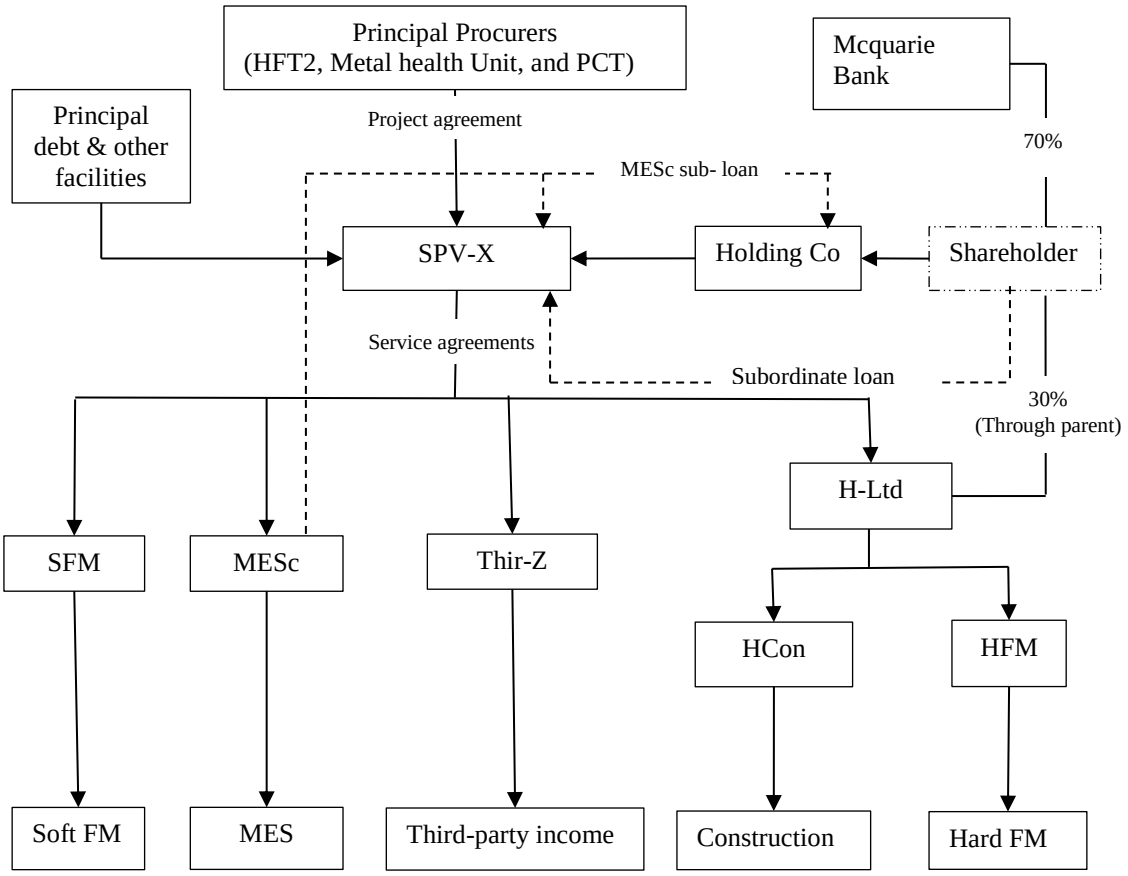


Figure 5.7: HFT2 PFI contract structure

5.3.3 *Ex-ante* Affordability and VfM

The cases for VfM and affordability underwent some revisions and reconstitutions to allow for approval to be earned and for the procurement to proceed. The affordability case should be contextualised with respect to periods before the development of the business cases, and prior to its commissioning. The first attempt at securing a PFI hospital was made by the FT's predecessor in 1995, when approval was given to the first wave of PFI projects. This scheme (with a capital cost of £55 million) was rejected on the basis that it was unaffordable. The second attempt, commenced before they were conferred a foundation status. The new status meant that the FTs board of directors had the formal responsibility for approving the scheme, rather than the DH.

As illustrated in Figure 5.8, The FT recorded a deficit of £7.7 million in its first year, which was blamed on non-recurring extenuating circumstances associated with the transition from a Trust to an FT. Despite introducing measures to improve the operational efficiency of the hospital, the board argued that the pace of cost reduction was slower than desired. The board instituted a £6 million cost-saving plan for 2006/07 and 2007/08, which they argue is reflected the improved performance of both periods, coinciding with the approval of the FBC.

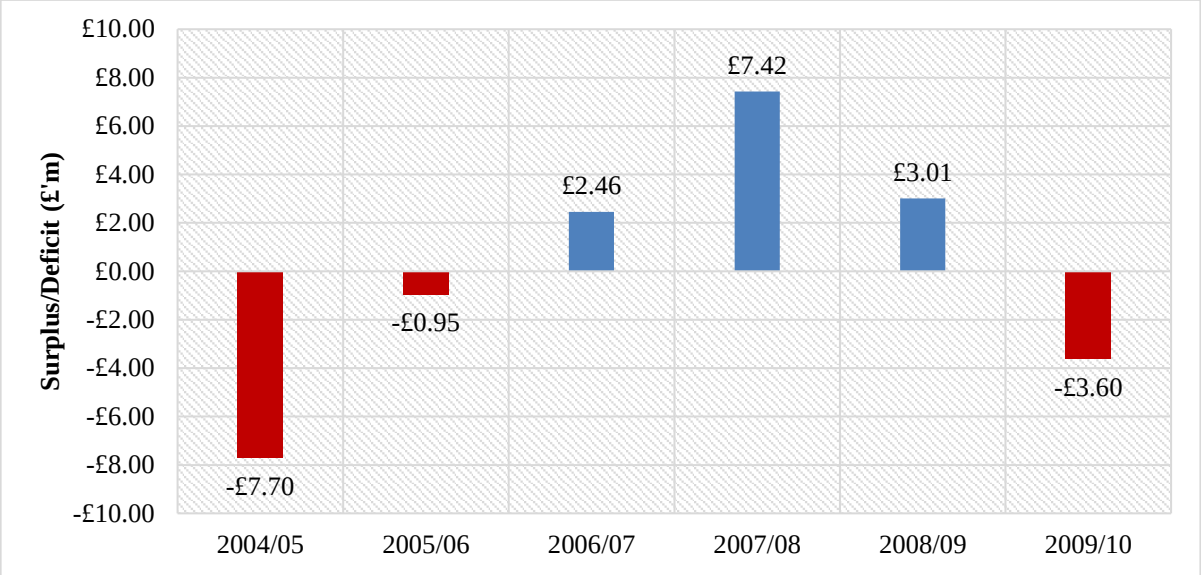


Figure 5.8: HFT2 pre-PFI financial performance

The FBC HFT2 developed up until mid-2005 was for a 760-bed hospital at a capital cost of £340 million. However, on the back of the deficit of 2004/05, the board, in November 2005, considered the project unaffordable, and chose to descope the project as outlined in the previous section. The newly scoped project was certified as 'affordable' by the board mid-2006 and presented to the DH for approval. The board satisfied themselves that the projected financial performances were consistent with the FT's terms of authorisation and within the PBC limits. As NAO (2012) argued, the board was aware how critical it was to meet the DH's affordability threshold of 15%, if approval were to be gotten for the project. The descoped project achieved a score of 14.98% of recurrent income, only because an income annuity of £5 million was expected to flow from a land

deal. The board arguably engineered to the VfM and affordability cases to the extent needed to meet the threshold.

As an FT, formal responsibility for meeting the obligations arising out of the PFI contract lay with the Trust alone. As with other PFI schemes, the DH, with HM Treasury's approval, issued a deed of safeguard which effectively underwrote the scheme against possible default. Without this deed, the PFI scheme could not proceed. The DH, therefore, had to be self-satisfied that the projections made in the FBC were realistic and that the scheme was generally affordable from the FT's own resources.

The affordability rested on primarily on the activity projections with recourse to the advent of the PbR, and the related 5-year transitional funding for capital expenditure. Two other principal phenomena contributed to the affordability case. Firstly, the vacated land on which the old hospital stood was to be redeveloped through a joint venture, estimated to earn £5 million p.a. starting from 2013/14. The second was the exclusion of some equipment replacement cost in the affordability assessment of the scheme[60]. These together made it possible for the scheme to achieve the affordability threshold of 15%.

The DH in their review identified some problems with the affordability case, but nevertheless, issued the deed of safeguard. Firstly, DH identified that the cost pressures that caused the initiation of the cost savings schemes would continue to persist beyond 2009/10, whether or not the PFI proceeded, and hence did not consider the impact of these in assessing the project's affordability (NAO 2012). Secondly, a consultant commission by the DH to review the scheme concluded that the land deal posed a significant risk to the affordability of the project, but also proceeded to recommend the approval of the scheme. Finally, the threshold of 15% was intended to include all

[60] As of that 2007, it was possible to exclude these costs during affordability assessments. However, new procedures now require the inclusion of all relates costs to a scheme, roping in costs such as these.

equipment replacement costs. However, in the case of HFT2, the DH omitted the replacement costs of equipment which were outside of the scheme, but was a consequence of it. The inclusion of that equipment would have led to a breach of the affordability threshold. These together contributed to the scheme's approval, and demonstrates the interests DH had in the scheme and the actions it took to ensure the realisation of their stakes.

A month before the project's financial close; there was a late surge in the cost of the proposed scheme. HFT2's board felt the increased cost could not be accommodated within the scheme without breaching the 15% affordability threshold. HFT2, with the blessing of the DH, thus agreed with the PFI partners to varying the payment terms of the unitary charge in lieu of an increment. PFI commitments are often paid in arrears, but the board conceded to making advance payments to maintain the affordability of the procurement. This was a break from protocol, as the DH specifically forbids payments in advance[61].

The VfM analysis that followed rested on the newly-scoped scheme emerging from the review of November 2005. However, the PSC and PFI options offered different design solutions in respect of the functional content and space allowance to the same requirements. This defeats the argument that VfM analysis is based on the consideration of different procurement routes towards the same outcomes (cf. HM Treasury 2012a). The PSC option was a four-storey mixed refurbishment – with a new infrastructure integrated with a refurbished hospital estate; whereas the PFI option was a completely new build. The anticipated VfM analysis for both options are presented in Table 5.5. A similar analysis was undertaken for the MES solution, which found for the PFI option only after the consideration of risk transfer.

[61] Note 124 of Clause 35.2 in the Department of Health Standard Form Project Agreement, Version 3, specifically states that "Payment is expected to be monthly in arrears. Payments in advance are not acceptable"

Table 5.5: HFT2 VfM analysis for infrastructure

	35 years				63 years			
	NPC (£000)		EAC (£000)		NPC (£000)		EAC (£000)	
	PSC	PFI	PSC	PFI	PSC	PFI	PSC	PFI
Basic cost	3,181,637	3,197,852	151,336	152,107	4,060,028	4,076,663	151,548	152,169
Risk adjustment	83,938	15,295	3,993	728	101,817	16,703	3,800	623
Total cost	3,265,574	3,213,148	155,329	152,835	4,161,845	4,093,366	155,348	152,792
VfM gain (PSC-PFI)	**52,426**		**2,494**		**68,479**		**2,556**	

The forecasted financial performance set to following financial close is presented in Figure 5.9. These performances were highly sensitive, both to projected levels of activities and costs, and the PFI as well.

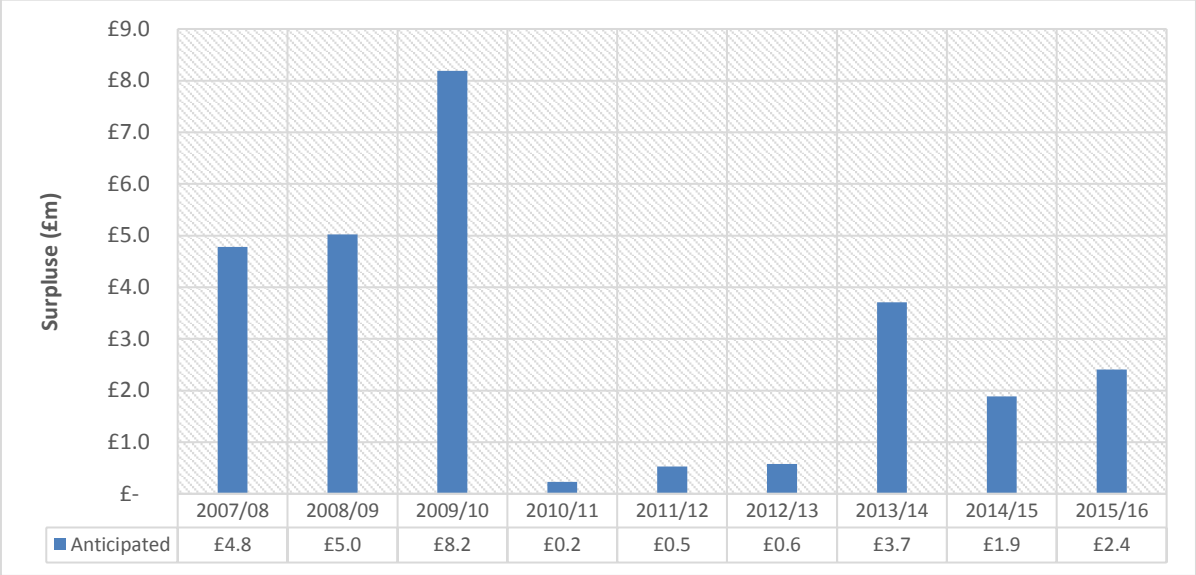


Figure 5.9: HFT2 anticipated financial performance

To conclude on the procurement's need, affordability and VfM anticipations, the following should be noted. The affordability and VfM cases for this project were deeply flawed. However, it is evident that the project would nonetheless have been approved irrespective of the circumstances. The hospital's constituency's Member of Parliament (MP) admitted to the political pressure they mustered for the project since 1995, but caveated that the DH or Monitor should have been more circumspect in curbing the scale of the scheme. He presented that:

> I accept that there was a kind of collective madness that came over the health care community in the [constituency] around 1995 about having a hospital ***at any cost***, and I accept that I was part of that, because I did not question it as much as I should have. Someone could have stopped this, and I suggest that between you [DH] and Monitor, it should have been you, because both of you accepted that at some stage you made a value judgment that the figures did not stack up and that there were issues around disputes with commissioners…. (Emphasis added)

The permanent secretary at the DH argued that though the VfM and affordability cases were not robust; public policy and Trust need still warranted the project to be signed. He said:

> If I may, I will return momentarily to 2007. It is all too easy to take the "retrospectoscope" of 2012 and run it over that paperwork and that decision, but I have to remember to go back and put myself in the perspective of 2007, where the policy objective overall was to renew and strengthen the hospital building estate across the NHS in England.

He went on to add that the government had a policy of austerity in 2007 and that:

> [w]hen I learnt about the state of the shocking facilities that were there before I can absolutely understand why there was such a strong imperative to have a new hospital.

His submission thus intimates that the technical process of VfM demonstration was subsumed under broader socio-political benefits of the project.

These macro-level posturing and actions, combined with the micro-level conditions and actions are what secured the procurement. The procurement was initiated at a time the PFI was considered the "only game in town" (see Treasury Committee 2011: 33). An interviewee, commenting on why they took the PFI route presented that:

> I don't have an alternative. It's the only alternative to doing nothing on some occasions. The government took a decision probably over a decade ago now not to put capital into new hospitals, and to schools and to other public organisations (HDC).

She added that "doing nothing is never an option for a building that is functionally used". The strategies the Trust board employed in developing and enthusiastically supporting an unaffordable scheme because it provided future expansion capacity thus have a practical logic only within this procurement.

5.4 HFT3: An Expensive expansion

HFT3 is a second wave NHS FT, receiving its foundation status in July 2004, and succeeding its predecessor which itself was established in 1993. HFT3 is one of the largest acute Trusts in the UK; has a capacity of over a thousand beds, and employs over 8,000 staff. HFT3 is a university teaching hospital with a government-designated comprehensive research centre. It is also a national centre for specialist treatment. It delivers its services through 2 principal hospitals, located within the same city. HFT3 procured a PFI scheme in 2004 for the provision of a 128-bed capacity elective care, genetics and diabetes centre (ECC) (comprising an elective care centre, and a medical genetics centre, and a diabetes research centre). Whereas a single FBC was developed for the procurement of all centres, the funding for the elective care and medical genetics centres were from NHS (through the Trust). That of the diabetes research centre is funded by the Medical Research Council (MRC) and a partnering university through a bullet payment, payable to the SPV at the end of the construction period. The costs of the research facilities do not affect the Trust's cost structure and do not affect NHS directly. However, the procured scheme is treated within the FT as a unity for managerial purposes, and hence same is adopted within the thesis.

5.4.1 Project history and procurement need

The elective care and medical genetics centres were procured primarily to extend the capacity of the hospital, and to ease pressures on other hospital departments. Their co-location with the research centre was to foster the on-site cooperation and integration between the FT's services and research of the university and the MRC. The scheme had a capital value of £76 million on commencement of operations with a total estimated nominal liability of £329 million (of which about £56 million had been paid to date). The scheme attracts a nominal unitary charge of circa £6.3 million p.a. (discounting the effect of the bullet payment received by the SPV from the funding university and the MRC, and subject to the effect of RPI and variations).

HFT3 procured the ECC to extend the hospital's existing capacity in meeting its local, regional and national care requirements. The FBC argued that their estates could not fully absorb the demand for elective care, and did not allow for the achievement of efficiency targets. This was exacerbated with the advent of the new targets set out in the NHS plan (NHS 2000) and other national initiatives. The FBC followed to present that future population growth in the FT's catchment area – which grew at the fastest rate in England, meant future capacity could not be borne in the existing building stock. The centre, therefore, was to provide additional capacity to support in the achievement of the FTs objectives and efficiency targets. Unlike the procurements of HT1 and HFT2, that of HFT3 was not primarily motivated by the need to develop existing estates with functionality issues and/or backlog maintenance. The procurement was rather to be integrated into the existing building stock by way of expansion, "to generate extra and improved capacity to meet the needs of the local population" (FBC 2004). The procurement timeline is illustrated in Figure 5.10

The SOC and OBC for the genetics and research centre were independently developed and approved, but consolidated with that of the elective care centre in the development of the FBC. The SOC and OBC for the elective care centre were and approved in 2000 and 2001 respectively. The OBC for the genetics centre and the diabetes research facilities on the converse were approved in 2002. Unlike HT1 and HFT2 who had descoped and descaled their procurement from the OBC to the FBC stage, HFT3 increased their proposed procured capacity from 64 beds to 128, from the OBC to the FBC stage.

The OBC for the elective care centre made the case for an investment of £38.4 million into a 64-bed capacity centre to "meet the challenges of current capacity shortfalls, demographic change and the requirements of the NHS Plan" (HFT3 FBC 2004). All the short-listed options in the OBC provided for the construction of new facilities. Since the approval of the OBC however, the FT soon realised that the assumptions used in modelling the capacity requirements in the OBC were not valid. For

example, by November 2003, inpatient activity growth had already exceeded planned growth for March 2006. Excess (and growing) demand in 2002 soon meant that the 64-bed facility would not be enough. As the FBC presented:

> Average bed occupancy has now risen to 93% and is in excess of 100% in medical and paediatric services. With emergency medical and surgical admissions accounting for 77% of the inpatient workload in 2002/3, this creates a situation of extreme pressure on beds.

This, the FBC continued, led to the high occurrence of restricted admission days.

New activity modelling based on expected changes in demography and the effect of national efficiency targets caused for the procured capacity to be increased from 64 beds to 128. The FBC stated that despite the increase in capacity, there was a principal risk that the centre could not provide sufficient additional capacity to meet future demand.

The OBC for the medical genetics centre, approved in January 2002, made the case for investing £9 million in additional clinical facilities. It identified the construction of a new build to be the preferred option to accommodate the new centre. Post-approval of the OBC for the genetics centre, the FT agreed with a funding research university and the MRC to include research facilities within the centre. The cases for these separate projects were consolidated into one for the development of the FBC.

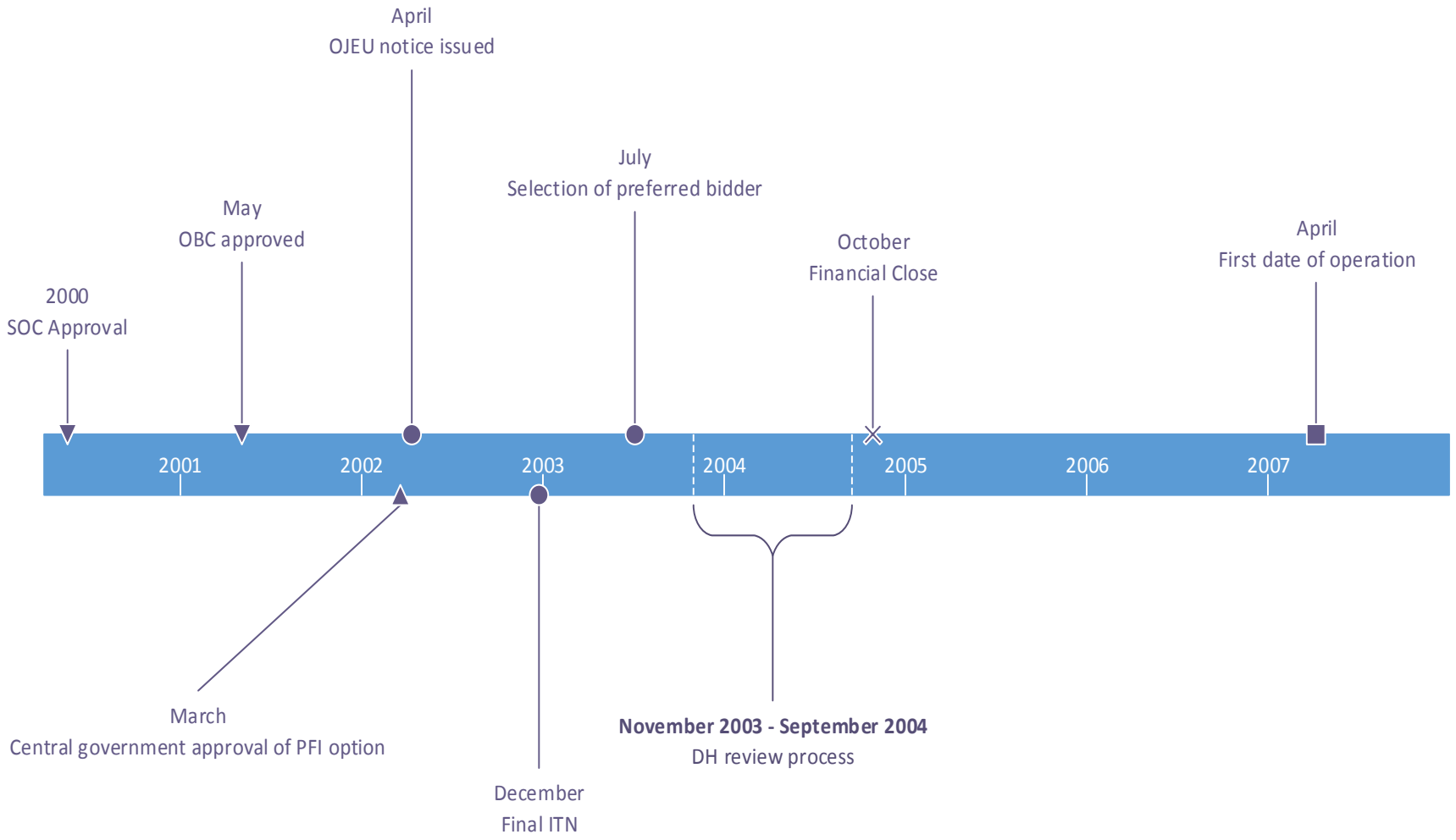


Figure 5.10: HFT3 procurement timeline

Following the consolidation, an OJEU notice was issued in April 2002. 7 responses were received from the PQQ in June 2002, following the issuance of the MOI. 4 of those emerging from the PQQ proceeded to preliminary ITN, with 2 emerging from the final ITN. The preferred bidder, Potassium Plc, was selected to deliver the PFI solution, on the basis that it was "clinically and technically more acceptable and provided 3900m^2 more space" with its cost being affordable in that the cost was within that agreed with the care commissioners (FBC 2004, Appendix 22: 2). The scheme reached financial close in 2004 for a 32-year contract term (2 and 30 years for construction and operation respectively) to enable the commencement of construction and the delivery of services.

As one of the largest NHS Trusts in the country coupled with the financial freedoms theoretically conferred on the FT, HFT3 theoretically had the option of using alternative sources of funding to finance the procurement of the ECC. However, as explained by an interviewee, CE1, structural limitations on financing capital projects, coupled with tidal changes in attitudes towards capital finance, meant that the PFI was the viable choice. He presented that:

> … a couple of reasons: one is because the capital allocation through the government is restricted; so there is only a certain amount. I think that in the history of PFIs, if I go right to the first one which was Norfolk and Norwich, if I remember, this was seen as a way of exploring new ways of bringing capital finance into the NHS. And so, I think that if you move on to today, there's been a period when there is a bit of money coming in, and people have been doing capital development through government funding, through the government loan schemes, now it's really tight. So, they've to prioritise where they allocate their capital money from. If you want to do something outside of that, you've got to look at alternative financing methods. PFI was one of those methods.

He further explained that "some naivety [on] government policy and the lack of entrepreneurial spirit" within the NHS accounts for why FTs that can afford to explore financing arrangements with the financial freedoms granted them accounts for the non-proliferation of alternative financing mechanisms.

5.4.2 PFI solution and provider

All viable options identified in the SOC, OBC and the FBC were for the construction of a new build to expand the capacity of the hospital to accommodate the elective care and ancillary services. The PFI solution was, therefore, a DBFOM contract to provide a hub accommodating their then needs, but with the flexibility of being expanded when the need arose. The building solution comprised two inter-linked blocks (one NHS and one research, separated by an atrium) integrated into the existing estate, with the NHS and research sections clearly identified. The solution was to host 128 beds in 4 wards and 6 theatres among other clinical centres; provide administrative spaces, and spaces to house the research facilities. The research facilities were leased (at a capital cost of) to the funding university and the MRC for £12.5 million and £5 million respectively.

The PFI solution also included the provision of all equipment forming the fabric of the NHS building, and the provision of the required cabling and infrastructure (forming part of the building's fabric) for the deployment and integration of ICT services. The PFI solution further catered for FM services specifically related and restricted to the procured infrastructure. The services included both hard and soft FM services, with the soft FM services limited to helpdesk, utilities management and pest control. At the end of the contract term, the facilities and equipment are to be handed back to HFT3 in 'condition B'[62].

The preferred bidder to deliver this PFI solution, selected based on clinical functionality and engineering, was Potassium Plc (the SPV). Under the contract terms, the FT is the principal

[62] NHS Estates (2001: 5) defines the following states of NHS buildings.

Condition	Description of physical condition
A	As new and can be expected to perform adequately over its expected shelf life
B	Sound, operationally safe and exhibits only minor deteriorations
C	Operational, but major repair or replacement will be needed soon, that is, within three years for the building elements and one year for the engineering elements
D	Runs a serious risk of imminent breakdown

contractual partner with the SPV. The FT has separate contracts in the form of lease agreements with the MRC and the funding university to reflect their elements of the PFI development. The relationship between the principal parties is reflected in Figure 5.11.

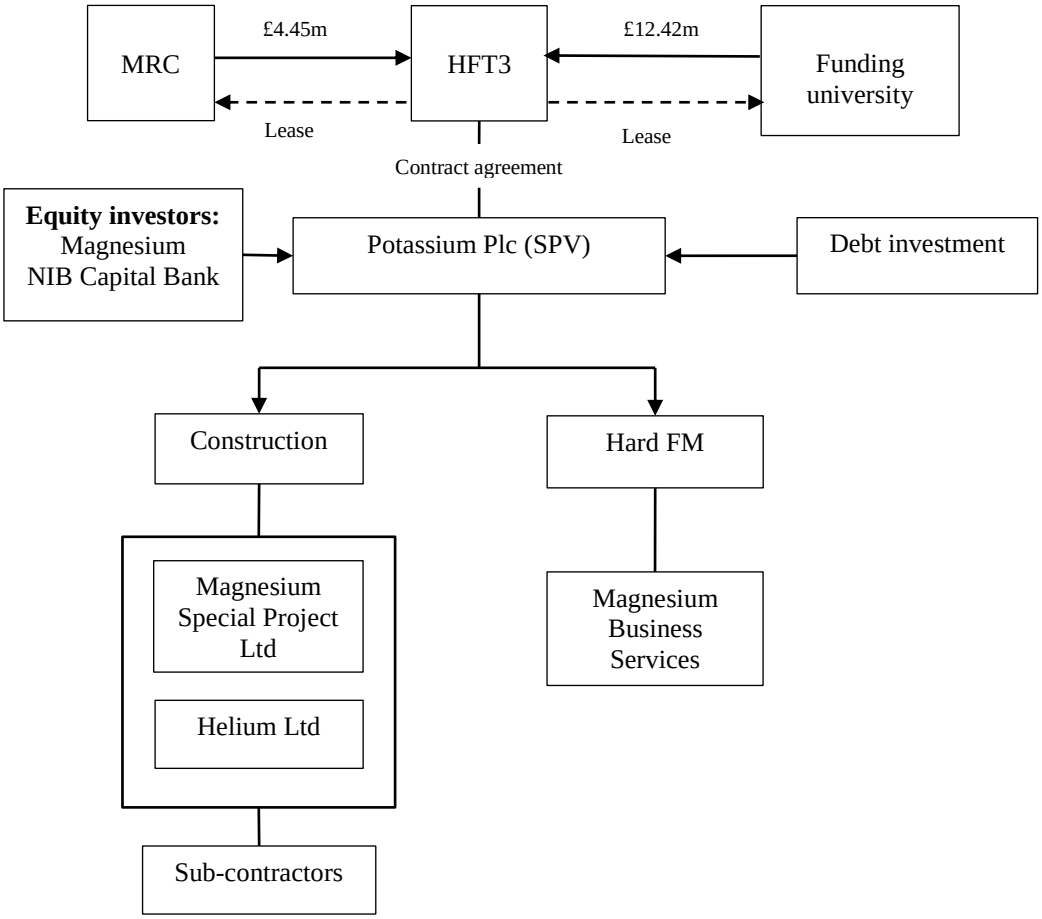


Figure 5.11: HFT3 PFI contract structure

Potassium Plc was established and sponsored by a consortium between the construction company, magnesium Ltd, and NIB Capital Bank. The SPV is funded with equity to debt ratio of 9:91, as illustrated in Table 5.6. The debt element in the capital structure (91%) is a senior debt held by NIB Capital Bank Ltd. The equity element is made up of ordinary share capital and subordinated debt, provided in equal proportions by the investment arms of NIB Bank and Magnesium Ltd (the contractor). Overall, the FBC assumed a weighted average cost of capital of 4.96%.

Table 5.6: Capital structure of Potassium Plc

Source of Funds	£'000	Capital Structure
Ordinary share capital	5	0.01%
Subordinated debt	7,681	8.99%
Senior debt	77,718	91.00%

Potassium, as the SPV, contracted-out the projects construction to a joint venture between Helium Ltd and Magnesium Ltd (construction arm). The services arm of Magnesium Ltd on the converse is responsible for the provision of the Hard FM services, pest control and helpdesk services, as shown in Figure 5.11.

5.4.3 *Ex-ante* Affordability and VfM

The *ex-ante* affordability was defined based on economy: by comparing the unitary payments under the PFI to those of equivalent costs from a PSC option towards the same ends. The impact of the unitary charge on the Trusts performance was estimated to be nil, since the expected flow of income accruing to the completion of the centre equated the increased costs posed by the PFI deal. The increased income was to stem from the services to be commissioned by the various health authorities[63], who had approved on the scheme.

The FT, in assessing the impact of the PbR on the commissioning of services, concluded that the effect was not significantly different from that of the assumptions used in the scheme's affordability assessment, which was prior to the advent of the PbR. Further, the lease rentals for the lessees: the funding university and the MRC, were already paid up-front, with unitary payments made to cover for FM services. The principal risk to the affordability of the project, bar those affecting the determination of the unitary payment, was the level of demand for services and the related effect of the PbR. As discussed in the next chapter, however, demand for HFT3's elective care has since exceeded anticipations in the FBC.

[63] Elective care used to be commissioned by Primary Care Trusts. Since the advent of the reforms of 2012 as outlined in chapter 3, CCGs have since replaced the PCTs in the commissioning of elective care.

The VfM analysis, as with other PFI projects, HFT3 relied on anticipated risk transfer to warrant the demonstration of VfM for the PFI option, as outlined in Table 5.7. Table 5.7 shows that both in the case of the contract term and useful life of the asset of 32 and 63 years respectively, the PFI option only demonstrates VfM with the inclusion of the risk adjustment.

Table 5.7: HFT3 VfM analysis

	34years				**62years (PFI)/ 64years(PSC)**			
	NPC (£000)		**EAC (£000)**		**NPC (£000)**		**EAC (£000)**	
	PSC	**PFI**	**PSC**	**PFI**	**PSC**	**PFI**	**PSC**	**PFI**
Basic cost	71,851	75,353	155,809	157,379	81,346	78,135	4,530	4,720
Risk adjustment	9,365	2,164	4,494	2,756	9,364	2,165	780	200
Total cost	81,216	77,517	160,303	160,135	90,710	80,300	5,310	4,920
VfM gain (PSC-PFI)	3,699		168		10,410		390	

Figure 5.12, which presents the details of the assumed risks transferred under the relationship, shows that principal risks of the project related to its construction, availability and performance. Based on the risk allocation, HFT3 and its financial advisors agreed the project should be carried off-balance sheet. With the adoption of IFRS, it has since been recognised on the balance sheet.

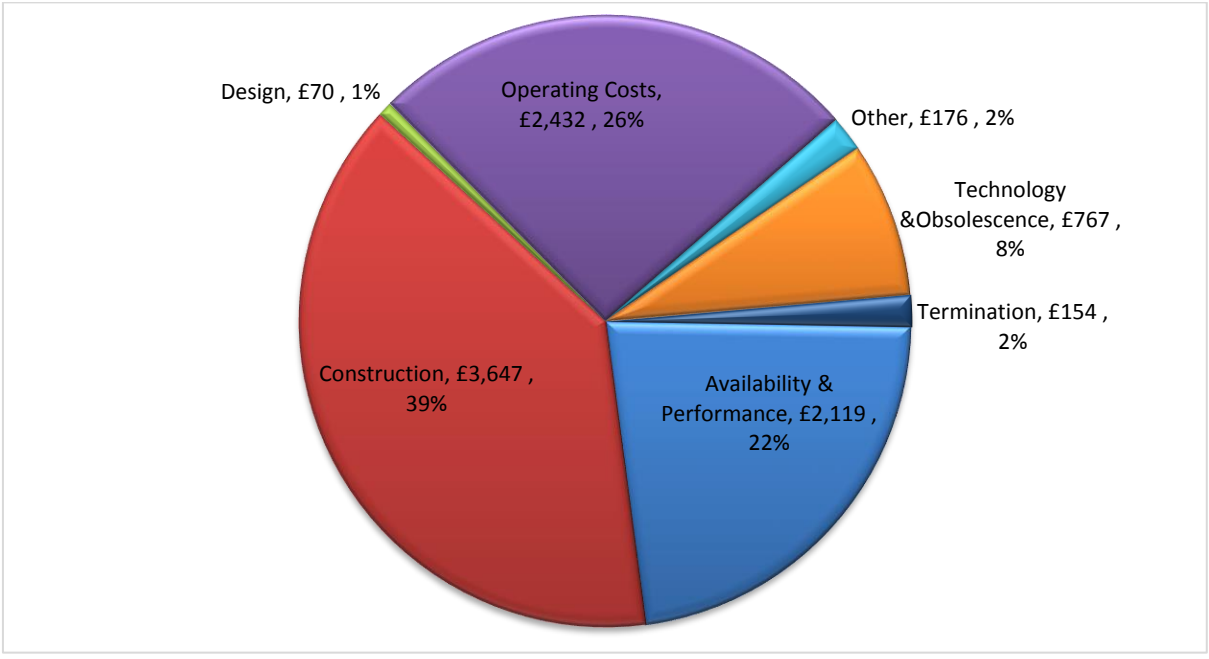


Figure 5.12: HFT3 Risk Analysis

5.5 Theoretical Coda

The foregoing discussion presents the practical logics of the respective PFI procurements. The construction of the positions of the Trusts as an institutional agents (together with those of the social agents representative of Trusts) formed the foundations of the dispositions embedded at the operational phase of the project, and informed the strategies deployed at procurement (see Bourdieu 2005). Each procurement had as an objective, the expansion of the functional estate of the Trust, an economic capital in itself. However, the strategies employed were reminiscent of the relative value of capital each Trust possessed, and their relationship to the field of power and the higher state nobility.

For HT1, a Trust with limited financial freedoms (financial capital) with the bureaucratic field, the procurement strategy was to use the VfM and affordability assessments criteria as mechanisms to extract a procurement solution that appeared commensurate with the level of financial capital they possessed. On the converse, HFT2, with the support of the higher state nobility –the DH, altered the procurement procedures on the basis of the symbolic needs of healthcare delivery they were presented with. Thus, while an FT with better financial freedoms relative to HT1 for example, HFT2 arguably drew on additional competence of galvanising social support for a project that presented possibilities higher than their expectations. Nonetheless, the same VfM and affordability criteria that necessitated the reduction in scale and scope of HT1's procurement presented opportunities to HFT2 to justify its procurement by changing the nature and focus of their procurement. However, this was only made possible via the blessing of the higher state nobility, the DH. The field of HFT2's procurement may not have existed but for the intervention of the DH as the powerful other in the field of power. Finally, HFT3, justified their procurement on the basis that they had limited financial capital to pursue a conventional procurement.

The relationships depicted in Figures 5.2, 5.7 and 5.11, depicting the relationships within the respective fields of procurement, are founded on the premise that the PFI consortiums had the commercial and technological and cultural capitals to deliver on the procurement needs in return for the PFI commitments. The rates of exchange between the economic capitals exchanged for these other capitals the providers possessed, was determined by the DH within the bureaucratic field (see alsoBourdieu 1996b).

Finally, the pre-procurement conditions, and the manner of procurements, perform a strategic function: the structuring of the habitus. By forming the foundations through which VfM pronouncements can be inclined, these conditions formed part of the structuring of the habitus.

5.6 Concluding Remarks

This chapter set out to outline the conditions of possibilities necessitating the PFI procurements within the respective cases. It has discussed the structural dispositions present within respective Trusts and the influences those had on their PFI procurements.

Nomothetically, dispositions constructed within respective procurements and enabling the PFI procurements went beyond the *nomos* of NPM. Structural configurations informed by NPM and discussed in chapter 3 did influence the construction of the respective fields. Beyond these explanations, the need to improve and develop modules of care and care quality, national efficiency targets, and other symbolic demands emanating from the bureaucratic field gained more prominence in the structuring of the procurers' dispositions. However, individual circumstances of Trusts, in addition to macro-level structuring, informed the strategies employed in procuring through the PFI.

HT1 and HFT2 had procurement need resulting from dysfunctional estates, causing operational and financial inefficiencies. The need for the estate development was clearly demonstrated, but

structural limitations meant that neither had another option except for the PFI. HFT2 as an FT theoretically could secure external funding, but for a Trust whose going concern status was challenged by the very estate they were attempting to remedy, they had little collateral to explore other financing mechanisms. The unique contextualisation of HT1 and HFT2 meant that whereas both operated under broadly similar frameworks in acquiring PFI schemes, enforcement of structural demands caused HT1 to alter the scope and scale of their projects, whereas a laxity in the case of HFT3 made for different procuring strategies. HFT3, whose procurement demands were mainly to expand capacity, still procured through the PFI, despite their status which could have enabled them to theoretically raise alternative finance.

In presenting the structural conditions for the procurements, it is apparent that VfM and affordability were not the primary loci for the procurements, but rather a product of strategies employed to secure the approval and delivery of the projects from the central government. The next chapter builds upon these structural conditionings to discuss the construction of VfM in these operational projects and how the projects are managed towards VfM delivery.

Chapter 6: Findings II: Operational Management and Value for Money Delivery

6.1 Overview

VfM is presented as a logical machine which impels and animates the economic agents within PFI relationships. As discussed in chapter 4, the underlying rationale of VfM is presented as a relative concept. Its assessment and evaluation are based on a logocentric orthodoxy that relies heavily on economic and financial appraisals. Its meaning is derived from the abstraction that there exists a knowable relationship between inputs, outputs and outcomes which could be precisely measured; in the case of the PFI, in explicitly economic terms. But as Bourdieu (1990a: 54) observes:

> The social world is the locus of struggles over words which owe their seriousness - and sometimes their violence - to the fact that words to a great extent make things, and that changing words, and, more generally representations (for instance, pictorial representation, like Manet), is already a way of changing things.

The economic representations of VfM define its reality at appraisal and evaluations. The symbolic violence that such representations wield leads to the expression of the benefits and costs in PFI procurements in purely economic terms. However, economic capital is not the only capital available within the relationship. Respective PFI fields present various concentrations of material and symbolic resources, with agents within the field also respectively endowed with varying degrees of such resources. These capitals can thus be converted from one source to the other via the habitus and within the limits of the *nomos* of the field. To define VfM within the confines of economic capital is to undermine its scope. To challenge the violence that economic representation of VfM wields, is to redefine its concept through application in the operational stage.

Thus, the starting point in the assessment of VfM in the operational stage is at its conceptualisation in the operational projects and how that could and should be evaluated for. Section 6.2 presents the empirical findings on the conceptual representations on VfM and the relative arguments on the worth of an *ex-post* evaluation practice. Section 6.3 discusses the state of evaluation practice within the NHS and the practical logics informing such practices. The next three sections: 6.4, 6.5, and

6.6, discusses the operational delivery and management of service procured by the respective Trusts. Section 6.7 argues on the merits and worth of the PFI with the final section, 6.8, presenting the concluding remarks for the chapter.

6.2 Concept of Value for Money and Affordability

As discussed earlier, VfM is defined as a relative concept, and evaluated for in practice via the assessment of the three 'Es' – economy, efficient, effectiveness. Interviewees with a background in public sector finance, characterised VfM as the pursuit of the three 'Es'. An NHS Trust finance director upon constituting VfM to be composite of the three 'Es' and defining economy to be the pursuit of cost reduction, operationalises the others as follows:

> [Effectiveness's] about the functionality of what you are building. There is absolutely no point building a building that is not functionally right for clinicians and doctors and people to deliver patient care in. … [Efficiency's] a key part and it is a test that any health services or public services have to prove because you are spending taxpayers' money. There can't be waste, it's not for profit. It's all part of proving you're not running services with excessive spend, or luxury or non-essential spending. [HDC]

However, these concepts are not entirely definitive at the operational stage. All interviewees acknowledged the fluidity of VfM in operational projects, with one drawing attention to the subjective nature of VfM, observing that:

> I think it's a much bandied around term, VfM, whereas in many respects people don't actively consider what it means, I think it's very difficult term to define. I don't think you as an accountant […] will be able to conjure up a magic formula whereby you can look at a particular scheme and look at its payments and actually pronounce factually: this is VfM. I think that many elements of that expression are fairly subjective, and it will be different. (DEF2).

The subjectivity in conceptualisation is evident in the understanding of the concept to an interviewee, a medical professional, whose NHS Trust has procured a PFI project on the sole basis of providing additional capacity to the hospital. He contended that:

> … you could look at a fairly low key definition of [VfM] in saying if you are able to procure [a], plant, capital build, and you could generate an income through that, that paid for that capital build in whatever sense, then you've got some VfM. And I think that was the extent of people's ambition

> previously. I think now, VfM is that you need not only to cover, in terms of it covering the cost of the build, but you need to then be bringing in additional income. (TCE)

His understanding of the concept is informed by a logocentric relationship between a PFI intervention and the resultant impacts of that intervention. The uniqueness of their project, procured for the provision of identifiable elective care capacity, makes it relatively easier to compare the economic costs and benefits of the intervention. However, a similar approach cannot be extended to other projects where the relationships are foreshadowed within intricate webs of activities which obscure direct relationships between inputs, outputs and outcomes.

The contentions of the concept in the operational stage regarding the operationalisation of *ex-ante* VfM stipulations are evident in an interviewee's anecdotal observation on the difference in conceptions between the procurers and providers. A consensus on VfM's constitution between the procurers and providers theoretically defines the locus of efforts towards similar ends, defining the translations of anticipations into actions. Drawing from the data, however, this is not very evident. In discussing the difference in the conception of VfM between the public procurers and private providers and how it informs on practices, he observed that:

> There are a reasonable number of cases in the public sector where they are unable to articulate VfM and have been washed away with the momentum of: it's a shiny new hospital, well it must be VfM, surely, we all want that. And the presumptive: infrastructure is good, new infrastructure is better. And therefore, the public sector often fails to actually think through whether it has the impacts it feels like it ought to. And then the private sector I think, say, a mix, and I wouldn't put a percentage to it where some of the private sector absolutely get it, and absolutely believe they are more efficient, able to do things in a different way and they are therefore VfM because they can look and say what would you have done, the public sector, if you did this yourself? A worse job. There are others [the private sector] who look at [the contract] and VfM doesn't come into it at all. I will suggest they have an order book, they want to fill it, they want to make profit and that is their primary objective and you can hear it in the private sector. Some will say: I have a legal responsibility to my shareholders to maximise profit and maximising profit doesn't involve some of the measures for VfM because they involve spending money. So, I don't think they agree on it. I think in the best cases they accidentally get there where the public sector has been realistic about what is going to happen and not been swayed by a political world or perception and the private sector are good at their job, work hard, not just for profit, but to be effective. (ACC3)

His observation shines a light on the perception of VfM to be composite of or even limited to the delivery of the procured infrastructure within the spheres of the public sector, limiting the scope

of VfM testing during operational delivery. The differences in attitude to the embodiment and pursuit of VfM affect the resultant delivery of services under the contract.

Another interviewee noted:

> The whole point of PFI is an attempt to align the private sectors incentive with public sector. But of course, it doesn't really matter whether it is public versus private. You know PFIs started, or at least project finance started in mining development, in oil drills and all sort of things. There you got two private sector entities and it was a recognition that partly that they wanted off-balance sheet capital, but also it was an attempt by the oil or mining companies to say: I want my contractor locked in for the period of time at which I am at risk. And why did they do that? Because, actually, the contractor wants to make money on the contract and does not care beyond the construction of the initial asset. Similarly, the mining company has a different set of incentives. So, the purpose of any kind of structured contract is an attempt to recognise that, and attempt to change those incentives. So, you know VfM is an inherently kind of purchaser-centric concept. From the point of view of the person delivering the contract, I'm not sure how meaningful it is as a concept. You know what [the private providers] are interested in is kind of making money balanced by the longer-term ability to make money, *i.e.* reputational or the market. (ACC1)

These submissions do not only question the acceptance of the pursuit of VfM by both purchaser and provider, but also extend to the merit of PFI as a partnering mechanism to symbiotically integrate private and public sector ethos. The pursuit of profit and VfM delivery may not necessarily be mutually exclusive. However, the recognition of VfM as being one of the primary objectives of the purchaser, and the construction of efforts to deliver towards that objective among others improves the cultivation of overall value available for appropriation within the field.

Nonetheless, the logocentric notion of VfM, defining the relationship between inputs and outputs, pulled traction over other subjectivities, especially among participants whose responsibilities related to safeguarding their financial stakes and/or those of the parties they represented. An interviewee in discussing the VfM assessment process, discussed that the economic case for VfM is often the first port of call in its conceptualisation, presenting that:

> Well, we always rate VfM by first setting up the objectives that the procurer is attempting to deliver. So, that will inevitably be different for different procurers. But it will it will involve an element of risk transfer. It will involve on-time and on-cost delivery and of course, there is naturally the basic kind of how much this has delivered for how much it cost. (ACC1)

Others noted the need to go beyond the focus on economic assessment but fell short of defining the appropriate content of the constitution of VfM at the micro-level.

This logocentric notion provides a platform for the alignment of the private provider's notion of VfM to the purchaser's notion. An interviewee from a PFI provider presented his understanding of VfM to be within the limits of delivering services to contract specification, discussing that:

> … the PFI VfM, for this contract, in 30 years' time, this building will be in the same condition as in the day it was opened, if not better, because of the nature of the contract and the funding that we have to deliver to. In other words, it is really good value because the Trust, they'd have a building that potentially can last 50 years plus. If we open a building on day one and it's just used and not maintained, we get 20 years out of the building, before it becomes serious decline, and then [the] capital investment just outweighs what the Trust or the end user or the owner can afford. So, if you want to sum up, for me, that is the best value that you can get. And having looked after, I look after 2 PFIs, one is in its eleventh year, and they're now seeing the benefit of that. Their building is in now a very good condition after 11 years because of the benefit of the contract (PTE2)

The requirements to maintain and return the building in "condition B", in return for financial rewards are based on the notion of input-output-outcome relationship, where rewards are measured to efforts.

However, within the micro-fields of PFI procurements, sentiments on VfM sway from the focus of the outputs to be generated from procurement, to the consideration of the financing mechanisms for infrastructure procurement. Recalling that PFI was the 'only game in town' for most procurers (Treasury Committee 2011), this conceptualisation is expected, as it founded the logical conformities in the bureaucratic field. An interviewee, CE1, calling upon his experiences within the public and private sectors in PFI service provision, chose to conceive of VfM in terms of resource disbursement from the central government – the right hand of the state. He represented VfM as a 'strange concept', whose definition depended on the source of finance for procurement. He discussed that:

> The problem with rebuilding hospitals in the UK – or in England as it should be, is that we operate an annual cash-based system from the Treasury … and therefore the availability of capital for such large buildings costing £500 million, is just not available…. Treasury financing is not an option; therefore, you have got to say: what is the cheapest best value of the next group, and I think that is

> how you do the benchmark, and that is why you run a tender, and you have bidders, and it is as good as it can get. I mean it is not the sort of thing you can just go to Barclays and just borrow it. You tend to have to go through a bidding process. What really makes it VfM for me the occupier is whether I can off-set my premium that I am paying for capital or cost of capital with revenue savings or expense savings should I say.

This discussion draws on the potential of a PFI solution contributing to the efficiency savings of Trusts, despite the increased costs that come with it.

Similarly, the other interviewees drew from the financing mechanisms to outline their conception of VfM in a PFI relationship. However, some interviewees – PTE1, DEF1 and DEF2 followed to present that the notion of VfM that relied as much upon the input - output relationship as it did on the financing mechanism. DEF1 submitted that:

> … you get what you pay for, and if I set my sights that I want to have a tin shed, then I might think it's VfM, because my expectation is a tin shed. If I want to have a beautiful Hospital like that, very good patient facilities, high-quality, easy maintenance services etcetera, good quality equipment, then I need to set my sights higher in terms of what I'm willing to pay for that. And I think that when you look at what's in the buildings such as that, it's not going to cost you a tin shed's money.

These representations draw from a logocentric relationship where the value derived from a purchase is determined by the expectations and outcomes of the procurement vis-à-vis the resources conscripted into securing the purchase.

On the drivers serving as the conduit through which VfM is delivered, interview responses were largely consistent with those of HM Treasury. Continuing the VfM discussion, DEF1 argued that:

> VfM depends on over which horizon you look at. So, when you have a retained estate, and being realistic about the NHS as not having any money ever, there's always opportunity to not invest in the buildings. And buildings as they age, 60 years whatever, (the plants within that have shorter lifespans), and there is the opportunity not to invest and refurbish and update and replace. So VfM on the one hand, I think with PFI, is that in effect, you safeguard the continual investment in the plant and infrastructure of that building… If you have a look at VfM in terms of the fact that you pay RPI on everything, whereas, on in-house services, you don't pay RPI on things, you could argue that perhaps that is not VfM. The fact that you're having to pay a profit margin; that's not VfM. But then again nothing comes free; you know, you don't get anything for nothing. And if your service provider is not making a profit he might as well not be in business. And he's going to try and look to save money where you can't see it because somehow, he still has to meet the requirements of the shareholders.

Although this submission questions the compatibility of private and public sector ethos to the provision of VfM, it also questions the basis of determination of VfM. As a product of relative comparison, (HM Treasury 2006b), VfM assumes that alternative routes can be used to achieve similar outcomes. The rudimentary differences between traditional procurement and the PFI as per her submission, indicates that same outcomes are not resultant from different procurements routes. Were there to be government grants for infrastructure procurement, the subsequent unwillingness to commit to continual investment in plants and infrastructure meant that real outcomes would not be like those of a PFI procurement with inbuilt contractual demands for operational maintenance[64].

The private partners in the relationship drew upon the certainty provided by a PFI procurement to present on its delivery of VfM. PTE1 argued that:

> If I was managing the finances here, the value for me would be that I could plan. I know, whether I like the cost or not, I know exactly how much it's going to cost, within the flexibilities of engagement, because we know PFI is an issue with indexations, but I know that that's how much I'm going to spend on the building. It'd be no surprise that I would have to suddenly spend a £100,000 on something; backlog maintenance or something that breaks down, because that risk is passed across.

PTE2 presented a different view of the certainty provided in a PFI procurement, arguing that the certainty that comes with the PFI in terms of maintenance commitment and the contractual clause of returning the facility to HT1 in Condition 'B' (in similar condition at handover as it was at commissioning) becomes the principal driver of VfM. This position, which draws from the definition of VfM being tied to the state of infrastructure, warrants a driver that explicitly links with such objective. Principally thus, the certainty of delivery theoretically inherent in the PFI, appeals to the various actors within the relationship, relative to their local conditions.

For civil activists, PFI VfM takes on a different meaning; a meaning that falls closer to the theoretical definition of affordability. Affordability can be defined narrowly as the procurer's

[64] This is a theoretical argument that assumes that contractual obligations are necessarily delivered during procurement. On a case-by-case basis however, it might be evident that this theoretical supposition may not translate to actual delivery, as contracts are rarely enforced to realise stipulations.

ability to honour the annual tariff, or broadly defined to include the impact of the unitary payments on the broader health economy (Shaoul 2005). PFI contracts are designed to be affordable at the Trust levels, but have macro-ramifications as they are underwritten by the state. As CE1 argued:

> [PFI] is got to be affordable because the secretary of state has undersigned the payments. It will be. Maybe affordable is the wrong word. It is not cost effective, but it will have to be paid for by the NHS, the secretary of state is the guarantor.

A broader consideration of the impacts on such payments on the broader healthcare economy is a more amenable assessment of affordability rather than the narrow definition.

The input-output-outcome relationship in the definition of PFI VfM takes a whole new definition among the activists. Ann Pettifor in her address to the first conference of the *People Vs PFI*, took issue with the supposed resource constraints on the government in providing infrastructure finance, arguing that the state had an endless capacity to produce money, given that money was a public asset guaranteed by public institutions. She contended that the monetary system which produced money for investment had been hijacked by a few of the elites, with the rest of society having to pay for the returns on capital provided by the system, consequently causing overall outputs to continuously diminish. She argued that:

> The thing is, this great public institution which is our monetary system, can be captured, and it has been captured by a tiny elite who now use our monetary system to parasitically draw out all the resources we have created to themselves. Now there is a big problem with this…. Global debt now amounts to 385% of global GDP…. That debt is never going to be repaid…. But there is something worse happening, this debt is rising relative to the body that it's leaching. What is happening is that globally, wages and salaries are falling and debt is rising. So, what these creditors are doing, these leachers on the body of our economy, is they are drawing the healthy blood out of the host, so that they themselves are going to suffer, because when you impoverish the body that you rely on for those fantastic revenue you earn when you invest in PFI, you basically are killing the golden goose. And we are the geese that are being starved, we're losing income, we're losing our wages, we're producing less, output is falling, our economy is shrinking, and these guys carry on leaching… and if you think that PFI is just about your local hospital or school, and it's not about this bigger picture, you are not going to bring about the transformation needed to end this injustice.

Her submission not only questions the basis of PFI but widens the level of consideration field of analysis in terms of outcomes of a PFI intervention to the wider economy. PFI apparatus relies on

the fiscal constraints on the state to articulate the macroeconomic justification of additionality. The outcomes from such interventions, as per her arguments are not limited to procurements, but rather reverberate over the entire economy. An aggregation of VfM from micro projects consequently reconfigures the field of power, by transferring the rights to collectively produced resources and the basis of their disbursement to smaller groups of people who consequently become dominant within the field of power.

The differences in conceptualisation of VfM and its outcomes relate to the differences in the habituses from which the conceptualisations are made. The research subjects who are accustomed to operate within HM Treasuries frame of reference draw from the related framework in crafting their understanding. Conversely, those not habituated within such frame of reference define VFM and its outcomes within the limits of their own experiences (cf. Bourdieu 1977, 1984)

6.2.1 Evaluating for Value for Money

6.2.1.1 Essence of Value for Money evaluation

VfM evaluation takes a central theme in government infrastructure procurements. The DH requires that all infrastructure projects with capital costs of above £1 million to be evaluated for VfM delivery (DH 2002a, NHS 2016). They discuss that evaluation entails the process of assessing the impacts of an intervention, and involves the "consideration of economy, efficiency and effectiveness of a project to determine whether original objectives have been achieved" (DH 2002a: 6). DH guidance differentiates between monitoring and evaluation, arguing that monitoring involves "the systematic collection of routine financial and management information during the implementation of a project, programme or policy" (DH 2002a:7). The results of monitoring are thus fed into the evaluation process. The theoretical distinction between monitoring and evaluation are necessary to define forms of practices at the operational stages of PFI projects.

Beyond the conceptual separation of monitoring and evaluation, some interviewees failed to see the benefits of evaluation to a procurer who might not be making PFI procurements in the foreseeable future. NAO recommended high level periodic VfM reviews (*i.e.* evaluations) on the state of VfM delivery, arguing that:

> Because of the complexities and the passage of time, projects need to be regularly reviewed and may well need to change as they are being developed, for example, if new solutions to the service need emerge or the costs of the project become unaffordable (NAO 2011: 19)

However, PwC (2011: 5) fail to see the benefits accruing from periodic reviews, arguing that what was needed was not VfM reviews, "but simply contract enforcement" and a means to ensure that contracts were being enforced. However, contract enforcement relies more on performance monitoring rather than periodic evaluation, consequently downplaying the overall benefit of summative evaluations at the project level.

An interviewee, a consultant with one of the big four accounting firms, also cast doubt on the essence of evaluation, arguing that:

> If you think about it from the economic perspective, VfM, it's critical to attempt to assess upfront, because at that point all costs are marginal. But the point at which the contract is been entered into, a large number of the cost are then sunk. So while there is a benefit in doing an *ex-post* assessment of VfM so that you can better inform decision making in the future, in reality, if a client comes to us to talk about VfM once a contract is signed, what we can look at is what they can change which either is a termination of the contract, which usually would have been anticipated upfront and therefore would be difficult to do, or it is in better enforcement of the terms of the contract so that you can attempt to leverage more value from it (ACC1).

Concurring with this opinion, a CEO of a Trust with PFI contract justified their decision to not execute an *ex-post* evaluation as follows:

> To be honest we haven't done [an *ex-post* evaluation of VfM]. Because the evaluation took place at the time of the bidding, and it will be an exercise in futility: it might make us feel a bit better or a bit worse, but it won't make any difference, and it will cost me money to do. We're not going to procure later. I could understand the lessons. I think I know a lot of them already. I could, therefore, pay somebody to write up the report. But in truth, it will be an exercise in futility, because we are not going to do another PFI on this site (CE1).

Criticisms of the value of *ex-post* evaluation are abound in operational projects, wherein, and often at the behest of insufficient funding, evaluation is deferred to continuous monitoring. Individual procurers of PFI often do not have to procure further projects through the PFI, consequently limiting the micro-level benefits that can accrue from procurement. The value of learned lessons from a PFI procurement accrues at the macro level by informing other procurements using the PFI as a route. As NAO (2009b, 2010b, 2011) noted, however, there are limited reviews, especially at the departmental level providing insights into the performance of individual schemes that can be shared amongst other projects to optimise their operational management and delivery. NAO (2011) lauded the role of PFUs within government departments in harnessing and distributing lessons from individual projects to others within their purview. However, the cases in this thesis have indicated the limited availability of avenues of coordination and competency sharing through the DH's PFU. Commenting on the need for central assessment of projects rather than micro-level assessments, together with the role of the PFU, an interviewee presented that:

> Well, there is the PFU; we have some fairly regular contact with them. Now, before my time I haven't been to any, but [Ryan] next door, he is aware that they used to have a sort of quarterly sessions where representatives from the Trust could go along and you discuss items of a mutual interest or concern, or someone else might say: oh yes, we've got a similar issue. You could then try and get some understanding or share a commonality. So, that mainly goes through the PFU. But I think the DH could probably do better in terms of saying: ok we are in year 5 now in terms of the modern PFIs. The slightly older PFIs are probably coming up to year 10 plus, some are probably coming up to 15 years old. So, I think they could perhaps do a bit more in terms of saying lessons learnt so far from the PFI project generally. I think that will be beneficial. I think there is a danger without having a facility in which you can't go and speak to other people, you feel you are dealing with the matter on your own and you are now trying to come out with an individual bespoke solution to it whereas there may already have been somebody who has had that scenario somewhere else. (HPM).

The interviewee, a project manager for HFT2, had been at post for about a year without being to any PFU session. However, others indicated that the various periodic returns submitted to the DH provided avenues for the identification of outliers upon whom corrective measures could be instituted.

6.2.1.2 Nature of evaluation

Broadbent *et al.* (2003) argued that *ex-post* evaluation of VfM necessarily provokes a comparison of *ex-ante* VfM anticipations to the real outcomes of the procurement. However, the basis of the construction of the *ex-ante* assessment has been called into question, affecting the suitability of those as a basis for *ex-post* evaluation. Of concern is the discounting technique used in assessing the economic case of VfM, with an interviewee observing:

> The debate [on VfM) usually ignores the economic cost of capital. So, you can't compare the cost of a new build built using government subsidised finance and transferring no whole-of-life costing risk to a new build built using private finance which has a different cost of capital. And of course, nobody in that debate is looking at the alternative uses to which government could put the capital that it puts to government funded deals. So, the government never cost its capital in an economically appropriate kind of way and so the benchmark against which VfM is measured is usually wrong. That is certainly one thing that needs to be taken into account. The other thing is we never have a really good counterfactual, so there has never been a sort of a proper analysis of what would the cost have been under a traditional contracting mechanism. (ACC1)

The construction of an appropriate benchmark for VfM evaluation, taking cue from HM Treasury's (2006a, 2006b, 2012b) definition of VfM as a relative concept, puts a definitive outcome in a quandary as an appropriate base cannot be objectively established to account for the nuances of different projects and their relative operational and financial mechanisms. The non-consideration of the risk profiles of individual procurements, confounds the basis of analysis to the reliance on subjectivity, making it difficult to universally define and aptly accept the composition of VfM.

Nonetheless, the practice of ascertaining the delivery of VfM centres more on performance monitoring than on formative or summative evaluations. Generally, an assessment of the payment mechanism and the efficacy of contract management surmise the general indicators in *ex-post* VfM assessments. For example, an interviewee submitted that:

> I suppose a few things in there are, are you enforcing the contract to hit the specification that the contract is priced, and how you are delivering it? Sometimes, they work. So, are they hitting that? And then, is there sufficient flexibility or review within the contract to make sure that the contract flexes to admit changing needs over time? [ACC2]

Assessing the delivery of VfM via the assessment of the extent of achieving procurement objectives informs of a practice centred more on monitoring than evaluations. The payment mechanism is an off-shoot of monitoring practice, where performance levels are graded and financially rewarded in accordance with accounting mechanisms of determination. Given the resource constraints on Trusts, an ongoing monitoring system that feeds information into the management and governance loop is arguably a more appropriate mechanism to secure VfM delivery, though added benefits could be secured via summative evaluations.

The methodology for evaluating for VfM at the project level, based on a logocentric conceptualisation of VfM, necessarily informs of a practice restricted on cause and effect basis of assessment. An interviewee arguing on VfM evaluation, presented that:

> at the post-contractual stage, ideally it should be, if you set up a case for VfM pre-contract, my hope would be that it's easy to just keep testing that. So, if you thought a certain outcome would happen, did they happen? So, did you pay what you were expected to pay? (ACC3)

Another interviewee added that whereas one could not definitively submit on the appropriate methodology for an evaluation, the practice nonetheless included a comparison of the state of the project to hypotheticals of alternative procurement, or the absence of the PFI procurement altogether. He contended that an evaluation should also include:

> the evaluation of what could [a project] have been delivered for if it wasn't a PFI. Therefore, has there been saving, has there been an improvement in quality, has it driven behaviour change and incentive change.

The problematics of using hypothetical procurements routes has already been discussed earlier. However, such basis of determination is pervasive because social agents are symbolically violated to accord it a validity which ignores other factors in determination. In some cases, PFI infrastructure procurements are there to salvage entities as going concerns. This necessarily dictates that regardless of the material and symbolic cases for the procurement, the PFI projects, even in the short-term, contribute benefits which otherwise may not be present. Whether such basis alone is enough to constitute VfM delivery is contentious in the least.

6.3 Evaluation in Practice

Within the NHS, procurers of capital projects are often required to formulate and execute post-implementation evaluation schemes (DH 2002a).This requirement has such significance that business cases that do not provide for and allocate resources to post-implementation evaluation schemes would fail to get approval from the central government. Trusts are therefore expected to execute the frameworks in their FBCs to evaluate the outcomes of the procurement. This is in addition to the monitoring regimes instituted to monitor the performance of the projects with respect to determining the service payments.

Such evaluation frameworks, adapted from the provisions in the capital investment manual (NHS Executive 1995) and other regulatory and procedural requirements, often have the objectives of assessing:

- the extent to which the project has achieved its objectives;
- how outturn costs, benefits and risks achieved by the project compare to the estimates contained in this FBC;
- the impact of the project on patients and other intended beneficiaries; and
- identification of lessons learned from developing and implementing the project.

The FBCs for the projects considered in this thesis had argued that during the operational stages, the performance monitoring system working in sync with the payment mechanism would incentivise performance. Yet, they also provided for treble *ex-post* evaluations, punctuated at strategic points within the procurement timeline:

- at commissioning, mainly to assess the construction and commissioning activities;
- within the first year of operations, mainly to assess the commissioning and transitioning; and

- after the first year, mainly to assess the operational delivery and management of the project.

However, none of the procurements considered in this thesis had instituted their post-implementation evaluation regimes, electing rather, to focus on performance monitoring and management. The justification for such practice did not lie with inadequacies in competency (nor of cultural capital at the broadest), but rather with resource constraints, mainly of economic resources or economic capital in Bourdieusian terms. Thus, whiles agents were habituated within the bureaucratic field of healthcare provision and armed with the instruments of knowledge to evaluate operational projects, the nature and type of evaluation was rather determined by the relative endowment of economic capital to implement evaluation regimes.

The FBCs also outlined the composition of the evaluation team, and estimated the costs of the evaluation which were included in the costing of the PFI. Interviewees with respective Trusts argued that given the budgetary restrictions on their expenditure, resources would be better spent in managing the commercial relationship to secure the procured benefits, rather than on post-implementation evaluations. Of all three procurements, only HFT2's has been subjected to several reviews, although these reviews centred on the financial impacts the procurement had on the Trust's operations. These reviews resulted from specific circumstances surrounding the procurement and commissioning of the project, but were not attempts to operationalise the *ex-post* evaluation intentions contained in their FBC. Nonetheless, the Public Accounts Committee (2013) concluded that such reviews came at a great expense to little effect; lending credence to arguments against *ex-post* evaluation in the face of financial constraints.

As argued earlier, the benefits of learning lesson often accrue substantially at the macro-level rather than within the micro-field of a PFI procurement. In demonstrating the constrained benefits in 'learning lessons' through *ex-post* evaluation, CE1 explained that the object of learning lessons was for others seeking to make PFI procurements, and given the resource constraints, such

exercises should be centrally funded. He argued on the funding of *ex-post* evaluations and on the benefits of evaluation that:

> that's for the NHS to pay for. But I have a simple little hospital here, one of 150 in the country. I don't have the money to do pieces of central work … I don't think they can learn any more lessons from here. They've already got them.

The significance of the policy requirement of *ex-post* evaluation of VfM within individual projects, which is apparently not enforced, is thus called into question.

6.4 HT1: Operational Delivery and Management

6.4.1 Economy, costs and affordability

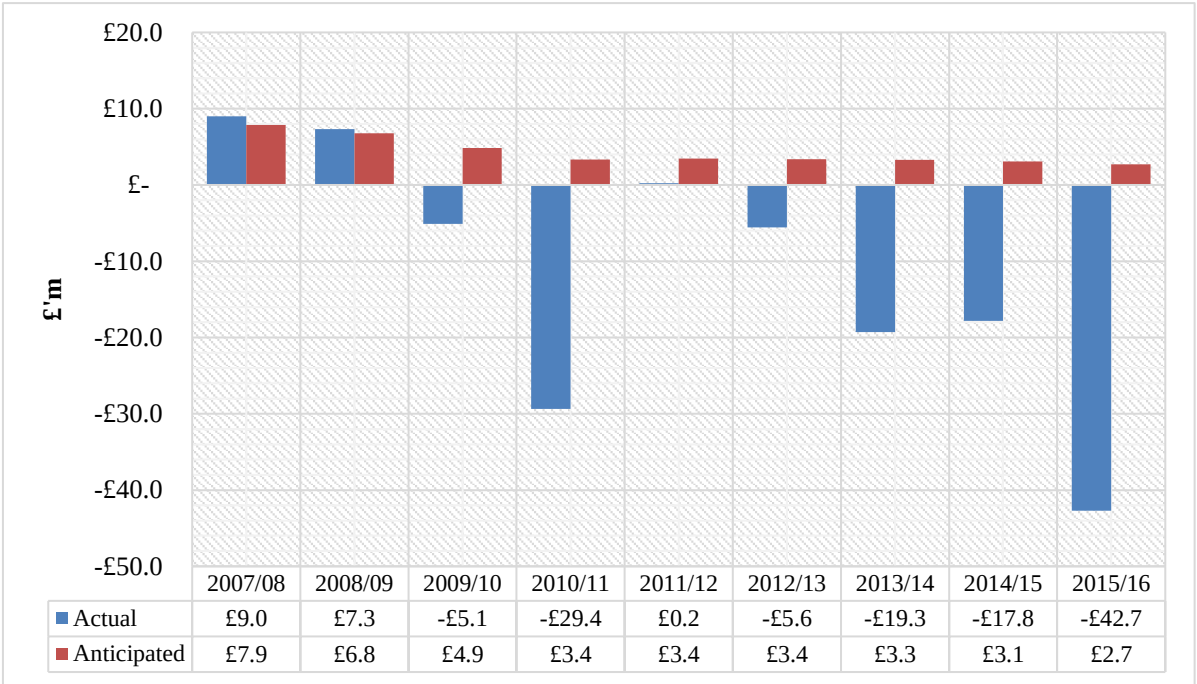
Several occurrences defined the impact the PFI had on HT1's the financial performance. The assessment of the costs and affordability is necessary not only to examine whether the rate of exchange (in terms of the unitary payments for PFI services) was acceptable, but also in determining the Trust's ability in accreting economic capital post procurement.

Firstly, the PFI had a normalised unitary payment of circa £25.6 million: 13.8% of 2006/07's turnover. The project's affordability was also premised on the proceeds from the disposal of surplus estates. However, the disposals not go as planned. The Terbium hospital, intended to be vacated by December 2009, was not vacated until November 2010, and attracted additional costs of circa £1.1 million (£400,000 more than the FBC's estimate). Furthermore, the site, originally expected to realise £18.2 million, only fetched circa £15 million.

In terms of financial reporting, the PFI asset originally intended to be off-balance sheet, was recognised on-balance sheet at commission, owing to the adoption of IFRSs. On commissioning, the PFI asset had a book value of £160 million (63% of income), higher than the £148 million (at 2007 prices) envisaged in the FBC. By the March 2011, the building was impaired by £30 million.

This impairment contributed to the £29 million deficit of 2010/11 as shown in Figure 6.1. Since 2009/10, actual financial performance significantly lagged those of FBC projections.

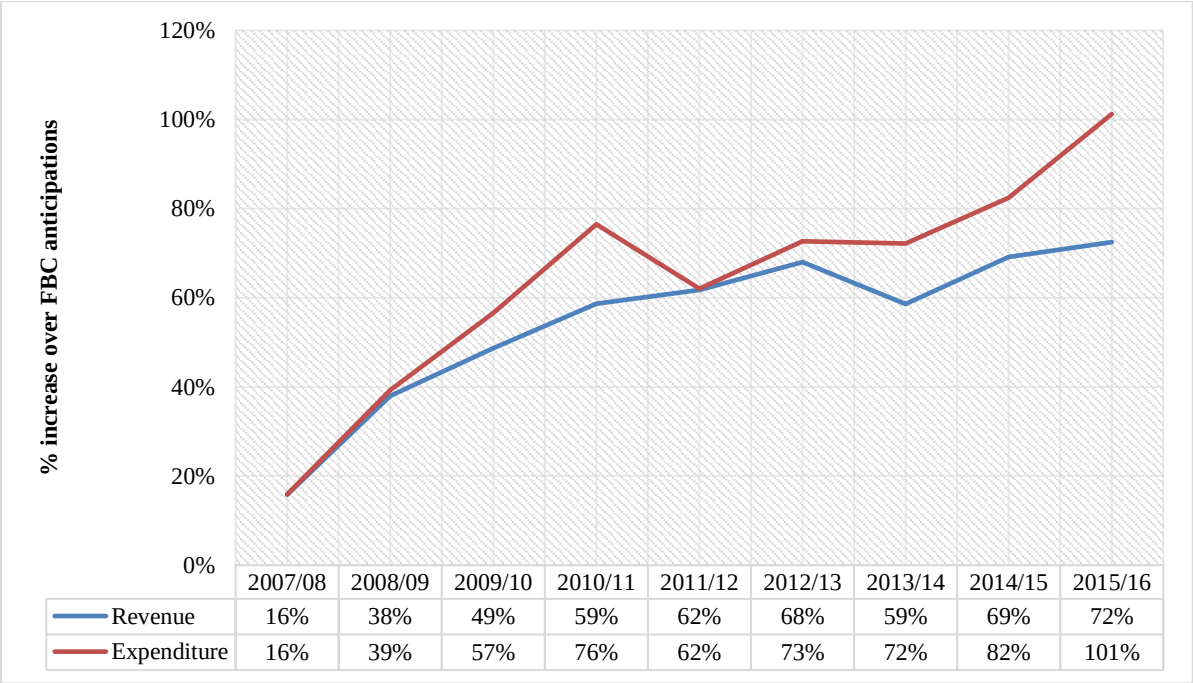
Both revenue and expenditure have risen over the estimations in the FBC, as shown in Figure 6.2 and Figure 6.3, with expenditure rising quickly relative to revenue. The growth is principally fuelled by unanticipated increases in activities. HT1 argued in their annual reports that since 2009, the unplanned growth in demand had pushed costs higher than the resulting income. Some reasons ascribed for the differences included: decreases in real tariff prices under the PbR, and unfunded efficiency and performance targets placed on Trusts[65]. Consequently, except for 2013/14, none of the efficiency targets set by HT1 was met.



	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Actual	£9.0	£7.3	-£5.1	-£29.4	£0.2	-£5.6	-£19.3	-£17.8	-£42.7
Anticipated	£7.9	£6.8	£4.9	£3.4	£3.4	£3.4	£3.3	£3.1	£2.7

Figure 6.1: HT1 anticipated and actual financial performance

[65] These include issues such as patient waiting times, staffing levels and length of time for treatment.



	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue	16%	38%	49%	59%	62%	68%	59%	69%	72%
Expenditure	16%	39%	57%	76%	62%	73%	72%	82%	101%

Figure 6.2: HT1 percentage increase in revenue and expenditure over anticipations

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Income	£203	£228	£238	£256	£263	£275	£262	£281	£289
Expenditure	£194	£221	£243	£285	£263	£281	£281	£299	£331

Figure 6.3: HT1 actual income and expenditure

On commissioning, UNISON (a trade union group) argued that the PFI threatened the long-term financial sustainability of the Trust, and consequently puts clinical care at risk[66] that:

> If it used to cost £10 million to run the whole hospital, and half is demolished and half (that £5 million) is being used to pay the PFI premium. PFI premium is slightly more than £5 million, and

[66] It must be noted however that their report (Lister 2012) failed to take fully into its analysis the effect of life cycle costs and maintenance of the facilities and the FM services in the contract.

> normally what you'd expect is to, certainly for us, the design would allow us to, therefore, to take other revenue costs, not just the building costs, down by more than the increase [in PFI costs]. That's just not being possible here.

He argued that the continuous affordability of the project was guaranteed as the state underwrote the PFI scheme.

The complexity in assessing the economy of a PFI solution is compounded by the amalgamation of service and capital elements into the unitary payment. A conventionally funded scheme would still need to have an in-house FM team and incur lifecycle maintenance costs. DEF1 thus argued that the differentiation between PDC and PFI financed schemes stemmed from the RPI effect and the costs of capital. She argued that the need to maintain on-going lifecycle maintenance will automatically have the effect of RPI inbuilt into it.

Overall, the direct impact of the PFI on HT1's financial performance cannot be directly discerned. This is because similar effects would have been experienced under a conventionally procured scheme. The material difference between PDC and PFI financed schemes could only stem from the finance costs, with a conventionally financed scheme being relatively cheaper.

6.4.2 VfM of infrastructure

VfM delivery of the build is assessed within the confines of its quality, functionality and impact, in accordance the '*Achieving Excellence Design Evaluation'* (AEDET) (NHS 2008)[67]. In Bourdieusian terms, the integrity of a PFI building represents two fundamental types of capital: economic and cultural, which can both be converted into other forms of capital. The build's integrity directly correlates to its value to the PFI's SPV, which in turn dictates the acceptable level of unitary payments to charge. For an NHS Trust, this same factor equally dictates the related services they could deliver using the facility, and by extension the amount of revenue to be

[67]Appendix H details the various composition of each theme or matrix of the AEDET toolkit.

generated. The aesthetics of the building, and the forms of appreciation, i.e., cultural capital, similarly influences determination of unitary payments and revenue mobilisation.

The AEDET toolkit (Figure 6.4) is a benchmarking tool used in the scoring of design solutions of NHS capital projects. Its presents a useful organisational tool in organising the findings of this thesis with respect to the VfM of the infrastructure. Furthermore, as a scoring mechanism enabling procurements, it can also serve as a benchmark against which operational delivery is evaluated. AEDET's themes are used in presenting the findings of the case studies.

Figure 6.4: AEDET toolkit
Source: NHS (2008: 2)

For HT1, the principal objective of their procurement of centralising the hospital's acute service delivery at the Radium site, was achieved through the PFI. HT1 also believed the procurement had helped in the improvement and development of its services. However, CE1 while agreeing with the achievement of objectives; had reservations on the soundness of the objectives, arguing:

> … I think the procurement objectives were irrational, because they didn't aim to actually have an efficient model hospital.

The build's VfM is assessed in terms of its quality, function and impact below.

6.4.2.1 Build quality

The first aspect of the AEDET toolkit assesses the build's quality in terms of its performance, construction and engineering. It engages with the physical components of the building, and is concerned with whether the building was soundly built; is sustainable; and whether it is reliable and easy to operate (*ibid.).*

The build's design, as with other PFI projects, was developed by the SPV with clinical and stakeholder inputs from various constituents of HT1. The design proposal was subsequently reviewed and approved by the DH Estates and Facilities, with their recommendations remodelled into the design offered in the PFI.

One of the conduits through which VfM is delivered, it has been argued, is via the innovative design solutions which are efficiently engineered and constructed to ensure the increased performance of the procurer by providing avenues for efficiency improvement (HM Treasury 2006a). However, while HT1's scheme may be contributing to its clinical performance, there have been issues with the design and construction of the project, ranging from a half-build design solution to those of the design layouts.

DEF1 in describing the descaling from a whole-build solution to a partial-build solution, described the layout as follows:

> if you take maternity out, 50% of our acute beds sit in retained estates. The majority of our operating theatres sit in retained estates. And we've got radiology delivered in 6 different places, not all in the PFI. We've got microbiology in [the old estate], and we've got pathology in [the PFI build]. So, we've ended up with is still very much a mixed estate, with less of efficiencies that had been originally intended, but absolutely brilliant facilities for patients to receive care in.

CE1 also took issue with the half-build solution and the building's layout. He reiterated the loss of efficiencies following the retrenchment of the build solution, and argued that the PFI build was ill-integrated with the existing facility. CE1, while discussing the issues with integrating the old and new builds, intimated that:

> The new hospital clearly carries what I call a credit charge to it: a sum that is going to make it worthwhile for the investors. But it's over a much smaller scheme. To me, the square footage cost is probably higher than it should be. But because we have also got the old hospital, we have got the inefficiencies to deal with. I have got five pathology departments, four radiology departments, so I don't have the efficiencies that normally you get. And if I compare this one to the one at Norfolk and Norwich which we did - Norfolk and Norwich was a brand-new hospital, and whiles we had a PFI charge of however many million pounds a year, the hospital is extremely efficient, because of the way it was designed…. I think people who signed off the reduced scale building really didn't understand how to run a hospital. Having five pathology departments, and four radiology departments is just bizarre and criminal. It shouldn't happen.

He proceeded to argue that the focus on VfM and affordability, which caused the descaling of the original plans, contributed to the ill-design of the hospital whose layout was not as efficient as it could be; because it did not allow for the co-locality of services to allow for synergy.

DEF1, however, cautioned against judging the quality of a design in hindsight. Having argued that clinical needs and functionality of space mutate over time, DEF1 contended that the design solution was probably spatio-temporally acceptable, hence its approval at financial close. In hindsight, however, DEF1 agreed that the design solution could have been significantly improved through improved output specifications from relevant stakeholders.

Thus, the inefficiencies that caused the initiation of the project have not been adequately been dealt with through the PFI. On backlog maintenance and capital charges, the PFI solution was originally envisaged to eradicate or significantly reduce both costs. The half-build solution has done neither. While significantly modernising the Trusts estates, 9% and 10% of their estates predate 1948 and 1984 respectively. As presented in HT1's Estates Return Information Collection (ERIC) returns of 2015, a third of its estate were still deemed as 'not functionally suitable', with HT1 still facing backlog maintenance of circa £23 million[68]. HT1 has consequently resorted to vacation, demolition and disposal of estates to reduce its backlog expenses and capital charges. However, unanticipated

[68]This is a gross figure across all sites of HT1, and not specifically related to its acute hospital.

growth in activity meant that even planned vacation of estates was delayed or prevented, consequently increasing the need for more efficiency savings.

The PFI provider defended the solution by arguing that synergies could have been generated were the layout and planning integrated from scratch. They further argued that parts of the problems of integration stemmed from structural differences between the new and old hospitals. PTE2 argued:

> With all of these key systems where they are integrated into this [PFI] building, none was integrated into the retained estate. So, they can delay just because of the nature, the layout of the buildings you know. So, it would be enhanced if it was all one large new building…

In addition, the contracting through to commissioning of the project was open to problems. The two-and-half years it took to redesign the resubmit the FBC contributed to delays to the contracting process, and subsequently to increases in procurement costs. The project itself was not built to time. The FBC envisaged the facility to be operational by August 2010. However, the project became operational in November 2010 due to construction issues and faulty lifts. The helipad which was part of the solution was not ready for yet another quarter.

6.4.2.2 Functionality

AEDETs functionality section centres on the use, access and space within the facility, and deals with the how the building serves its primary purposes, and the extents to which it facilitates or hinders the activities of its users (NHS 2008).

Regardless of the state of HT1's build quality, interviewees generally believed that the PFI project was generally performing its functions. They discussed that the building was generally accessible and fit for purpose owing to the adherence to their maintenance regimes. DEF1 summarised the functionality of the facility in terms of access, space and use in the following terms:

> I will start off with the staff. When the PFI was first occupied, there was a lot of resistance from staff having to go into the new build, so it's all new. They found fault with lots of things: the bed panel was this or the bed panel was just wrong, or the doors were too heavy and can't close, and all of those things. And that was visible when I started here three years ago. None of that is now visible anymore. People are accepting the facility, and [are] seeing the benefit now of having good quality patient

> facility. From a doctors' point of view, I don't hear people complaining about the PFI. I hear doctors talking about the inefficiencies of the estate. And I don't hear people saying it's worse than what we had before. I think the doctors recognised that its good facilities for patients. When you ask patients about you know, National Inpatient Survey, it doesn't distinguish between this building that building and another. So, I think is difficult to get that absolute view. But the feedback we do have from patients is not one of complaint. People are appreciative of the facilities that they do have and receive care in.

6.4.2.3 Impact

The impact section of AEDET builds on the functionality section, and primarily assesses the extents to which a building "creates a sense of place, and contributes positively to lives or those who use it and are its neighbours" (NHS 2008: 16)

For HT1, barring the inefficiencies of integrating the PFI build to the old estate, the PFI project, the interviewees suggested, have contributed to the achievement of the Trust objectives in terms of modernisation of the estates and clinical functionalities of the hospital. CE1 in explaining the impact of the project discussed that:

> [The PFI project] it makes it a more attractive hospital. So, if you come into the front entrance, it is very attractive, you come into outpatients it is easy to find your way around, because there is the right amount of space. If you come into the critical care unit, it's a good size critical care unit. Again, we are talking about compliance standards, the theatre is a good complex - it meets the compliance standards. So, in terms of safety, in terms of standards, size, *etc*., it meets it. In terms of modern set-up, it meets it, in terms of aesthetics, it meets the objectives.

Other interviewees argued that the project has contributed to improving the hospital's performance in Patient-Led Assessments of the Care Environment (PLACE) scores (see appendix G).

6.4.3 Contract management

The importance of contract management at the operational phase of projects cannot be overemphasised (NAO 2013b). The performance of operational projects depends as much on how projects are managed as how they were conceived, and thus draws the various forms of cultural capital.

NAO and OGC (2008) develop a framework for good practice contract management framework focusing on activities to be undertaken in operational phases of service contracts. These building blocks in the framework (structure and resources, delivery, development, and strategy) have been used to organise the data on the operational management of this and other projects contained in the thesis.

Figure 6.5: The good practice contract management framework

Source: NAO and OGC (2008: 6)

6.4.3.1 Structure and resources

A prerequisite for effective contract management is the availability of an effective management structure adequately resourced to manage the contract. The FBC provided for a planned transition from the construction to the operational stages, but refrained from suggesting a project management and structure for the operational stage of the project. HT1 elected for a simple contract management and governance structure, where existing staff assimilated relevant PFI responsibilities while dedicating a manager to the PFI project. The PFI contract manager (DEF2)

is the sole employee with responsibility for the operational management of the project, whereas the CEO, and Director of Corporate services (DEF1) are responsible for project governance.

HT1 CEO argued that the nature of the contract did not require the commitment of substantial resources. DEF1 and DEF2 argued that the approach they employed in managing the contract was appropriate given the nature of the contract. DEF1 characterises their approach as multi-disciplinary, drawing on the relevant expertise of persons within the Trust to address operational issues within the project. DEF2 in defending the approach, argued that:

> The contract is set up as one of self-monitoring. You've got two choices really. Bearing in mind the project company's reports every month runs to about 450 pages. We can either have an army of people looking and following up every report of an incident that goes through the helpdesk like our lights stop working or something's have fallen off the wall. To see the project co respond within the appropriate contractual time to fix those problems, in my view is completely cost ineffective. Or we can do what we opt to do, which is to have a limited staff, me in essence, plus a network of people that feed information into our PFI team so that if anything of any significance goes wrong that is likely to generate a performance issue, we find out about it pretty quickly, because the clinicians will feed it back into us. We can then follow that up and make sure that it is monitored, adjusted, and if necessary, deducted financially in the project co invoicing. So, in terms of the ongoing controls, yes, we've got a system, I think it is a pretty good system. Is it perfect? No, it's not. But the risk of trying to make it perfect, and frankly you never would anyway, is you'll incur a whole load of money in cost which would be completely non-productive.

The effectiveness of this strategy however hinges on the relative endowment of both social and cultural capital, each of which helps in the use of the other. Diverse expertise can only be drawn upon through social relations. On the converse, the linkages between social actors helps in the accretion of expertise through the same social relations from which expertise can be drawn.

On the day-to-day operations, DEF1 liaises with the on-site PFI team and with PTE2, the director of hard FM service provider. Both parties argued that the importance of the contract document in the day-to-day operations should not be over-emphasised, as the document should best serve as a guide and a referent point for dispute resolutions. They, however, recognised the importance of competence in understanding the contract terms in the delivery process. Drawing from the respective habituses of the parties involved in the project, prior experiences within their various

responsibilities contributed in building the competencies they needed to understand and apply the terms of the contract.

6.4.3.2 Delivery

Having considered the structure and resources for the contract management function, it is imperative to consider the delivery of services under the PFI, by examining how supplier relationships and performance are managed, together with the adequacy with which risk was transferred in the relationship.

HT1 characterised the performance of the as generally being up to par. As argued earlier, the contract is self-monitoring, with payment made based on the outputs of the Performance Measurement System [PMS] operated by the helpdesk service. HT1 argues that the use of periodic audits and 'dip tests' ensure that the performance measurement system they employ is commensurate with the nature of the project. DEF1 argued that the threats of financial penalties which might result following failures of the systems to audits are substantial to command performance from the providers. The PFI partners also defended the use of self-monitoring contracts, and assessed their performance from the viewpoint of the number of deductions they incurred. PTE2 presented that the helpdesk service ran their PMS, which provided live reporting and allowed on-point by HT1 checks on the state of performance. The PMS, he argued, imbibes service requirements and is fairly adequate for performance measurement. He explained that:

> … as part of the services that we provide here, and in all of our contracts, we have an essential helpdesk service, which not only manages the calls to them from the Trust. They also manage the coordination of the maintenance. So, we cannot not deliver. The software doesn't allow us. In other words, the system is designed in such a way that every task it'd required to deliver this contract to HTM[69] is delivered. Any gaps in that are identified in reports, and they're managed via the available contract manager. So, that's how we sort of manage the maintenance of the contract to ensure we

[69] The Health Technical Memoranda (HTM) is a set of design, building and components standards used in NHS in the assessment and standardisation of buildings. In this case, it serves as the performance standards against which the building components are assessed.

> align with the HTM. And there is an easier way of doing it. You get HTM, you align your maintenance to it from day one; you are delivering correctly.

PTE1 discussed that the PMS adequately classifies and integrates different performance levels in terms of priorities and assigns different levels of penalties for non-conformance. He added that the stratification and prioritisation of events also helped in concentrating their efforts towards tackling highly prioritised events. On prioritisation and performance, PTE1 explained that:

> I think if you entered into a PFI contract and expected no deductions for 30 years, then you're on a different planet. I think the key is to deal with the priority issues so you get [fewer] deductions, because as quite rightly, priority issues should have a high deduction. Otherwise, you don't always know what you want to go for first. So, we take painting a wall, versus keeping a theatre operating, if you fail on the theatre, the deduction needs to be high, if you fail on the wall, it needs to be low. If you are struggling, then you look at that and say which is more, which has got the biggest penalty. By doing that, that means that's the most important to the Trust. So, it gives you an incentive to focus on the more important ones, so when you do fail, you fail a less important one. And I think deductions issues, on average, they're probably running to hundreds, may be very low thousands on average. If we look over 5 years, then you gross it out, it wouldn't be more than £5,000 a month. And I think if you start getting no deductions all of the time, then it's going to look suspicious. I think you'd expect to have deductions I think the important thing is deductions are low, which means you're providing those key services.

He added that the execution of their maintenance has always been on target, and that they were yet to record any variance in maintenance tasks (expected and discharge) for over 18 months now.

CE1 agreed on the performance of the providers, and added that the partners contributed towards other Trust activities. CE1 presents that:

> They deliver as they say they will deliver, they keep to the contract, which is what we want them to do because we set the contract for that purpose. If we want them to do something slightly different, small things they will do free of charge, if it's a larger one, they will come back, there will be a price and a variation and we have a judgement to make. But equally, with things like when we run, what we call our OSCAs (Outstanding Service and Care Awards), they will always sponsor it. So, they are very supportive of the organisation and for our staff for things we don't have the money to do as well.

Variation orders (orders to change the original output specifications under the contract, hence altering the fabric of the building) remain a source for increased costs to the PFI. CE1 observed that whereas they had not had to make substantial variations to the contract, the costs of variations, though comparable to those of other PFI providers); outweighed those that would have been

incurred in a competitive market. The PFI partners, however, argued that the premiums they charge were necessary to offset the effects on maintenance that such variations brought.

DEF1 and DEF2 ascribed their ability to minimise the costs of variations to the multi-disciplinary approach they adopted in managing the contract, arguing that being able to draw on varied expertise helped them in putting forward a stronger case for cost containments whiles ensuring quality.

On risk transfer, the single most important contributor to the PFI VfM case, HT1 believes that all the anticipated risk transfer had been effected under the contract term. As shown in Figure 5.5, 72% and 38% of anticipated risk related to the construction period (design and construction risks) and the operating periods (all other risks) respectively. DEF1 contended that the risk premiums resulting from the risk transfers stemmed from general NHS attitudes towards maintenance, and the inadequacies in life-cycle investment funds; which justifies some of the anticipated risk transfers. She presented that:

> There is a risk that in the annual price you pay there will be a risk premium because of the lack of information, or perhaps because of the lack of the infrastructure investment there has been. So, if you've got a steam pipe that hasn't been replaced for 40years, the Trust might take the view it will be ok for another 20 and will patch repair. A PFI provider's approach to risk might be: that's going to break down next week, and there will be a financial penalty, so I will put a cost of replacing that twice in there. There are some hidden costs that one will assume will be built in there, based on how they approach the PFI in the life cycle that they have.

However, the FBC provided for an assessment of unanticipated risks upon the commissioning of the project. HT1 interviewees argued that a systematic reassessment of risks had not been undertaken since commissioning. Rather, they opted to employ an ongoing system of identifying and managing the transfer of risks related to the operational stage. HT1 argued that no new risks had since been identified. DEF2 justified their risk management system by arguing that:

> It's an evolutionary process, to be honest with you. I'm not sure we can actually say it has been done, but it's addressed because, […] that we have quite in-depth regular monthly liaison meetings with project [company] to review their progress, to review risks, to review any changing factors that come

> across the table. I don't think anything has happened where we can say we've dealt with anything, not because we missed, but because there's not been anything for us to deal with.

6.4.3.3 Strategy and supplier relationship

Having a cordial supplier relationship with open communication channels has been espoused as virtues in the PFI literature (NAO and OGC 2008). As Bourdieu (1986, 2005) discussed, the amount of social capital (in this instance, the cordiality of the supplier relationship) an actor possesses can help define the strategy the actor adopts. HT1 and their PFI partners described their relationship as one predicated on the principle of cordiality and partnership, where both parties worked towards the achievement of procured objectives. Within this relationship, formal and informal social relations were drawn upon to improve communications of demands and consequent resolutions. This adds evidence to how social capital is drawn upon by actors to realise their stakes within the field. It also meant that social capital was used to augment and in some cases replace rules contained within the objectified cultural capital - the contracting procedures, when the management strategy best needed it. CE1 argued that for PFI to work, the service providers and their staff had to see themselves as part of the procurer's institution. PTE2, reiterating the cordiality of their operational relation, presented that:

> … what creates an ideal partnership is actually the open communication and the way the team interacts with the client, because without that, as soon as you get conflicts on contractual requirement, then you find that the contract just doesn't run smoothly, and you spend more time managing those issues. Here is a very good example of how they do work together.

PTE1 added to this by presenting that:

> From the Trust point of view, they need to listen to us as well, because we've got experience from across other projects; and we all need to have an open relationship. The meeting we've just had now was our monthly meeting with the client, and so all parties attend whether up or down the chain, and we've discussed everything good, bad, indifferent. This project is a particularly good one in my portfolio, and the clientship is particularly good here because everybody is open, nobody is going to hide anything. If there is something that is going wrong, everybody admits it, because it's better to be upfront and say this is what has happened, this is what's gone wrong, this is what we're going to do about it.

He explained that the reliance on formal and informal mechanisms for managing the relationship allows for the development of collaborative efforts in the management of service delivery, allowing for the maintenance and cultivation of both professional and personal relations.

These assessments are echoed by HT1. DEF2, discussing their relationship, presented that:

> … they are a fairly professional company, and I think they have a degree of respect for the way that we deal with them. Anybody, from managing director from Company-B… down to the guys with the screw drivers who do the maintenance, if they've got a problem, they'll come and knock on my door. You don't often get that sort of relationship. And frankly, I value it because it enables us as a team of people to actually work together much more effectively. So yeah, we're lucky I think.

The benefits of having both formal and informal relationships reflect on the performance of the PFI partner and on the resolution of disputes. DEF2 explained:

> … bearing in mind my background is sort of 50 years plus at the sharp end of the construction industry, I've done a lot of dispute management, expert witness work, litigations; I've had a dispute run against most of the major contractors in this country, and won them all. And that background is the way that I initially came into this particular contract. The relationship that has developed with Company-B, that's not to say we're in love with each other; we have our disagreements. Because you we do it professionally, those disagreements are argued out professionally, forcefully, because if people believe their position they are going to stand up for them. But there are no needless squabbles on this job. And I will say to you that the relationship that we have on this job is at least equal to the best that I have experienced in 50 years in the industry. I don't give that compliment away lightly… and that is not the relationship I know exist on a lot of other PFI contracts.

At the operational and project management level, there had been relative stability in staff turnovers on both sides of the relationship. PTE2 presented that:

> [We're] very much focused on self-deliveries. So, we will always aim to employ our own staff, our utilisation of sub-contractors is as low as feasible and skills based, and then naturally what do you do get then is committed people to the contract. We are not very much an external service provider with external subcontractors, we've very much got an integrated team. There is a very steady state as well. Our turnover stability is about 90%.

The relative stability in staff turnover presents an opportunity to foster working relationship among the staff of relative parties in the relationship.

6.4.3.4 Development

This section principally examines the exclusion of soft FM services from the PFI contract and hard FM services for the rest of the retained estates. The provisions of the PF2 (HM Treasury 2012b)

argue for the exclusion of soft FM services from future contracts, as those could be provided in-house relatively easily. In exploiting the relationship between the Trust and their partners, HT1 secured a non-binding estimation from Company-B on the costs of transferring the hard and soft FM services of the acute hospital to the provider. However, the estimates HT1 received were costlier than the costs of in-house services. DEF2 in discussing the merit of retaining in-house services presented that:

> The other fundamental thing to consider about the decision whether to bring soft FM into the scope of the contract is that when you are looking at basically the provision of the building, and its ongoing maintenance, that element of the contract, you can define the risk. Buying an 8-metre load of ready mix concrete from Hanson Premix and tipping it down the hole, that doesn't let you down very often. What lets you down, is human performance and people. The risk and therefore the contingency pricing that goes into that risk is going to be inevitably a lot higher with FM obligations than it ever will be for the original design and construct obligation of the building, because you can define the cost of risk on that part more easily.

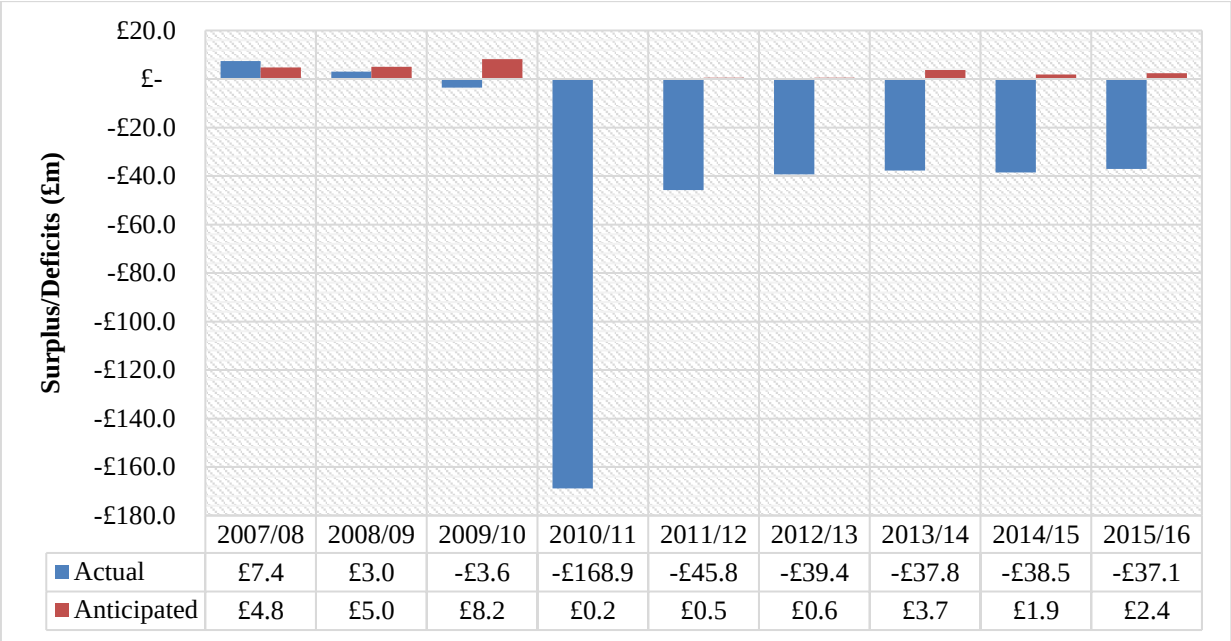
DEF1 added that the soft FM services market was relatively more established, and the built-up competencies NHS already had in the market allows it to negotiate better contract terms whiles avoiding the PFI overheads that would have followed. HT1's performance in PLACE[70] signifies the good performance presented by its soft FM services.

6.5 HFT2: Operational Delivery and Management

6.5.1 Economy, cost and affordability

As with HT1, HFT2's scheme, originally envisioned to be accounted for off-balance sheet, was brought into the book due to the adoption of IFRS. At commissioning in 2010, the project had a book value of £301 million (148% of turnover, excluding transitional support). After the financial close in 2007, HFT2's performance lagged those of anticipations as shown in Figure 6.6.

[70] See appendix G



	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Actual	£7.4	£3.0	-£3.6	-£168.9	-£45.8	-£39.4	-£37.8	-£38.5	-£37.1
Anticipated	£4.8	£5.0	£8.2	£0.2	£0.5	£0.6	£3.7	£1.9	£2.4

Figure 6.6: HFT2 anticipated and actual financial performance

HFT2's worsening financial performance post-financial close culminated into the deficit of £169 million[71] in 2010/11, six months after the hospital opened. The performance results from a growth in expenditure which is significantly higher than the accompanying growth in revenue (in both absolute terms and against FBC anticipations), as shown in Figure 6.7 and Figure 6.8. HDC reckoned the causes of their overspending are not directly related to the PFI, presenting that:

> … the rest of [HFT2's] deficit is about how inefficient we are as a hospital in staffing, how we can't get all of our permanent nurses and doctors and we have to pay premiums to agencies and locums, and how our theatres aren't as productive as they should be, and we've got longer lengths of stay in our surgical wards. So, they're not about PFI, they're about inefficiencies in every hospital in the country.

However, the PFI is indirectly causative for at least part of the worsening performance, not the least through the unitary payment. HFT2's former CEO had argued that the nature of the hospitals business was changing relative to projections in the FBC causing the need for more staff to be employed. Submitting on the increased costs, he presented that:

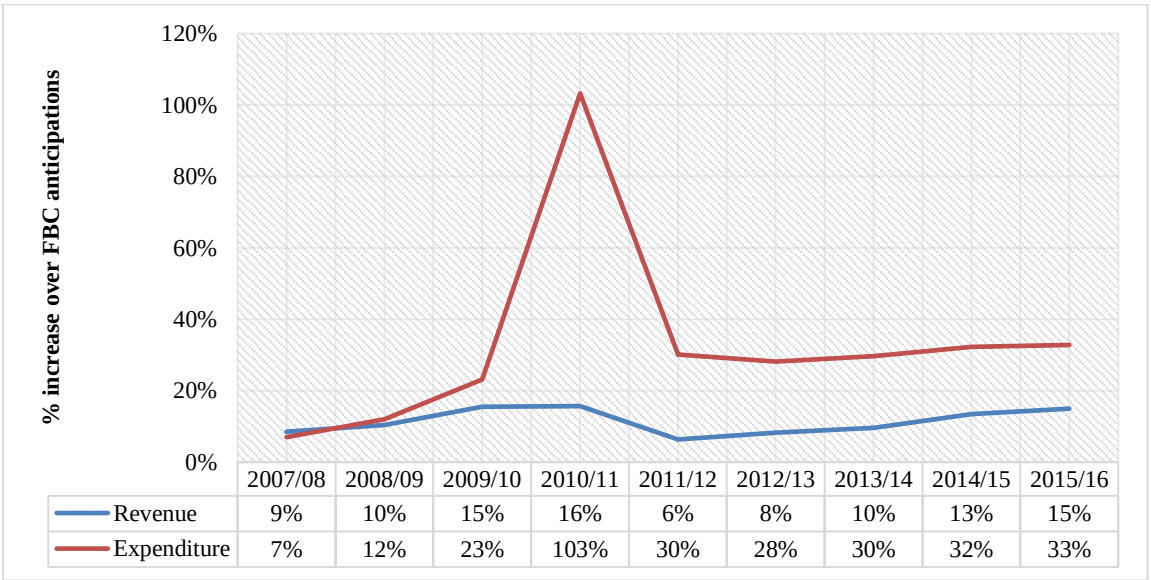
[71] There was a significant impairment charge of £167.4 million in 2010/11. Although there were impairment charges for other years, a significant portion of the deficit for 2010/11 was a result of that impairment, which was not directly related to the PFI.

> … there are two things. First of all, there has been a massive change in the activity profile of the Trust over the last five years. Some of that is very substantially increased activity and the report quotes the huge differences between the actual growth in activity over the last five years and the projected changes in the business case, and the second is a series of changes that apply to all parts of the NHS. So, in many areas, we have had to recruit substantially greater numbers of staff. The largest number in any particular case was midwives, following a Care Quality Commission review in 2010.

The change in activity profile, however, did not result in increased level activity to the levels envisioned in the FBC, but rather, altered the composition of the activities.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Income	£181	£190	£207	£224	£208	£219	£233	£248	£261
Expenditure	£174	£187	£211	£393	£254	£258	£271	£286	£298

Figure 6.7: HFT2 actual income and expenditure



	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue	9%	10%	15%	16%	6%	8%	10%	13%	15%
Expenditure	7%	12%	23%	103%	30%	28%	30%	32%	33%

Figure 6.8: HFT2 percentage increase in revenue and expenditure over anticipations

The design solution of the PFI build contributed to the increased need for additional clinical staff. The PFI solution had 59% of the acute wards being single-bedrooms as opposed to four-bed bays, with the objective of increasing patient privacy, care quality, and consequently, the competitiveness of the hospital. This arrangement, however, caused a higher demand on staff and increased the related costs. HDC in acknowledging this presented that:

> … when we moved into this hospital, with 60% single rooms, we realised we couldn't look after our patients with the same levels of nurses and doctors, as in a hospital that didn't have single rooms.

Thus, the PFI is indirectly causative of some of the increased costs realised post-commission.

Another impact of the project on HFT2's performance is through the unitary payments, through the effects of variations and the impact of RPI. Since commissioning, the unitary payments as a ratio of turnover have consistently exceeded 19%, exceeding the anticipated 15%. This was partly caused by a reduction in the growth of revenue against anticipations, and an RPI effect on the PFI unitary payments. All PFI projects in the NHS were negotiated with an RPI effect on the unitary payments. However, the inflationary effect of the RPI causes the costs of the PFI to rise faster than the other estate costs of the hospital, making the PFI have a significant current and future impacts on the overall costs of HFT (PwC 2013a).

Figure 6.9 shows that actual PFI payments consistently exceeded those of anticipations. In 2011/2012, variations, the then CEO reckoned, accounted for about £2 million of the overall unitary costs, with the rest resulting from RPI effect. These, he further argued, resulted from the changes to the hospital's activity profile, which necessitated variations previously unforeseen in the FBC.

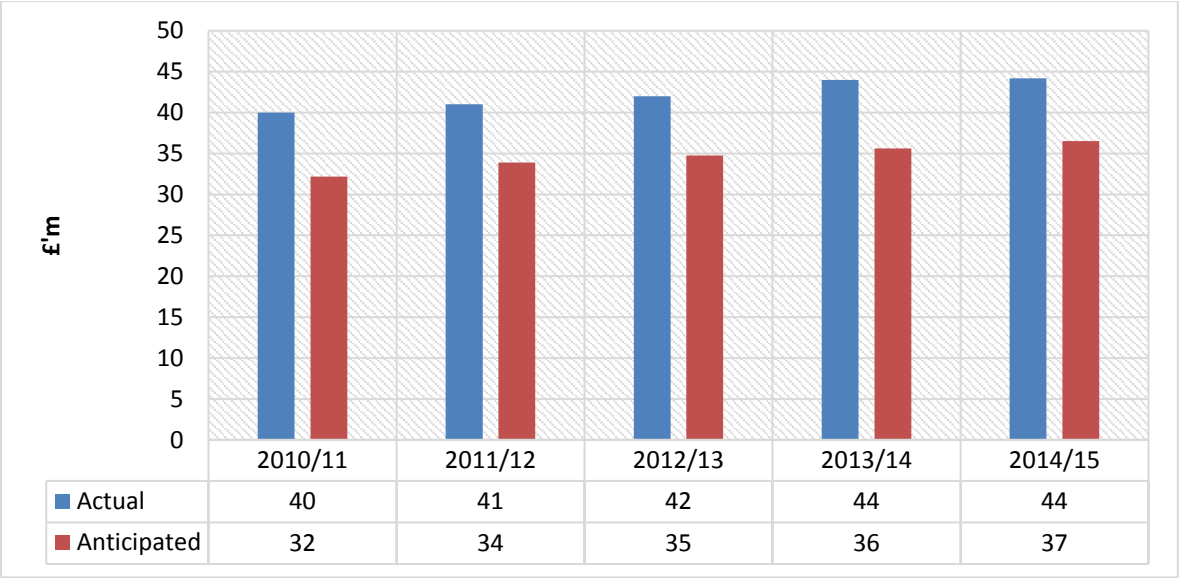


Figure 6.9: HFT2 anticipated and actual unitary payments

Under the PFI agreement, the management and leasing of the retail space within the infrastructure lay with the SPV, with the consideration flowing from the sub-leases used in off-setting the unitary payments. This arrangement would suggest that the risks arising from dealing with the subleases were effectively passed to the SPV, and that the ultimate benefit from sub-leases would still flow back to HFT2. However, the unwillingness of HFT2 to deal directly with the sub-lessees means that they cannot guarantee that their best interest would be at the forefront of sublease negotiations. From the SPV's point of view, they are entitled to their unitary payments, regardless of the funds accruing from the sublease agreements. The SPV's management cited this arrangement as an example of a source of dispute, explaining that:

> We've got retail units within the building. For whatever reason, as part of the original deal, the retail units are managed through the PFI.… The Trust has to pay the rates. From the Trust point of view, they're getting this big bill, but they're not seeing anything back for it. Through the structure of the PFI deal, there was obviously some benefit to that, but it's almost hidden now. And so, I can understand their frustration. We can look at ways to change that, but there will be a cost to that, because the retail units will no more sell here, and we will pass on the rates to [HFT2]. There is going to have to be a negotiation and a deal there. (HPT)

The PFI contract and its structure, through the structuring of the sub-lease agreements for the retail spaces effectively, confer special powers to the SPV, who, by the institutional rights they possess

via the agreement, are positioned to make relative gains, irrespective of the subsequent arrangements that come to the fore post-commissioning.

Further, a contributor to overspending displayed in Figure 6.6 resulted from both the underemployment of the PFI build' capacity, and weaknesses in the PbR system. However, HDC argued that the nature of the PbR, which does not discriminate between the costs of capital of a hospital, and does not directly fund capital costs, meant that their underlying deficit would still be present even upon full utilisation of the facility. She presented that:

> This hospital was built too big for the patients that were put in it and the current patient need. … At the moment, it is not affordable for the amount [sic] of patients. The pure economic case says the hospital costs £40 million a year, so we are going to maintain for 35 years, we don't have enough patients to cover that overhead. The way the NHS hospital gets paid is the rate per patient … and that tariff is an average of everybody's cost, and that average has the cost of really crumbling old hospitals, and the cost of new hospitals. On average, it's never going to cover my costs of this lovely hospital, and hospitals with crumbling hospitals get a share of the premium cost. … There is something flawed in the way the PFI doesn't get its cost recovered in the tariff world of the NHS, which is quite different from whether the case was affordable in the first place. … Last year we were £38 million overspent and probably about £10 million of that was linked to the fact that the way we get paid the tariff doesn't cover the premium cost of my hospital, so that should be a subsidy. … I'm never going to recover back £10 million of that deficit. With the rules and the way I get paid, even if I have thousands more patients, they are never going to give me enough to cover the premium cost of my estate.

In addition, an attempt to increase the level of activity at HFT2 means a decrease in activity and/or earnings for a competing provider within the health economy, hence a zero-sum game, *ceteris paribus*. This confirms the CPT (PwC 2013a, 2013b)'s conclusions that the hospital was not financially sustainable. However, the impact of their recommendation of a redesign of the build to attract more patients (*ibid.*) cannot be adequately justified, given the arguments above.

At a broader level, thus, the project was not economical or affordable. It could not generate sufficient returns to merit the increased costs resulting from its procurement, and was procured beyond the immediate needs of the project. The amalgamation of different services under the PFI scheme, however, makes it difficult to ascertain the comparative economy of the solution to that of conventional government procurement.

6.5.2 VfM of infrastructure

In terms of the procured infrastructure, HFT2 had as a principal objective, the procurement of a build solution adequate enough to centralise and accommodate its services and allow for future expansion.

6.5.2.1 Build quality

As with HT1, the design solution resulted from a collaborative effort between the procurers and the provider, with the FBC suggesting that inputs from the constituent stakeholders were added to the solution. Interviewees from both sides of the procurement described the building as functionally appropriate. However, the build has not been without problems, some of which threatened its inherent quality. HDC identified two principal issues with structural implication on the building, explaining that:

> The glass roof… leaked on very stormy days from the day go. And they've tried various solutions. … They fixed it twice, three times, four times and then it kept leaking again. … They tried things to fix it but in the end, they actually took off half the roof above; rebuilt all of it, and for the last few months' worth of storms it hasn't [leaked]. … So, we were in a portion that the HM looks fantastic and is great, and then there will be buckets on rainy days to have [the water]. So, that's an example of a dispute that we have had. There is one of our lifts that breakdown more than the others. And it's the most highly used. It could be the one you came up in. The main use in that building has about 10 times more use than any other lift, because it's the main block of wards. We've done things over the years to try and get staff to use the alternative lifts and not use those, but then they keep breaking. They keep fixing them, but over time we know that the downtime isn't meeting the contractual standards. All our lifts have the specification to be working 99.8% of the time, and that one never meets that. So that's an example of something that came up in the higher levels because while they fixed it – and they repeatedly fixed it, we all know that it is going to need replacement much quicker than the life cycle that's planned in the hospital.

The resolution of some of these issues required the intervention of senior management from both the providers and the procurers. Whereas it is generally argued that the payment mechanisms under the PFI should be robust and adequate to enforce conformance to delivery standards, HFT2 observed that the extended periods it took to prove faults and the party responsible for such faults meant that the payment mechanism was not as robust to cater for the specificities of their situation.

Actualising the extended periods for the resolution of some issues, HDC presented in the case of another issue affecting the build quality of the infrastructure that:

> It's about proving fault, isn't it? So, it's like a building, proving who is at fault. Was it the original builder, [or] was it the people that clean it constantly? One problem that we've had is with these floors. We're going through a big process of proving who is at fault. Was it the company who built it? Was it the company who laid the floor? Was it the company who's been cleaning it for four years and they've been cleaning it incorrectly so it's got patches of wearing where they shouldn't have? It's been a long process.

In a PFI project that bundles up hard and soft FM services and assumes risk to have been transferred to the provider, as is the case of HFT2, the responsibility for proving the faults would ordinarily lie with the SPV – the consortium overseeing all aspects of the service provision. A more robust payment mechanism would ensure the procurer levies deductions for sub-optimal performance. Conversely, a robust payment mechanism would still require the Trust to prove that performance that the level of services delivered is sub-par to warrant not just the deduction, but the amount of deduction commensurate with the level of performance. This requires a contract management function structured and resourced with adequate levels of cultural capital to prove that faults are not the result of the form of usage of the facility, and to define the level of deductions to be made. In addition to weaknesses in the payment mechanism, and as discussed later, HFT3 possess a relatively lower concentration of cultural capital, relative to their SPV, to prove and enforce the sub-optimal performance and deductions respectively.

Furthermore, as the SPV's management contended, performance risk is further transferred from the SPV to the respective service providers for non-compliance to service standards. In this instance, the process of proving responsibility for faults within the SPV itself entrenches the resolution process, extending the pace at which solutions can be sought and implemented.

Further, in explaining the structural issues with the PFI build, the SPV argued that the provider of hard FM services had limited experience in the provision of such services, explaining that:

> On this project, I think the [hard FM provider]; they've only got one FM organisation which is the one here. I work for [the SPV], who provide SPV management in a lot of hospitals. So, when we go to general managers' meetings *etc*., you get to hear what things are like on all the other sites, and actually, they are not a million miles different… From the [hard FM provider's] point of view, they don't have any learning from other sites, so if they've got a particular issue, and they haven't got a specialist on site. If you have Vinci[72], they might go to one of their other sites and bring somebody in. [Our provider] doesn't have that…I think that's probably the main issue, they are playing catch-up. As the SPV, we're having to offer a lot more support than I would necessarily expect to do, but from my point of view, if that's what we need to do to get them where they need to be then that's what we need to do. (HPT)

HPT further argued that she expected the hard FM provider, whose services are neither benchmarked nor market-tested, would be able to catch-up to the requirements within a year. She argued that the payment mechanism would sufficiently offer incentives to enforce performance, and that the contract offered avenues for renegotiations should the hard FM provider's quality of service threatened the contract's integrity. Nonetheless, these issues undercut the argument of competitiveness as a conduit through which the PFI delivers VfM. Providers locked in long-term concessions with procurers creates an atmosphere of co-dependency, with limited access to alternatives within the period of the primary concession.

Furthermore, in 2014, the enforcement of new fire safety regulations in the NHS (see DH 2015a) saw a number of Trusts having to institute remedial actions to rectify and fireproof aspects of their buildings in order to comply with the new codes. However, County Fire Service in an enforcement action memo sent to HFT2 presented that:

> [The service] became aware in December 2014 that there were problems with how the hospital had been constructed relating to fire resistance of the internal compartments. [We] have been working with the hospital for over a year to try to resolve the issues via an agreed action plan. However, due to the lack of progress that has been made against the action plan, and **the fact that it has now been discovered that the problems are at least four times worse than initially identified**, the service has decided, in consultation with their barrister, that formal enforcement action is now required. (Emphasis added).

[72] Vinci is an example of a provider of hard FM services in the UK

These discoveries water down the overall state of the building's quality. At the time of data collection, these were yet to be resolved.

6.5.2.2 Functionality

As with HT1, interviewees generally argued that the PFI build served its primary functions, and was well designed to adequately allow for patient flow and the delivery of services. The interviewees argued that the design solution, and the scale of procurement, offered good avenues for service delivery and for the modification of specifications that remained unseen at the contracting stage. Commenting on the functionality of the hospital, an interviewee presented that:

> We designed the hospital to have perfect patient flow. Our A&E department flows our ambulance through, and does things that some other hospitals can't do because they've got old estates. Their ambulances come in, they queue, you obviously see queueing ambulances outside some hospitals. Our ambulances go all round the back, they have a fast track they, never have to queue, they come round the back, patients only ever come straight in, [and] you don't ever see ambulances queueing. So politically we are meeting quite a lot of targets and things because of the design of the hospital; the old hospitals and others can never quite meet. (HDC)

As discussed earlier, the PFI build was procured with a higher ratio of single bedrooms to four-bed bays. Whereas this contributed to improving patients' privacy, post-commission operations of the facility would suggest that space was not efficiently allocated, given the resultant number of staff needed to ensure service delivery. HFT2's 2016 ERIC returns suggest that the NHS occupies circa 99% of the floor area in the hospital since the commissioning of the facility, suggesting the effective utilisation of the hospital space.

6.5.2.3 Impact

Public consultation during the contracting phase of the PFI project had indicated a lower preference for the current siting of the hospital, with the argument that the site was not easily accessible via public transport system. By the commissioning stage of the project, however, HFT2 together with the local council and other stakeholders, had developed travel plans to provide shuttle services to the hospital at regular intervals, thus improving its accessibility.

As earlier discussed, the layout of the projects allows for a seamless flow of activity through the various sections, albeit that the rampant breakdown in the lifts meant alternative access often had to be sought to access some parts of the hospital. Nonetheless, the project contributed substantially to improving the performance of the hospital in terms of clinical delivery and overall patients' experience. Patient experiences, reflected through the PLACE scores, suggest that the hospital is generally seen as clean, maintained and providing good levels of privacy. An interviewee, in discussing the overall impact of the project on clinical service delivery, noted that:

> Well, I think generally it obviously provides [staff] with a new environment in which they are working. So, that is good. I think the working environment is important to people's general wellbeing; if you are looking forward to coming to work because you are working in a nice new building. (HPM)

The CPT convened for the Trust also intimated that the procured infrastructure had contributed to making the Trust clinically and operationally sustainable.

6.5.3 Contract management

6.5.3.1 Structure and resources

As with HT1, HFT2 had planned a scheme of transition and resource allocation dedicated to contract management activities at various stages of the procurement. However, with significant non-clinical functions transferred to the SPV through the PFI, HFT2 reduced its estates and facilities management team, replacing them with a smaller team focused on contract enforcement and performance management. The objective of this downsizing was to consolidate the Trust's cultural capital with the focus of exploring the benefits of the scheme. However, the effect, as elaborated on later, is that the insufficient funding of this smaller team has inhibited the cultivation of the appropriate level of cultural capital needed for a scheme of this scale and complexity.

This smaller team is aided by the executive directors to improve the governance of the project. The management of the project and PFI relationship is one that in principle transcends the operational level to the strategic level. Functions including performance management of various

services delivered under the PFI lie with the SPV. An interviewee argued that the benefit of the project being self-monitoring is that it transfers the risk of monitoring to the SPV. She argues that while HFT2 do spontaneously audit the performance reports, the SPV is tasked to audit its own performance reports. The essence of this arrangement was an attempt to transfer performance and compliance risk to the SPV. The interviewee presented that:

> Historically we would've had people who manage estates in hospitals. Now we don't need that because our PFI partner has all of those people. But we have people who can manage a contract, who know how these work, who know what the terms and conditions are, who know the performance – so you've seen PFI contracts and they have lots of performance standards. So, we now have people who monitor the contract against those performance [standards], and make sure we are getting what we're paying for (HDC).

However, the advantage of self-monitoring performance is only apparent when the procurer has the competencies to secure the procured benefits. This arrangement, which theoretically was to transfer risks to the SPV, has proven relatively difficult to maintain in practice, as HFT2 has had to strengthen their management team in an attempt to secure the benefits. An interviewee presented that:

> … the way PFIs are set up, they are designed to be self-monitoring contracts. But on this particular site, we are finding that we have had to resource up quite a bit in order to make sure that we are getting from the contract what we've contracted to pay for, and that the project company are delivering what we are paying for. The number of the team that we have on site is larger than what you might find for similar sites elsewhere. I think part of the issue is also in understanding how these contracts work. (HPM)

The duplication of efforts in terms of performance monitoring and management means that resources are not efficiently expended on the arrangement. He followed to argue that despite having a relatively larger team, it was still of essence for the team to undergo continuous proficiency education on the nature of their roles and the appropriate ways of discharging their responsibilities. His submissions underscored the importance of the contract management and the need to develop expertise around the management of the contract.

HFT2 acknowledges that in comprehensive PFI projects such as theirs, the cultivation of relationships and competencies with their providers is paramount to the successful management

of the project. However, the Trust has faced a high turnover rate in staff directly or indirectly responsible for the management of the project. Between identification of the preferred bidder in 2005 and 2015, HFT2 had eight and six CEOs and finance directors respectively (both interim and substantive), and a series of interims for director of estates and facilities management. The SPV argued this contributed to lowering the development of competencies and in the building of relationships, arguing that:

> Every time somebody comes in, they don't understand the contract, so from our side, we're working with them to understand the contract. We get to a point where they have a sort of basic level of knowledge, and then they leave, and the next person joins. So I think from the Trust point of view, one of the things that I am keen on is that they start to get a stabilised estates team. Because for me that is better, for a) working relationship b) understanding the contract. So, I think a lot of their frustration comes from not always understanding what they have signed onto. (HPT)

The contract document contains the protocols to managing different aspects of the project's operation and serves as a blueprint defining the progressive management of the project. However, the high staff turnover, inadequacies in hard FM services performance among others, spells that significant reliance is made on provisions within the contract document. However, as an interviewee argued, provisions within a contract seldom reflect current conditions, with contract clauses seeming unreasonable in hindsight. He argued that you could find some clauses in the contract:

> And you kind of think: ooh I am not sure why it is there. Why and how has that come about? It is very difficult to find who agreed it at the time, why they signed off on it, even though sometimes it' sometimes not as, sometimes it's perhaps even unhelpful to the Trust. (HPM)

HFT2's attempt to be resourceful within the bounds of their conditions led them to poach a contract manager from another PFI provider.

6.5.3.2 Delivery

An interviewee, using the criteria of delivering services according to stipulations, characterised the service delivery as being adequate, presenting that:

> This hospital was built to budget, to time, and had the same repayments in it as the business case. So all our elements of the physical buildings of this hospital and the running costs of the PFI were exactly the same as in the business case… (HDC)

The interviewee added that reliance is made on anticipations of the FBC PFI projections because there was no real option from HM Treasury as embodied in the PSC. In addition, for a person habituated within the norms of HM Treasury's evaluation procedures, the use of this base of evaluation can thus be linked to the structural functioning of the habitus.

However, whereas ongoing service outputs from the soft-FM services and MES services were acceptable, the hard FM services performance were sub-optimal. Under the PFI relationship, both the interviewees and the FBC suggested that by transferring risks to the SPV and the enforcement of penalties through the payment mechanism would secure optimal performance from the providers. However, the applicable payment mechanism in this PFI relationship was characterised as being lax and benign, allowing unusual periods of time for service requirements to be modified without the threat of penalties. An interviewee in discussing the response of the hard FM service providers to maintenance issues presented that:

> If there [are maintenance issues], some things are very quick, other things take longer. The way obviously the system works is that if an issue arises, it is supposed to be reported via the helpdesk and it is then picked up as a reactive maintenance issue. But it is ensuring that those aspects are responded to and prioritised in relation to what the nature of the issue is. The payment mechanism that we have, I don't think is robust. Perhaps it could be, and I think that it would've been helpful for us as a Trust if the payment mechanism and some of the performance parameters are tighter than they currently are. (HPM)

It could also be argued that there has not been effective risk transfer under the relationship. Defects and delays following non-conformance of service outputs to standards, which are not penalised with adequate deductions, ultimately reverse the burdens of the associated risks to the Trusts. Also, the contract is not malleable enough to accommodate and deal with new risks. Using the example of an aspect of MES service to demonstrate the laxity of the contract in dealing with enforcement, HPM presented that:

> This particular documentation, it allows for the replacement of medical equipment. But what it doesn't do is, it doesn't allow for the [SPV] to come up with replacement of temporary medical equipment while they are replacing say a scanner for instance. Now there is a planned program for replacing scanners under lifecycle, so you take one out, it's down for a very short period of time and you put another one in. Now what it doesn't allow for is when that the scanner goes down unexpectedly outside of the planned program. So it goes down unexpectedly, it is not possible to repair it and it needs replacement, that replacement could take anything up to 3 to 6 months. In the meantime, we are trying to operate with a scanner that has gone down. We get back to the whole scenario about meeting targets and getting patients through the door. So suddenly the Trust has got to rush out and procure on a temporary basis, another scanner to ensure that there is no backlog of patients. Now, a lot of people would say: oh, hang on a minute, why isn't that cost already built into there? That is just the risk we have to accept.

Furthermore, a fundamental principle in risk transfer is that risk is transferred to the party best place to manage it (Broadbent *et al.* 2008, Froud 2003). With this relationship, risks are assumed to be transferred to the SPV. However, in practice, risks are ultimately transferred to the service providers, who do not have a direct reporting relationship with the procuring authority.

Finally, the flexibility with which procured services meet demands is an essential part of the overall VfM delivery. Whereas this procurement was for outputs beyond the immediate needs of HFT2, changing demands present challenges in the forms of variation orders that are not necessarily delivering VfM. Changes in clinical requirements and demographics mean that the structure of services delivered through the PFI can only be altered via variation orders to make them useful. To exemplify this, an interviewee gave an example of the need to construct additional Linear Accelerators (LinAccs) for the treatment of cancers during the rising demands for such services, presenting that:

> We started at two [LinAccs), we are now having to build another two because the demand is there that more people are needing to be treated. Well, a LinAcc bunker or two LinAcc bunkers that we are building is probably going to cost somewhere in the region [of] about £5 million. So, they are expensive variations that we have to make to the building. (HPM)

As discussed earlier, variation orders such as these represent a significant source of pressure on the resources of HFT2, yet, are a necessary part of the procurement process.

6.5.3.3 Strategy and Supplier relationship

Given the contextual limitations (including issues with service delivery and the high turnover in staff) placed on HFT2 in the management of their PFI contract, their continuous reliance on formal mechanisms in the control and management of the project could be justified. A significant number of lapses in the hard FM services dictate that the management of HFT2 would attempt to enforce contractual provisions, whereas the high turnover in staff is suggestive that social capital is not adequately cultivated in order to be exploited to institute mechanisms of contract and management outside of contractual clauses.

The financial distress the Trust faced since the commissioning of their PFI project means that it has received significant interest from various stakeholders, most of whom suggested corrective mechanisms employable in the management of the project's operations. Drawn into the limelight and expected to justify interventions being made into the hospital's operations, management of HFT2 could be justified in relying on such formal mechanisms, as they provide adequate bearings for the justification of actions. Conversely, the increased interest in the Trust and its PFI activities means that management has cultivated relationships with other PFI procurers in the NHS to learn lessons and share competencies that are subsequently applied to the management of their contract.

6.5.3.4 Development

The bundling of soft and hard FM services into PFI received considerable critique, not the least for the argument that soft-FM services can be provided relatively cheaply in-house, and also because more control can be had over the management of such service delivery (HM Treasury 2012a). The comprehensive bundling of services under HFT2's contract was an attempt to transfer all associated risks to the SPV. An interviewee also explained that soft FM services would normally have been outsourced outside of the PFI, explaining that:

> It's the same in any public service that you don't run all of the services yourself, you outsource them. So even if I wasn't in a PFI hospital – so, before I came here, but I worked at Leicester Hospital. At

> Leicester hospital, they didn't do their domestic and catering and portering themselves as well. They outsourced them to a private sector provider.

While a benchmarking of the soft FM services resulted in the retention of the service provider, the efficacy of such bundling is open to reason. As earlier discussed, risks held to be transferred from the Trust to the SPV are subsequently transferred to the respective providers. Disputes resulting from proving the party on who faults in service delivery lay[73] meant that overall quality of services received from the SPV had withered.

6.6 HFT3: Operational Delivery and Management

6.6.1 Economy, Cost and Affordability

HFT3's procurement was primarily based on a financial rather than an economic argument: an argument that compared unitary costs of a PFI to that of equivalents costs under the PSC as a shadow tariff. This approach stands reasonable within the logic of procurement, which was to provide additional capacity and hence additional revenue per the capacity units added. The revenue generated in use, being constant relative to the procurement route used, meant reliance on the relative equivalent costs of the PFI and PSC options. However, the FBC did not exclusively estimate activity levels to the ECC, and performance data acquired for this thesis does not discriminate between centres of usage and the revenue each centre generated. Thus, inferences can only be drawn from the general phenomena facing HFT3 as a whole.

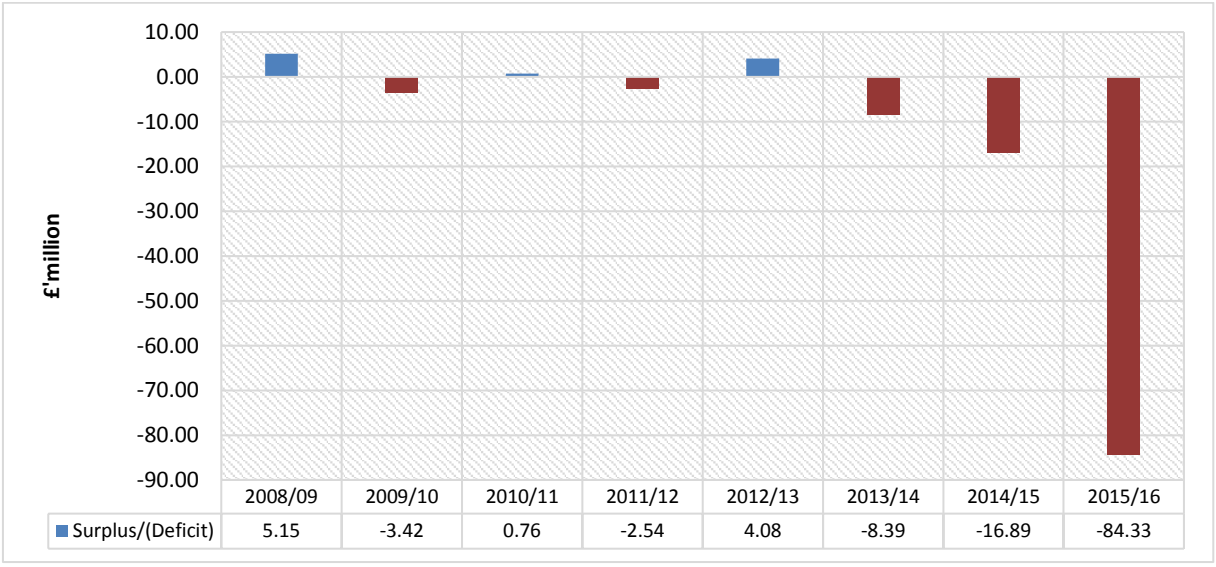
About half of the facilities within the ECC are used by the funding university and the MRC, with costs related to those not affecting those of HFT3. It is, therefore, the part used in delivering NHS services that could be impacted by fluctuations in the generation of revenue. Overall, the scheme was represented as affordable but not economical: affordable in that the Trust was able to generate

[73] See for example the dispute between the hard and soft FM providers in proving the responsibility for faults in the flooring, as cited under the build quality section.

the funds that paid for it; and uneconomical in that it contributed to the increasing the overall cost base of the Trust without significant added benefits. However, this stemmed from deficiencies in the tariff under the PbR system. The disparities in the costs bases used in computing the tariffs under the PbR meant that the overall costs of services delivered in the FT as a whole exceeded the revenue generated via the PbR, since the Trust's cost base was in excess of the average considered for the PbR. The CEO explained that:

> The (PbR) tariff is an average cost. Now, it's clear that the cost of doing things in a hospital like this is more expensive than doing them in a smaller hospital down the road. Now there are a couple of reasons for that. One is that for any given level of service, we've got a higher overhead because we do a lot of teaching, a lot of research, we have got a lot more staff, because there are certain things that we do that requires that. Our overhead is about 20% higher than it would be at the end of the road. So immediately there is a disparity on the average tariff, so even if we were able to get paid the average tariff and doing [things] at that level, the hospital down the road if they do [same], could get 20% more from that, proportionately.

Activity levels have continued to rise since 2007 (albeit with different profiles), culminating to bed shortages and cancellation of operations in 2015. This suggests that the Trust made full use of its facilities including those in the ECC. However, the relatively higher costs basis relative to revenue from the PbR meant that the Trust suffered deficits (see Figure 6.10) and instituted efficiency savings schemes. By inference, this suggests that activity within the ECC were affected by similar conditions.



	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Surplus/(Deficit)	5.15	-3.42	0.76	-2.54	4.08	-8.39	-16.89	-84.33

Figure 6.10: HFT3 actual financial performance

HFT3 argued that the problems with the PbR, changes in both activity levels and profiles contributed to their worsening financial performance, arguing in years 2010 and 2013 respectively that:

> … throughout 2009/10 we have had increased activity, but a greater proportion of this has been dealt with as day-case work which carries a lower tariff. Instead of our income simply increasing in line with activity, we have therefore suffered from the adverse price-mix of the work. At the same time, to contain the additional activity and still meet waiting list targets, we have continued to need to use both private sector facilities and the Waiting List Initiative, both of which carry a significant premium. (Annual Report 2010: 22)

> Activity increased by 4% compared to 2011/12, but the national tariff (or price list) for the year reduced by 1.8%, which meant that the Trust was being paid less in real terms for each unit of activity. Capacity constraints meant that the Trust needed to commission additional resources (staff and external clinical services) in order to cope with the additional workload, and most of its costs were inevitably subject to inflation increases. (Annual report 2013:14)

The pressures that HFT3 faced are similar to those of HT1 and HFT2, and to other NHS Trusts. Despite the increased cost pressures resultant from the PFI facility, the arguments in the annual reports suggest that premiums from the commissioning of extra resources to cope with additional pressures outweigh those posed through the PFI.

Furthermore, HFT3 discussed that circa half of the actual unitary payments (shown in Figure 6.11), is needed to deliver the services currently delivered through the PFI. However, the present composition of the unitary payments suggests that less than half of it (43%) is used in the financing of services delivered through the PFI (see Figure 6.12) though a further 6%[74] of the costs could be eliminated under conventional procurement. This suggests that the costs of the service element of the PFI are economical. Given the financial difficulties faced by the Trust, it stands to reason then that, in the absence of PFI contract, there would have been a deferment on non-essential services presently delivered through the PFI, to the financing of clinical care delivery.

[74] This is made up of SPV running costs (3%), SPV setup costs (2%), and the help desk service costs (1%).

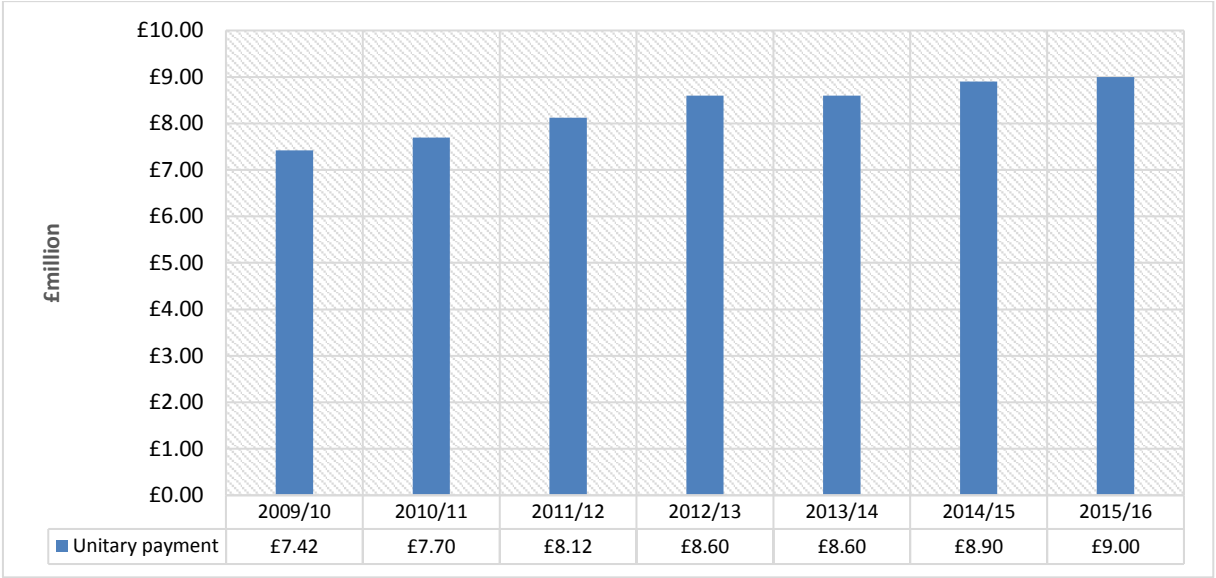


Figure 6.11: HFT3 actual unitary payments

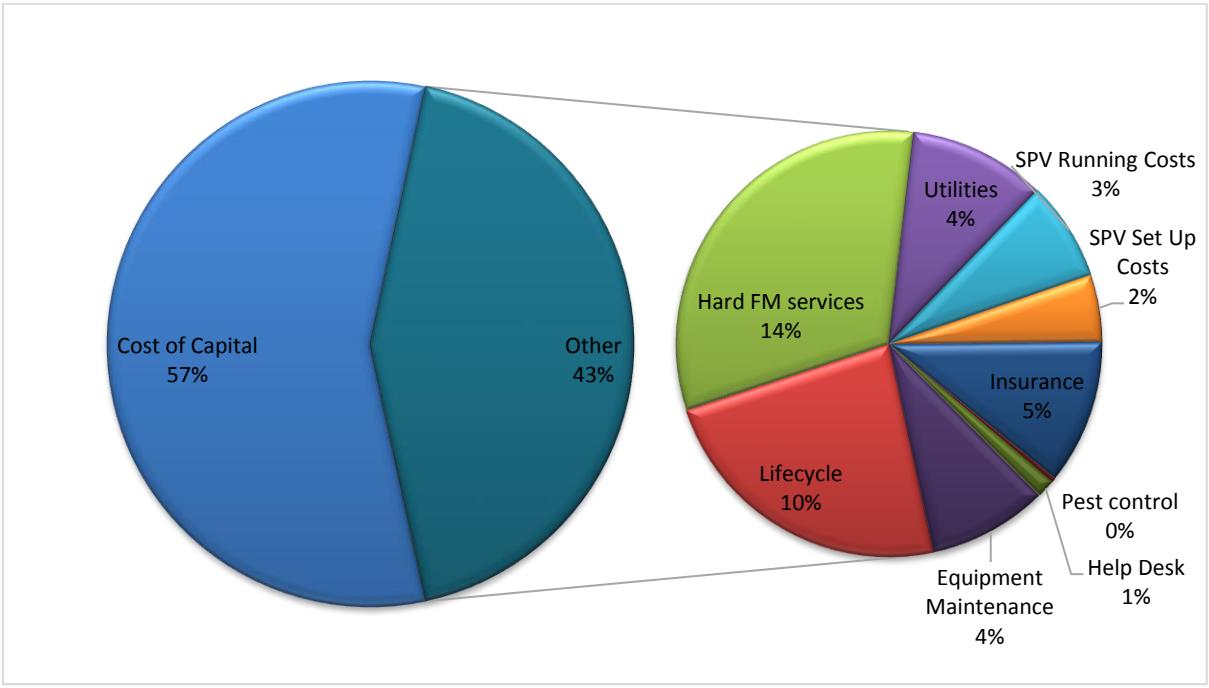


Figure 6.12: Composition of HFT3 PFI unitary payments

Finally, HFT3's procurement, which is purely debt-financed, is opened to options of refinancing to be able to save costs on the unitary payments through the sharing of gains on refinancing. HFT3 has not exercised this option, with an interviewee reckoning that this was purely due to political pressures coming from HM Treasury. He explained that:

> … we could get a much better deal for the Treasury, were we able to refinance the PFI, just based solely on the fact that the PFI was taken out on a 4% mortgage, and now we get a 1% mortgage. But

> because we can't refinance because that will affect the balance sheet for the national deficit – and that is a purely politically-engineered argument, means that effectively the Trust will pay 3% more for the next 30years than they need to. (TPM)

However, the reason proffered by the interviewee for HM Treasury's reluctance to sanction the refinancing scheme is not entirely valid. The adoption of IFRS in public sector accounting means that these costs cannot be entirely carried off-balance sheet (see Hodges and Mellett 2012). There may as well be varied political motivations to maintain the present financing structure and costs, which are not objectively determinable within the ambit of this thesis. Nonetheless, as argued by NAO (2010a), negotiating contract refinancing requires considerable expertise and present significant transaction costs, with HM Treasury encouraged to adopt a portfolio approach towards negotiating refinancing arrangements. As discussed in subsequent sections, the contract management and governance function of HFT3 with respect to its PFI scheme is relatively under-resourced, and may present a challenge towards the structuring of a refinancing arrangement and the sharing of gains on refinancing.

6.6.2 VfM of infrastructure

6.6.2.1 Build quality

The PFI infrastructure design, which separates the NHS elements from the non-NHS aspects of the building (research units) allows for improved performance in that it allows for the easy management of the facility. The project build, which is fully integrated into the hospital, allows for improved access to employees of the Trust dispensing other soft FM services not procured under the PFI.

However, significant developments in hard FM services delivered through the PFI raised a number of concerns on the performance of the building and the possibility for it to be returned in condition B'. As with other Trusts, a reassessment of the HFT3's estates as per provisions of the fire code under HTM 05 (DH 2015a), found aspects of both PFI and non-PFI builds to be non-compliant.

However, there was no indication that concerns on the PFI build were significantly worse than expected, nor worse than those of the retained estates. However, concerns were raised about the maintenance practices of the hard FM service provider, and over aspects integral to the structure of the building. An interviewee discussed that:

> The asset is largely fit for purpose. However, there has been some notable remedial work required. The building's maintenance falls a little short of the standard required by the contract ("Condition B") The Trust's estates team are concerned [with] the under-investment in maintaining the building and equipment. This Trust's PFI includes research space for the [funding university]. They have concerns over the heating and cooling systems, a long-term problem that is not being addressed properly. (TFD)

These conditions contribute to the overall notion that the PFI build is not entirely fit for purpose. The apparent inability to enforce contractual obligations and performance step from inadequacies in resources employed in the management of the project.

6.6.2.2 Functionality

HFT3's FBC had submitted that the PFI offered:

> Innovative and flexible design and operational solutions capable of enabling patient care of the highest quality to be provided whilst accommodating the need to embrace change.

At data collections, some interviewees suggested that the building was not completely fit for purpose, but added that the responsibility for having it to be fit for purpose did not lie with the contractor, but with the Trust. An interviewee, TPM, discussed that several variations were made to the internal layout of the building both during the construction and operational phases of the project. These changes were at the behest of HFT3, who have since found that the design could have been significantly improved to auger improved functionality. The CEO explained that in the face of capacity constraints, the design and layout of the facility could have better been improved to maximise its utility. He discussed that there was wasted spaces within the building, and that the Trust had been using variation orders to improve the effective space utilisation.

These discussions, however, reflect the inflexibilities related to PFI procurements. Variations to infrastructure layout and functions represent cost pressures irrespective of the procurement routes adopted. However, under a PFI scheme, variations attract premium charges otherwise not present through conventional procurements, which make then a relatively underused option for a Trust already under financial pressures.

6.6.2.3 Impact

Besides the preceding discussion on the impacts the procurement has had on the Trusts activities, the management of HFT3 discussed that the seamless integration of the ECC to the rest of the hospital infrastructure contributes to an overall positive experience with active stakeholders. In discussing staff attitudes to the infrastructure, an interviewee discussed that:

> I do know that the staff like the ward layout because it is new, compared to the older wards. I think that the patients care less about the building, they care more about the care that they get in it. But if you can provide a nice environment for staff, then the staff feel more motivated and they feel happier. And that always leads to better care. (TCE)

Another interviewee discussed that patient experiences with the facility is generally good. As the project provided relatively limited capacity to already developed estates, the site in its integration with its integration with existing building stock, built on the already existing accessibility potential of the hospital to improve on its own accessibility. Thus, the CEO explained that except for employees primarily involved in the operational and strategic management of the project, all else seem to view the ECC as 'just another wing of the hospital' without the special characterisation of a PFI wing.

6.6.3 Contract management

6.6.3.1 Structure and resources

The adequate execution of the contract management function is arguably as premised on the adequacies of the structures and resources equipping the management function as it is with the

function's execution. The FBC did not make any specific pronouncement on the project management structure at the operational stage, but rather relied on the threat of deductions through the payment mechanism to enforce performance. Non-specialist staff were thus to assume *ad hoc* responsibilities towards the management of the operational phase of the project. This, in addition to the enforcement of the payment mechanism and spontaneous audits were thought to be adequate in enforcing contractual terms.

This structure, however, proved to be inadequate for the contract, not the least because contractual provisions, as argued by some interviewees, are significantly complex and required substantial resources to understand and enforce. Consequently, HFT3 employed a part-time project manager to police their project. Under the current arrangement, the contract manager has the direct responsibility for the project, and is supported in his role by other units within the Trust's estates and facilities management department, and support strategically by the Trusts executive directors. However, there is limited strategic engagement with the scheme, with the CEO contending that the scale of the issues arising from the PFI does not warrant strategic engagement.

In defence of the current structure and of the previous structure envisioned under the FBC, the project manager presented that:

> The management arrangement as it stands now is as robust as it should be. I'm not full-time. I think having a full-time relatively senior manager engaged with this on a day to day basis would not make economic sense. I spend up to three days a week on the contract. The majority of that is challenging the contract and challenging the provider to bring the contract back into compliance. So, were it managed correctly from the outset, then it'd need very little contract management. It's the case of keeping the contract honest making sure audits are carried out - and to be fair, a lot of those audits ought to be done by assigned bodies anyway… and to ensure that what the provider is reporting to you is true. From a management perspective, it's being managed well now, but not necessarily so in the past, and that's not a criticism of the Trust, it's just how it is. It tends to be a small part of a small part of a large part of this job, and rather than dedicate [an employee to it] that's what you do. (TPM)

For a relatively smaller scheme, the inclination to disperse the contract management function to other functional areas in the Trust whiles relying on contract enforcement mechanisms stands to

be theoretically plausible. However, as discussed in section 6.6.3.2, 'delivery', the SPV actively pursues rent-seeking, and would seek to exploit given opportunities to earn additional income.

Furthermore, a scheme that relies on the dispersion of contract management duties requires that the staff involved continuously appraise and improve their skills related to the contract management. However, an interviewee explained that:

> All staff have an annual appraisal and objectives are set. Where training needs are identified it is difficult to find appropriate courses. Often knowledge sharing amongst NHS staff is used. The current financial climate has resulted in reduced funding for training. (TFD)

Another interviewee noted that a significant proportion of the training needs relates to the legal understanding of contractual provisions. In addition to the limitations identified, the interviewees discussed that there is currently limited support from the PFU, and thus limited avenues for the sharing of experiences in the management of the projects.

The importance of the contract document in the management of service delivery comes to the fore in projects such as that of HFT3 where the procurer believes the provider's performance to be sub-optimal. In discussing the role of contract document in the management of service delivery and dispute resolutions, an interviewee (TFD), explained that contractual provisions have hardly been used in dispute resolutions, explaining that to enforce contractual provisions "would lead to a backlog of disputes as there are many things wrong with the service". Another explained that there was a tendency to let disputes fester, because of staff turnover that causes issues to be 'forgotten' and 'resurrected' by new officials, and also because of:

> lack of resources on our side, there just hasn't been the management time. And I think people get scared. They look at the schedule and they think how much is it going to cost in terms of financial resources and also time… (TPM)

Citing an example of the improper utilisation of contractual provisions that now represents a source of dispute, the interviewee presented that:

> There's been numerous variations orders that have gone through … What there hasn't been is a process where the contract has applied full changes in use. 2015, a lot of those issues now have

> festered and are now causing a dispute. Whereas if the contract had been applied as it was intended to have applied, they would have been resolved.

The practical logic employed by HFT3 in the management of the operations of the project is based on the realpolitik of the economy of resource expenditure, comparing resource inputs to the outputs. Their decision to commit a part-time contract manager is borne out of this logic.

6.6.3.2 Delivery

In addition to the self-monitoring reports and audits performed by the SPV, HFT3 employs a number of audit measures including "analysis of complaints, random visits (checking of appearance and sterility), user surveys validation checks of project [company's] data, deliberate testing *etc*." (FBC 2004: 114) to enforce performance compliance. As an interviewee argued, however, these are "insufficiently effective as means of discovering all actions by the PFI partner to avoid its full-service responsibilities".

Within the purview of achieving procurement objectives, the procurement has arguably delivered on the defined objects, by delivering the additional capacity to time and to budget. However, the appropriateness of the procurement route and procurement objectives in present times was questioned by HFT3's CEO, who submitted that:

> I think if we were going back now, we might do it differently. But you know, that will always be the case in hindsight. But I think for the most part it has achieved the objectives that were set for it. (TCE)

In terms of the on-going delivery of FM service, the performance of the hard FM services has been presented to be sub-optimal, with the payment mechanism characterised as not being robust enough to capture all aspects of performance and to enforce deductions. This was because the structure of the contract management function as discussed above did not allow for the Trust to 'be aware of all service failures' to be able to justify deductions, but also because variations orders were improperly executed, and thus not adequately captured by the payment mechanism. The

contract provides for the benchmarking of soft FM services. However, the Trust had neither benchmarked the soft FM services nor change the service providers.

On risk transfer, the contract supposedly documents the types of risks, the respective parties responsible for such risks, and the strategies for the management of identified risks. However, the effectiveness of risk transfer is premised on the acceptance of risk management responsibilities. In HFT3's case, the interviewees discussed that there was a continuous discussion regarding the party on whom the responsibility to bear the practical manifestation of risks lay. As with other PFI projects considered in this thesis, risks proven to lie with the PFI are subsequently transferred to the respective service providers, with limited burden placed on the SPV itself. HFT3's CEO thus concluded in hindsight that the benefits of risk transfer arrangement were not apparent enough to justify the VfM verdict granted in favour of the PFI within the FBC.

6.6.3.3 Strategy and Supplier relationship

PFI projects are premised on the presumption that private providers have the necessary resources to deliver on contractual terms. In HFT3's PFI relationship, however, an interviewee argued:

> I believe the contractors do understand the core requirements. However, their ability to fulfil those requirements is constrained by reluctance to provide sufficient investment in buildings and equipment maintenance and replacement (TFD).

He submitted further that there was a 'large amount of evidence' suggesting that the hard FM service provider actively minimised their cost by under-investing in service delivery.

The active rent-seeking approach adopted by the SPV justifies the reliance the Trust now has on formal mechanisms in the control and management of the project's operations. HFT3's management discussed that they tended to be challenging in their treatment of their PFI colleagues, borne out of the mutual distrust each party had for the other.

The reliance on formal mechanisms, however, presents problems to parties whose interests are not particularly and/or actively secured in the contract. In instances where the procurer's interests are enshrined within the contract, the non-enforcement of contract terms whiles reliance is placed on formal mechanisms of control is bound to be present bad VfM to the procurer. Formal mechanisms thus tend to be feasible and appropriate in PFI relationships where both parties are particularly competent enough to enforce contractual provisions.

6.6.3.4 Development

HFT3's decision to restrict the number of soft FM services procurement through the PFI was borne through the fact they felt they were better positioned to supply the other services and the mobile equipment. Trust management argued that the greater flexibility of retaining soft FM service delivery rather than bundling them into the PFI afforded them the opportunity of managing the contractual process for greater VfM delivery. As an interviewee argued, the PFI building was but an extension of the Trust's estates. It was thus beneficial to extend the already established FM service delivery mechanisms it had for the rest of the estates. He explained that:

> [the PFI] wasn't a complete revamp of the whole hospital, so we already had an inbuilt service provision within the hospital. And it made sense just to extend that because that would have been cheaper. That would cost less us less money to do that than to separately procure it. (TCE)

Another interviewee, who was involved in the procurement process, argued that the procurement posed significant challenges to the Trust, with the Trust having limited expertise to handle all the aspects of the contracting process. He argued that:

> The procurement of a PFI has many new elements to it. In particular, it's a new "process" to follow. There are a number of new concepts to understand. There is insufficient central support to Trusts…. At the procurement stage, the Trust received significant help from [private] advisors (technical, financial and legal). This being the Trust's first PFI, it had limited understanding of the process, though [it] had good experience of estates and finance. (TFD)

As with the other cases considered in this thesis, PFI procurements hardly represent repeated transactions, and have peculiarities not particularly present in other forms of procurements. It

would not be cost effective thus for individual Trusts to develop competencies needed for unique procurements such as those of the PFI. Reliance on central government support is necessary to ensure that good deals are arrived at during the contracting phase. As the interviewee presented, however, in their case there was limited central support from the PFU, culminating in the structural deficiencies in the contract management during the early stages of the project, which have since resurfaced to inhibit service delivery.

6.7 Merit and Worth of PFI

There are various perspectives through which the merit and worth of PFI could be assessed. This thesis chooses to consider the merit and worth through the lenses of VfM delivery and the associated VfM drivers, and through the argument of additionality. Both perspectives are interlinked and intertwined, empirically informing the conceptualisation held of various aspects of the operations of PFI as a procurement route.

Firstly, on VfM, the metamorphosis VfM goes through in determination, whether at the project, programme or policy levels, defines the evaluation practice within the respective level; informs lessons that can be learnt; and the subsequent worth attached to the policy's operation. As an interviewee presented:

> It comes back to your original question of what is VfM and how are you defining VfM, because actually it can be defined in lot of ways, so you could look at it from the Trust's perspective and look at the original objectives for the project if they are documented as it should be, or you could look at it from the system perspective; and in that case, you know you actually need to have a look what is the mission of the NHS, maybe you need to go back to the NHS charter and decide to what extent is this project contributing to those outcomes. (ACC1).

The imprecise nature of the concept coupled with the policy requirement that individual projects evaluate for VfM delivery means that such evaluations would not be sufficient by themselves to inform the broader implications for society resulting from the PFI intervention. Project level evaluation would concentrate on narrowly assessing VfM via the assessment of the extent to which

procurement objectives were met, whereas macro-level evaluation considers the broader impacts on the overall health economy. The sum of individual evaluations would not equal the sum of the whole, which has implications for defining the policy's overall worth and impact.

Within the micro-field of specific PFI procurements, the additionality of investment through the PFI, and the specific operational mechanism of the PFI contributes to it being regarded in a positive light. The provision of capital assets, the contractual requirement to secure continuous maintenance of infrastructure and the budgetary benefits (provided through PFI via the amortisation of the capital and revenue costs over the life of a contract) is not only submitted as a merit of the PFI, but constitutes a basis for understanding the concept of VfM. As some interviewees presented:

> From my point of view having worked previously for the NHS, what you typically get in NHS building is a situation where government cuts, efficiency savings, not enough money etcetera, drives a situation whereby if you typically look at the ERIC[75] returns for non-PFI buildings, the backlog maintenance gets into millions and millions. Having worked in the NHS myself in the old hospital, you only got to walk around and you could see that that was the case. So typically they don't want to take money out of nursing services, so it always gets taken out of the estates budget, therefore things aren't always done as they should be. For me, one of the reasons that this hospital and groups of NHS organisations decided to go for PFI was to protect against that. (HPT)

> I think it's been very successful at getting a lot of infrastructure built that wouldn't have otherwise been built. I think the quality generally of what we see across the sector is very high, of what is being built. (ACC2)

Certainly, for the procurer, the PFI provides capital assets that would otherwise not be available.

However, the impact of PFI procurements on the overall health economy presents is cited as often in a negative light. An interviewee presented that:

> PFI is a social pathology. There may well be PFIs that are considered acceptable or even acceptable or efficient, but there are clearly [some] PFIs that are simply unacceptable, unjustifiable, eye-wateringly costly, dangerous, unsafe and deeply unfair. And some PFIs are so bad, so inefficient, and so costly that it's hard not to arrive at the conclusion that they came about through some form of corruption or acts of malfeasance… We need to declare PFI as being socially illegitimate. In many cases, the excessive levels of profiteering, greed, and rent-seeking, that is part and parcel of PFI

[75] Estates Return Information Collection (ERIC).

> comes at the expense of staffing hospitals, of the huge loading of debts on us taxpayers and on future generations. (DOC2)

Caution should, however, be exercised in ascribing some criticisms to the PFI. Contrasting the broad criticisms presented by some interviewee against the merits presented by the others, signify how broader level conditioning within the bureaucratic field account for both the choice and effects of PFI procurements. Furthermore, some effects (such as those of unaffordability of PFI costs and inefficient contracting), cited as symptomatic of the PFI, may as well be deficiencies within the public sector towards the choice and execution of a PFI contract, but not of the PFI itself. As an interviewee in defending some of the criticisms against the PFI presented that:

> [If] you build something that is too big, it going to be too big however you procure it. The whole VfM process is one thing, but separating out how it is procured from what is procured, bad decisions may have been made in some of these instances. Because I think there was a definite element, again more so with the earlier PFIs, of procuring authorities 'over-specing' what they wanted because it was PFI, because they weren't paying, because it wasn't coming through as a capital cost upfront: let's over-specify what we want. "And let's take it as the mantra during the competition to ask for and get as much as we can for the budget that we have been set", rather than "buy what we actually need and driving the cost down.' And I definitely see this in so many contracts. So I think that there definitely something from a VfM perspective once operational, of, well are you paying over the odds for a service that to be frank is completely over the helms of what you need? You know if something broke off in a room, do you need someone to be there within an hour? And if that mere need means keeping three people on-site within the hospital to respond to things; isn't that paying over the odds? A public hospital wouldn't do that. So why do you need that from a PFI contractor? (ACC2)

This submission draws on the general ethos within the public sector that causes PFI contracting to be structured the way they are. As discussed in chapter 3 however, Trusts, in their treatment as corporate entities with dedicated responsibilities, often have significant restrictions in acquiring capital projects. The tendency to over-specify an acquisition, within the confines of an inflexible PFI as a procurement route (see HM Treasury 2012a) can be understood as a strategy to deal with the uncertainties of future procurement needs.

Finally, on VfM, the delivery of infrastructure is often the primary objective of a PFI procurement, the achievement of which demonstrates the merit of the procurement. However, there are some weaknesses in using the achievement of procurement objectives as a basis for the evaluation of

VfM, (and by extension the worth of the PFI), not the least because objectives which were acceptable during procurement may not be appropriate during the operational stage of such procurement (cf. NAO 2006a). In addition, the use of achievement of procurement objectives in VfM determination, without the consideration of the appropriateness of the objectives at the time of the procurement, may cause the drawing of conclusions not actively related to determining the real merit/worth of the PFI as a procurement route.

6.8 Concluding Remarks

The chapter discussed the conceptual manifestation of VfM in operational PFI projects. The meanings ascribed to the concept of VfM gains its resonance within respective fields of individual PFI procurements via the enforcement of the logical and moral conformism exercised by the state on respective agents within their semi-autonomous PFI procurements. The extent to which these conceptualisations have practical logics and can be actualised in the evaluation of VfM delivery is however restricted.

As presented in this chapter, the conditions of possibility enabling a PFI procurement contribute significantly to the practices adopted in the operational management of the projects. The cases' findings presented within this chapter suggests that operational delivery of VfM in the procurements vary in terms of the basis of analysis. They also suggest that the practical logics adopted in the operational management of the projects depends on the resources or capitals available to the procurer. The strategies that actors employ in PFI relationships are spatio-temporally defined, and gain their practical logic only by virtue of the relations between the positions and dispositions of the actors in the relationship. The next chapter presents a cross-case analysis and the theoretical coda presented by this findings chapter.

Chapter 7: Discussion

7.1 Overview

Chapters 5 and 6 presented the findings of this thesis regarding the conditions of possibility for PFI procurements at the level of the Trusts, and the operational delivery and management of PFI projects. The discussions in this thesis thus far presented the foundations for understanding and conceptualising the procurement and management of PFI projects. It is thus imperative to present the theoretical foundations and implications of strategies conceived and deployed in PFI relationships. The chapter is structured on the bedrock of relationalism: for the "real is relational" in that objects studied are contextually seen, as part of a whole rather than in off themselves (Bourdieu 1998b: 3). Their meaningfulness is not determined by their characteristic properties, but in reference to the field within which they are embedded (Mohr 2013). The discussions presented herein detail how practices are (re)produced via the relation of the predispositions of agents within a field of PFI relative to their positions within either the specific field of procurement or within the bureaucratic field.

This chapter presents the continued analysis of the procurement and management of PFI schemes, by presenting a theoretical-cum-empirical analysis of the findings of the thesis through a largely Bourdieusian lens, and by drawing from the extant literature. It begins by discussing the construction of dispositions that allow for the deployment and application of PFI procurements and their related practices. It continues to conceptualise PFI procurements as the actualisation of the agents' dispositions relative to their positions within the field. As products of the habitus, it is argued that PFI procurements owe their practical regularity to being products of common schemes of thought and classificatory systems, and not through the mere execution of government directives. Moreover, as products of the habitus, dissent from regularity expected from the central government can be accounted for under the expanse through which dispositions structure practices.

The chapter continues by discussing VfM to be composite of material and symbolic values open to appropriation in operational projects, with the concept and its constitution assuming a doxic characterisation in public sector discourse and practices. Section 7.5 considers the operational management of PFI projects from the viewpoint of the capitals available to agents and the strategies they can muster as a result. Section 7.6 considers the effects of the doxa of VfM and the symbolic violence wielded by the state's right hand. The penultimate section discusses the operational merit of the PFI in the NHS, with the final section presenting the concluding remarks.

7.2 Disposition of Agents and the Structure of the Field

> Like the acts of jurisprudence, ritual practice owes its practical coherence (which may be reconstituted in the form of an objectified diagram of operations) to the fact that it is the product of a single system of conceptual schemes immanent in practice, organizing not only the perception of objects … but also the production of practices (Bourdieu 1977: 118)

The economy of practices within PFI procurements, must be understood as other practices are, to be the product of an encounter between dispositions of agents, which are socially constructed in relation to a field, and the socially constituted structures of that field itself (Bourdieu 2005). The constructions of the positions and dispositions within a field have a shared history through which the stakes and rules of a game are defined. The shared history of the invention of dispositions and the constitutions of fields allows specific dispositions to only be deployed within the scopes allowed for by the field (Bourdieu 1998b). This is to suggest that the structural conditioning that enabled the construction of specific fields of PFI and the procurement conditions therein are not independent of the dispositions constructed to afford the operational management of the projects.

Practices in and around PFI procurements achieve their homologies from the fact that they are ritualised public practices designed to operationalise public policies. They are products of unified conceptual schemes, which have their foundations constructed in the bureaucratic field. Nonetheless, the choice of procurement options, the process of acquisition and the subsequent management of these procurements (*i.e.* the practices within procurements) inasmuch as they are

informed from common schemes of thought, are further informed by the local conditioning apparent within and defining the position of the institutional agents in their procurement.

The PFI market as a field is sustained and controlled, directly and indirectly, by public authorities. As laid out in Chapter 3, the state constructs the demand and supply for PFI schemes by constructing the systems of positions and dispositions of the agents within the PFI market through both material and symbolic means. The state constructs the demand by constructing the scheme of preferences privileging the PFI, and by instituting material restriction to capital finance in an attempt to enforce the realisation of the preferences so set. By the use of state policy, supply is constructed through the structural constraints imposed on access to the market, more precisely, by defining an agent's position within the market.

Chapter 3 discussed the construction of the bureaucratic state with specific reference to the symbolic goods of healthcare delivery, discussing that the present structure of the field of healthcare was as a result of a statecraft of modernisation through material and symbolic means (see Wacquant 2009). It discussed that the present structure of the health services was the culmination of various reforms and restructuring, which saw the accretion of private sector ethos into the public sector cosmos of healthcare delivery. The present healthcare economy, as a semi-autonomous field semi-detached from the bureaucratic field, adopts the logic of the economic field in the accumulation and disbursement of capital and in the structuring of positions and dispositions of agents within the field.

The material and symbolic interventions within the field of healthcare did not arise purely through systemic logic (Mohan 1995), but rather had their timing and character influenced by political and socio-economic contingencies. Regardless of the cause of the interventions (causes which include political ideology through Thatcherism, machination of civil service mandarins, healthcare workers' industrial actions, rising costs, among others (see Carrier and Kendall 2016, Gorsky

2013), the impact of such interventions have been definitively edged into the dispositions of agents within the NHS. The reforms helped structure the dispositions at of procuring authorities, and hence the demand conditions for the policy. Furthermore, each round of reform took the authorities within the NHS further to the left of the state (consumed in the process of delivering the symbolic good of healthcare), and HM Treasury and DH further to its right (consumed in ensuring fiscal and economic discipline in expenditure) (see Bourdieu 1998a, 1999, 2008). The *nomos* of neoliberalism apparent within the bureaucratic field through the exercise of state's statist capital helped influence the respective fields of PFI procurements.

A marked point in the construction of dispositions within the NHS stemmed from the implementation of the Griffiths Report of 1983, which recommended that general managers be appointed to various NHS management boards, and for the introduction of the general principle of NPM (Broadbent and Laughlin 2005b, Tomkins 1987). More specifically, the Griffiths report recommended that people to be appointed to these management positions needed certain expertise that most certainly had to come from private businesses (see Campbell-Smith 2008, Griffiths *et al.* 1983).[76] An import of these recommendations was that private sector management skills and ethos could be applied as effectively in the public sector as it were in the private sector (cf. Carrier and Kendall 2016). The introduction of private sector ethos formed the foundation for the subsequent sedimentation of other private sector values within the cosmos of public healthcare delivery.

[76] The fourth recommendation of the report states that: The Chairman of the NHS Management Board would need to have considerable experience and skill in effecting change in a large, service-oriented organisation and the Personnel Director would need a similar background. **To meet these criteria, and to achieve credibility in establishing the new management style, these appointments initially almost certainly have to come from outside the NHS and the Civil Service. Other functions would have to be strengthened by people with management experience in business,** the NHS and Government. For example, the finance function would need strengthening from business, in respect of management accounting, and from the NHS for management budgets. In short, the NHS Management Board would have members drawn from business, the NHS and the Civil Service. (emphasis added)
These recommendations arguably come from the dispositions of the members of the committee themselves, all four of whom were businessmen from the private sector (Timmins 1995).

Subsequent reforms which proceeded to introduce internal markets in the NHS (based on recommendations of Enthoven (1985)) and the modification of the internal market together with the introduction of the PbR (NHS 2000) among others contributed to the sedimentation of private sector ethos in the business. This is not to suggest that public sector ethos and bureaucracy in the polity of NHS and its focus on the delivery of the symbolic good of healthcare have been lost in the incursion of private sector ethos. Rather, as with the formation of sedimentary rocks, these together have been sedimented (and in some cases) stratified into forming the overall structure and ethos of the NHS in its care delivery process (see Exworthy *et al.* 1999, Painter 1999).

The atomisation of the NHS into self-manageable Trusts theoretically independent of the state in terms of management and service provision (see Chapter 3), has caused for respective Trusts, constructed as institutional agents within the bureaucratic field, to adopt strategies within the healthcare economy to ensure their survival and prosperity. The allocation of capital between the acute healthcare providers (with FTs having higher financial capitals and by extension economic capitals than Trusts[77]) presupposes that the implicit and explicit strategies they ought to adopt depends on the amount of capital they possess and can accumulate from the broader bureaucratic fields, and within the specific fields of healthcare economies.

In the characterisation of institutional agents (such as NHS Trusts) within the broader bureaucratic fields as fields in themselves, it is apparent that dispositions of social agents within such fields are sometimes sedimented in similar ways as the dispositions of the institutional agents. The findings of this study suggest the presence of *pantouflage.* There exists a mobility of labour between the private sector and the public sector in healthcare delivery and management, observable at the

[77] FTs have higher financial capitals purely because of the added financial freedoms they have in accessing the capital markets over those of trusts. In addition, FTs have more freedoms in managing their internal funds than Trusts, and stand to theoretically possess more economic capital than their counterparts, the Trusts.

bureaucratic levels[78] and at the field level of specific PFI procurements.[79] Such mobility in labour between the sectors presupposes that there exists transferability in skills and expertise pertinent within the private and public sectors. More importantly, dispositions cultivated in the private sector especially dedicated for deployment within an economic field, in their transfer to the cosmos of healthcare delivery, aids in the further structuring of dispositions mimicking their origins of constructions – the economic field.

Most significantly, however, the structuring of dispositions within the healthcare economy largely owes their practicality and coherence to the structuring for logical and moral conformities originating from the bureaucratic field, through the categories of perception the state imposes on its social agents. As Bourdieu (2014) discusses, the state as a principle of orthodoxy, is the foundation of logical and moral conformity, foundations which inform public order. The orthodoxy laid out in the bureaucratic field as regards the broadly laid down rules in the healthcare economy, provides the pretext to the practical coherence that belies a field and its order. The state, in an attempt to achieve logical coherence on practices, imposes logical/social categories of perceptions on its subjects - the social agents, generating a worldview consistent among the agents with similar perception categories. The state in exercising its statist capital towards theoretical unification, universally imposes and inculcates common principles of vision and division on its subjects, moulding their mental structures through means including the unification of all linguistic and juridical codes (Bourdieu *et al.* 1994).

[78] An interviewee, ACC3, had worked as a policy advisor with the cabinet office prior to joining his accounting firm, and the CEO of HT1 who had served as a director of service delivery at Serco, a PFI service provider prior to becoming the CEO of HT1.

[79] An example is General Manager of the SPV-X, who was the FM service manager of HFT3 before their PFI procurement with SPV-X. An example of reverse pantouflage at this level is observed in the director of Estate services of HT1, who prior to her employment with the public sector, was employed by a private FM services provider with PFI relationship with some NHS Trusts.

The imports of these theoretical arguments lie in the governance arrangement surrounding PFI procurements. In codifying the rules for practices surrounding PFI procurements (in the forms of laws, bureaucratic procedures, education structures for practitioners, among others), the state succeeded in cultivating a unified vision for PFI, wherein it was presented as the "only game in town" (Public Accounts Committee 2011b: 7). The orthodoxy that came with this unified vision was a profoundly developed set of procedures meant to achieve this vision, detailing out the procurement processes specifically designed for the PFI. The effect of these is that dispositions of agents, be they institutional or of social agents, were constructed to allow for a worldview correlative to PFI to be developed and to be deployed. Thus, the practical coherence on the method of financing, the selection of a procurement method, and the appropriate methodology of evaluation, owe their credence to the bureaucratic field, which structures dispositions for deployment, by setting out the appropriate and acceptable routes to take among spheres of possibilities.

To conclude, PFI procurements are located in time and space, and are the results of interactions between the purchaser and provider, and the social space within which they are located. The singular interactions between the agents of NHS Trusts and their PFI providers are the spatio-temporal actualisations of the objective relations: relations between the financial power of PFI financiers embodied in an agent entrusted with the task of tactfully exerting that power, and a client embodying a certain purchasing power and a power to exploit it (both of which are linked to his/her cultural capital), each of which is nurtured, cultivated and apportioned to some extent by the state.

7.3 Choice of Procurement Options: Actualisation of the Habitus

> Doing one's duty as a man means conforming to the social order, and this is fundamentally a question of respecting rhythms, keeping pace, not falling out of line (Bourdieu 1977: 161)

As the previous section outlined, structural conditioning of the dispositions of agents, emanating from the bureaucratic field accounts for the harmonisations of structurally homologous practices such as those in PFI procurements. Practical logics within PFI procurements achieve their harmonisations as products based on the unified visions and divisions projected from the bureaucratic field. However, this only accounts for some dispositions of the agents' composite of the procuring authorities.

PFI transactions must be understood as results of strategies; as moments in a series of material and symbolic exchanges. Just as at the central level, the PFI policy is the product of a series of interaction performed under structural constraints (as discussed in Chapter 3), so are the regulatory measures constitutive of the policy themselves reinterpreted and redefined by a further series of interactions between agents. These agents, as a function of their dispositions relative to their positions in the objective structures of power defined within the limits of the local PFI contract, pursue different strategies. Even in bureaucratic organisations such as the NHS where Trusts are structured and constructed with explicit ends in mind, there is no quasi-mechanical apparatus capable of converting actions into mere executions. The disciplined conduct that appears to be mechanical executions may itself be a product of strategies equally as subtle as bending the rules (Bourdieu 2005) for as Weber (cited in Bourdieu 2005: 129) argues, "one obeys the rule when the interest in obeying it predominates over the interest in disobeying it". The 'uniform' application of the regulations surrounding PFI procurements is ascribable to the propensity to secure benefits. A variation of the procurement process in the case of HFT2 reflects a moment when the benefits of the parties to the procurement felt their interests were best served by not obeying the laid down regulations. Besides, the generative capacities of the dispositions internalised by these agents are only limited by the possibilities offered within the field (Bourdieu 1984), but by no means is limited to the visions proffered in the bureaucratic field.

Economic choices in respect of NHS infrastructure procurement (whether to do nothing; to refurbish an existing one; or to procure a new infrastructure, and in the latter case, whether or not to procure through the PFI), depends on the one hand, the socially constituted economic dispositions of the agents and the economic resources they can summon, and on the other, the state of the operable infrastructure at hand. These two conditions also depend on the economic and social conditions created by the state's infrastructure finance regime.

PFI service providers are agents of economic necessity, providing products guaranteed a market within the health economy through the statecraft of modernisation that has allowed the proliferation of out-contracting of services (see Broadbent and Laughlin 2005b). The procurers by tradition, or by internal and/or external necessity, obliges to the procurement, having internalised the set of conditions imposed upon them. The abdication of the state in the financing of capital projects, secured through the curtailment of direct and indirect economic and financial capital to NHS Trusts, together with the juridical restrictions instituted around the procurement of capital projects making the PFI a viable option, are but examples of the external conditioning imposed on Trusts informing their procurements. Other external conditioning included the demands for new models of care and the institutionalisation of care quality standards. Internally, crumbling infrastructure which exceeded their functional and economic useful lives (exemplified in the cases of HT1 and HFT2), or the need for additional capacity (in the case of HFT3); factors which threatened the long-term survival of the authorities and/or their discharge of statutory functions, demonstrates the internal conditioning placed upon Trusts.

A key defining feature of the position of NHS Trusts with respect to procurement draws from the relative concentration of economic and financial capital, and cultural capital. In economic terms, the scale and scope of infrastructure to be procured is determined by the worth of the existing estate relative to the requirements, and the amount of further investment that would be required to bring it up to acceptable standards. All NHS Trusts have the options of using internally generated

funds or external methods to financing the capital projects. As to internally generated funds, the drive for (economic and non-economic) efficiency savings has meant that Trusts are often under significant financial pressures (Shaoul 1998) and do not necessarily accumulate the sums needed for capital projects. As Edwards (2013) argued, the present tariff system among other factors makes it difficult for all but the largest Trusts to afford capital projects. NAO (2015: 9) assertion that "acute trusts that received a greater share of their income from providing healthcare, including work funded by the national tariff, were more likely to be in deficit than acute trusts with proportionately more non-healthcare income" only lends further credence to the above argument.

External financing options for Trusts, (defined in terms mastery of and access to financial resources from banks etcetera, *i.e.* financial capital (Bourdieu 2005)), formerly consisting of grants and external borrowing[80] (Monitor 2009, TDA 2012), have had limited application, mainly through the engineering efforts of government bureaucrats to enforce the PFI policy. For large FTs such as HFT3, it was theoretically possible for them to use external borrowings for capital finance. The practicability of this option is arguable, however, as Trusts wishing to explore commercial options without government guarantees ought to prove their credit worthiness in normal commercial senses (Monitor 2009), a condition which many Trusts could fail to meet and one of the principal factors that led to the introduction of the NHS (Private Finance) Act 1997 (Edwards *et al.* 2004). Furthermore, the high specificity of hospital infrastructure means few alternative uses capable of generating sufficient additional income to offset costs are available for the infrastructure, making it difficult to secure external financing (Edwards 2013).

The hospital as a physical space is of immense importance to the entire framework of acute service delivery, defining not just the space within which services can be delivered, but also the very nature and quality of services delivered and the experiences of patients and healthcare service providers

[80] Whereas external financing borrowing limits have been lifted on FTs, NHS Trusts still have restrictions on the level of borrowing they are allowed to make, relative to their revenue generation capacity and asset base.

as such (see NHS 2000). The hospital is central in defining the position a Trust occupies in the healthcare economy, by defining the levels and scopes of care that could be delivered, the revenue to be generated through care commissioning, and ultimately defining the fulfilment of conditions of their existence. A procurement that ostensibly improves the estate configuration of a Trust in delivering their services will thus be welcomed. The PFI offered possibilities of delivering the required scale and state of the infrastructure over the life of the contract, costs of which are subsumable into revenue costs, and thus matching the operational model under the PbR tariff system.

Having satisfied one's self the PFI was the feasible option for given Trusts conditions, the margin of freedom that Trusts had, (which in itself was limited), was the time that allows them to strategize and fit their demands within the procurement. PFI procurements offered a range of possibilities, with the private consortium willing to provide services provided there were guarantees than the procurers could honour their obligations. The focus on achieving the affordability thresholds before Treasury's guarantees are granted means PFI procurements often end as lessons of sorts in economic realism for the procurers. Trusts with relatively little financial and economic capital are encouraged and assisted by the DH and the PFI partners to adjust their aspirations to the levels of possibilities present within the field. The redesign of HT1's and HFT2's procurement to reduce their scales and scopes; and the changes in payment scheduling of HFT2; are but examples of strategic attempts at actualising a PFI procurement that balanced the client's aspirations to their levels of possibilities.

Persons not habituated within the specific fields do not necessarily appreciate the stakes of the present within such fields (Bourdieu 1998b), and such is the case of PFI procurements. Every PFI procurement is a reflection of the interests at stake, with the public procurers not at liberty to question whether the game is worth playing, as that is already taken for granted. The process of recalibrating deals (as regards the scale and scope as happened with HT1 and HFT2) to achieve

affordability and VfM projections are but strategies to realise the stakes in the field, stakes which have already been taken for granted. This significantly contrasts with the presentation of the PFI as a procurement option, implying that public procurers are indifferent between options available to procuring and financing public infrastructure. As Bourdieu discusses, however, every field requires that an agent entering into it to have an *illusio* (Bourdieu 1998b), which *prima facie* banishes the presence of indifference. Those habituated to recognise the needs of the procurement enter into the procurement with (conscious or unconscious) recognition of the stakes in the procurement.

7.4 Value for Money and the PFI

The PFI is borne out of a statecraft of modernisation (Broadbent and Laughlin 2005b), and as a statecraft, is haunted by the thinking of the neoliberal state. The policy was widely adopted by both the Conservative and Labour governments as a means of politically responding to demands for infrastructure investment. Both governments used the microeconomic construct of VfM (which in itself has achieved the doxic status in public sector discourse), under the guise of an ostensibly formal and preferably mathematical construct to defend themselves against any charge of political involvement. These constructs came in the form of accounting technologies and methodologies (see Edwards *et al.* 2004). The doxa of VfM arises in that its pursuit in the public sector goes without saying, and so is its constitution as the three 'Es': economy, efficiency and effectiveness. At the operational stage what remains in the application of the three 'Es' is the comparison of stipulation and outcomes limited to the PFI option. The established orthodoxy HM Treasury proffers in the form of acceptable ways of thinking and framing in an unsuccessful attempt at implementing the doxa of VfM, which quickly transitions to a heterodoxy at the operational stage. VfM's meaning at the procurement stage is all but limited to the binary outcome of a mathematical computation. However, as evidenced in the findings of this thesis, and in addition to the

observations of some researchers (see Edwards *et al.* 2004, Khadaroo 2008), its meaning the operational stage is complex and multi-layered, and hardly conforms to the logocentric orthodoxy presented by the state.

7.4.1 Value for money: character, meaning and evaluation

Bourdieu (1977: 169) defines orthodoxy as "system of euphemisms, of acceptable ways of thinking and speaking the natural and social world, which rejects heretical remarks as blasphemies." Orthodoxy, the official way of thinking and speaking the world, exists in contrast to heterodoxy (*i.e*. heresy) within the universe of discourse[81]; both of which are practically defined in relation to the universe of the undiscussed, unnamed, and taken for granted without scrutiny (*ibid.*).

The orthodoxy of VfM, which performs a function akin to Foucault's description of a "regime of truth"[82] (Foucault 1977, 1980), relies on a logocentric representation that assumes a direct and knowable relationship between resources committed to an intervention and the outcomes of such intervention (McSweeney and Sherer 1990). The monetarisation of the throughput linkages between and outputs owe its credence to the *nomos* of NPM (see Broadbent 2002). Cowering to neoliberal influences, any part of the social that is irreducible to economic terms is disqualified as per VfM's orthodoxy (see Bourdieu 1998a).

HM Treasury and agencies aligned to the right hand of the state, muster a set of discourses, techniques and procedures specially tailored for VfM (Shaoul *et al.* 2007b), geared towards the

[81] Bourdieu (1977: 170, citing de Morgan) defines the universe of discourse as "a range of ideas which is either expressed or understood as containing the whole matter under discussion".

[82] Foucault (1980: 131) in discussing regimes of truth, discusses that "Each society has its regime of truth, its 'general politics' of truth: that is, the types of discourse which it accepts and makes function as true; the mechanisms and instances which enable one to distinguish true and false statements, the means by which each is sanctioned; the techniques and procedures accorded value in the acquisition of truth; the status of those who are charged with saying what counts as true." For the PFI, the orthodoxy set out by HM Treasury functions like the arbiter of truth.

production of a binary outcome, a process in which accounting technologies plays a principal role. Since the juridical credence accorded VfM in Department of the Environment (1973) Code of practice for auditors, and later in the Local Government Finance Act (HMSO 1982), definitions and methods of ascertainment of VfM have consistently been refined. The 'truthful' composition of PFI VfM centred on the application of HM Treasury's elaborate mechanisms of assessment, with credence lying in HM Treasury's use of symbolic violence over the subjects of the state. VfM has more or less become the 'logical machines' (Bourdieu 1998a: 96): a set of constraints that animate agents in PFI procurements, seeking to inform and guide their practices.

The logic for HM Treasury's orthodoxy is an attempt to construct an economic system of procurement that corresponds to an economy divergent from the social realities in which projects are procured. The economy that enables this procurement, encapsulated within VfM, is an abstraction of the costs and benefits of the procurement through expert systems – professionally organised systems of technologies – with a financial base of determination (see Broadbent and Laughlin 2005b). In the process, the role of accounting, in its claim as an expert system that abstracts reality from its context and makes evaluation on the basis of the financial token of money, is laid bare in the constitution of VfM (cf. Broadbent and Laughlin 2002, Jones and Dugdale 2002). Entire business cases may be disregarded if their VfM case does not meet HM Treasury's orthodoxy.

However, in democratic dispensations such as that of the UK, there is no functional and/or pragmatic way of ascertaining and negotiating the "truthful" meaning of VfM. Social agents hold different VfM conceptions, informed from different contexts and historicities, with each conception competing with the other to establish dominance. This comes to the fore in the conceptualisation of the state not as a monolithic construct with policy enactors at the centre and the executors on the periphery, but rather as a space of struggle between different agents. Bourdieu (2005) discusses that oppositions can exist between the 'centre' and the 'periphery'. The

bureaucratic field, like any other field, he argues, offers an array of possibilities imbued with indeterminacy, within which agent's disposition allows for elements of freedom to dissent from expectations. In the case of NHS Trusts (which are theoretically semi-autonomous from the central government), the margins of freedoms for dissent are much expanded[83]. The field of healthcare is one filled with strong professional and socio-political interests (cf. Kurunmäki 1999, Kurunmäki and Miller 2011), which greatly raises the possibilities of dissent from the state's VfM's orthodoxy in PFI. One expects, thus, that agents habituated beyond the logical categories of the state and having interests differentiated from those of the central government, would have the economy of practices variated from those of the state.

HM Treasury's conception of VfM as the optimum combination of whole-life costs and fitness for purpose of procured goods and services (HM Treasury 2006a, 2006b, 2012a), evaluated for through the relative comparison of expectations and outcomes of alternative procurement routes (*ibid.*), necessarily informs a practice construed towards that determination process. Classificatory systems informing practical taxonomies forming part of the VfM's regime of truth, contribute to the ritualization of practices that structure the representations within procurements. The focus on VfM contributes to the transformation of a procurement whose primary purpose was for infrastructure capacity, into one represented as for procurement of services. Symbolic benefits/costs accruing from the procurement are excluded in assessments because they may not be transformable into material forms to meet HM Treasury's regime of truth (see Andrew and Cahill 2009, Cooper and Taylor 2005, Coulson 2008, NAO 2013a, Shaoul 2005). This misrecognition of VfM, *i.e.*, the recognition of the arbitrariness on which it is based, constitutes the doxa of VfM in the PFI and the public sector. The doxa is further strengthened by the assumption that private sector expertise surpasses that of the public sector in both the institution

[83] This is not to disregard the logical basis of conformity of practices, but rather to account for the exigencies of dissent in state orders of classifications.

and management of PFI projects. The misrecognition of VfM plays out in VfM assessment for prospective projects, where the comparative merits of different procurement options are more or less quickly transformed under technical, and most importantly, financial constraints, from the exploration of alternatives, to the search for guarantees offered under the PFI.

The transition of this doxa to the orthodoxy was largely marked during the early years of the PFI, when the conception of VfM and the related methodology for its assessment were criticised and problematized in the practice as being too simplistic (*ibid.*). The government thus mustered a set of discourse and practices to defend the doxa of VfM (including some dismissing criticisms and others discrediting and intimidating the critics (Greenaway *et al.* 2004, Shaoul *et al.* 2007b)); marking its transition into the orthodoxy founding the regime of truth.

During the operational phase where there is a relatively less established regime of truth for VfM; there are significant variations in the conceptualisation and assessment of VfM. For a start, VfM assumes a symbolic status in the operational phase: a port of call in articulating practices; but can rarely be articulated in unambiguous terms. Thus, while the pursuit and construct of VfM have become a doxa, its practices oscillate between orthodoxy and heterodoxy, depending on the field and the stage of its construction.

The orthodoxy of VfM determination is well grounded at the procurement stages of projects where a quasi-perfect correspondence exists between the objective order of determination and the subjective principles of organisation. At this stage, the legitimacy of PFI VfM and its method of determination are taken for granted. Those disadvantaged by the symbolic order (like the trade unions who opposed some procurements, or the Trust boards who must bear the brunt of the increased costs), cannot but recognise VfM's legitimacy if they are to get a hospital to work in. The subjective necessity and self-evidence of the common-sense pursuit and composition of VfM are what qualifies it as a doxa.

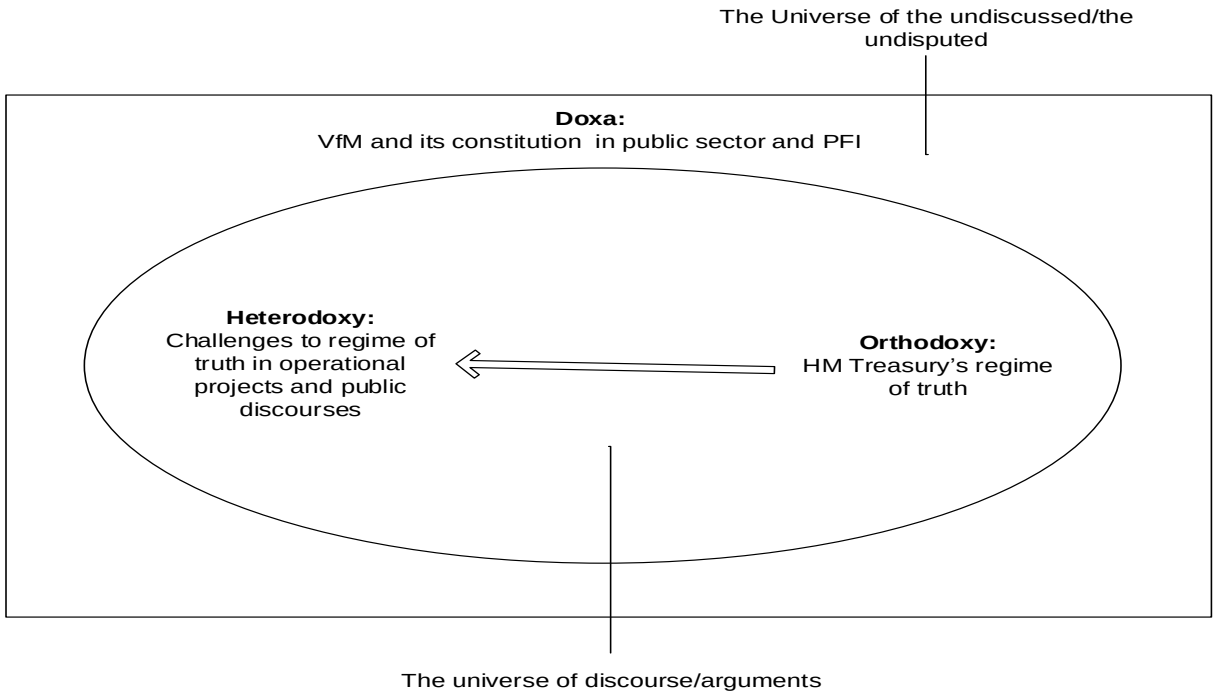


Figure 7.1: Characterisation of VfM

Source: Adapted from Bourdieu (1977: 168)

However, the presence of heterodoxy is more established at the operational stage where there is not a well-founded regime of truth. The extent of VfM determination as per HM Treasury's connotations is as valid as the options available for appraisal are. The weaknesses of the PSC as a benchmark for VfM assessment has already been documented in the literature (see Grimsey and Lewis 2005, Heald 2003), not the least because it does not represent a realistic option for the benchmarking of the PFI costs. At the operational level, the absence of realistic options for the comparative analysis allows for heterodoxy to flourish, causing for the use of varied and alternative basis towards the determination of a VfM outcome. The relativity inherent in HM Treasury's conception falls on the comparison of alternative procurement options. However, it is often the case that there are no comparable composite solutions provided on the market, with significant impracticality in composing a cocktail of a similar solution to that of a PFI. This, therefore, leaves the option of comparing the stipulations and outcomes of the PFI option as the basis with a direct linkage to the objectives and outcomes of the procurement, or the comparison of present PFI

outputs to conditions prior to the procurement (an absolute assessment). This 'absolute assessment' (NAO 2009b), goes against HM Treasury's regime of truth.

This, however, is symptomatic of the orthodoxy of VfM in the public sector. In reality, alternative bases for analysis are used, ranging from comparing outcomes to the pre-procurement conditions, or comparing the functionality of a PFI procurement to the operational management of similar projects. Exercising the option of comparing stipulations and outcomes, as part of HM Treasury's regime of truth, is laying credence to the strength of the doxa and orthodoxy of VfM. The truth of the doxa becomes apparent in the locus of competing opinions (see Bourdieu 1977), a state applicable at the operational stage where the composition of a VfM outcome is open to varied opinions. Finally, the reality of VfM in operational projects is not reducible to a binary outcome, but is rather a multi-layered and complex construction composed of outcomes that may or may not represent VfM.

Furthermore, this heterodoxy is the convergence of two seemingly independent concepts in PFI procurement: VfM and affordability. VfM and affordability have often been considered as separate analytical categories in both the literature (cf. Pollock *et al.* 2011, Shaoul 2005) and by the Treasury (HM Treasury 2006b). The findings of this thesis, however, point to the convergence of both concepts at the operational stage, when the basis of VfM is related to the volume of usage required to sustain the financial burden from the project, and hence justify the VfM argument of procurement. Under the PbR system, Trusts' income levels largely depend on the volume of unit care delivered, *ceteris paribus.* In the development of FBCs, prospective numbers of patients to receive care in PFI facilities are used in justifying the case for procurement. The level of usage of a facility thus often influences sentiments on VfM.

7.4.2 Value for money: symbolic and material compositions

The structure of the field of individual PFI procurements is defined by the amounts of capital respective agents wield within their relationship; capitals that simultaneously define the positions of the agents and the projections of possible appropriations of the benefits abound within the field. VfM is presented as the locus that animates public sector practices. Battles over its definition are not only associated with battles over the setting of priorities, but also extend to battles of pre-eminence to be accorded to the practices that would best secure vested stakes in the field. Conceptualising VfM to be highly reliant on quantifiable economic analysis, as has the HM Treasury (see NAO 2013a), relies on HM Treasury's wielding of a specific bureaucratic capital: statist capital. Statist capital is linked to TM Treasury's hierarchy within the bureaucratic field, which allows it to dictate the priorities of government expenditures and the conversion rates between species of capital in PFI fields[84]. Together with the bureaucratic capital, HM Treasury as the right hand of the state, endowed with cultural capital, more specifically informational capital accumulated in the form of statistics and performance data, legitimises the pursuit of a VfM determination process that prioritises economic measurements and the pursuit and appropriation of economic capital within the PFI fields that the bureaucratic fields influence.

As evidenced in the findings and discussions above, the pervasiveness of dissent on the constitution of VfM allows heterodoxy to foment. To reconstruct the constitution of VfM is to reconstruct the economy of procurements. PFIs marry private partners to public bodies in a relationship that assumes that private sector profiteering is compatible within the domain of public interest in the rendering of public service. Within this relationship, value is the aggregate of attributive benefits (whether material and symbolic) created and appropriated by various parties in

[84] HM Treasury defines what is Trusts can accept as acceptable levels of costs from the PFI through VfM and Affordability determinations. They also promote the use of the policy on largely on the cultural capital superiority of the private sector. In underwriting PFI schemes, HM Treasury guarantees the economic benefits to the private sector. Effectively, HM Treasury defines the hierarchy and the rates of conversion between capitals in a specific PFI field.

the relationship, irrespective of the party ultimately appropriating such value (Amit and Zott 2001). The actual composition of value in this relationship depends on the perspective of the party seeking tits appropriation.

A PFI procurement field is often characterised by a tripartite relationship (Kivleniece and Quelin 2012), comprising the private provider(s), the public procurer and external stakeholders. Figure 7.2 illustrates this relationship in a typical PFI project, and the pressures they have on value appropriations. As Figure 7.2 illustrates, the public procuring body delegates service provision to the private partner who provides services directly to the public, captured as third-party stakeholders. Within this relationship, the private party's illusio normally is construed as the accumulation of surpluses through the supply of services as per the contract (cf. Ezzamel *et al.* 2012, Ezzamel and Willmott 1993) and/or the accumulation of institutional benefits via the use of PFIs (see Edwards and Shaoul 2003b). The public procurer's illusio is limited to the provision of public services (Ezzamel and Willmott 1993) in the fulfilment of their obligations, but also the achievement of politically motivated objectives (Kivleniece and Quelin 2012, citing Shleifer 1998) and also to legitimise their existence. Bodies such as NHS Trusts derive their legitimacy from the delivery of the statutory services for which they were established. A delegation of such delivery function to private partners does not absolve them from such arrangements but still require delivery to secure their legitimacy. Further, the use of PFIs at the policy levels has political motivations such as those of the provision of infrastructure and the reduction of public debt (Forrer *et al.* 2010) which can be linked to re-election motivations.

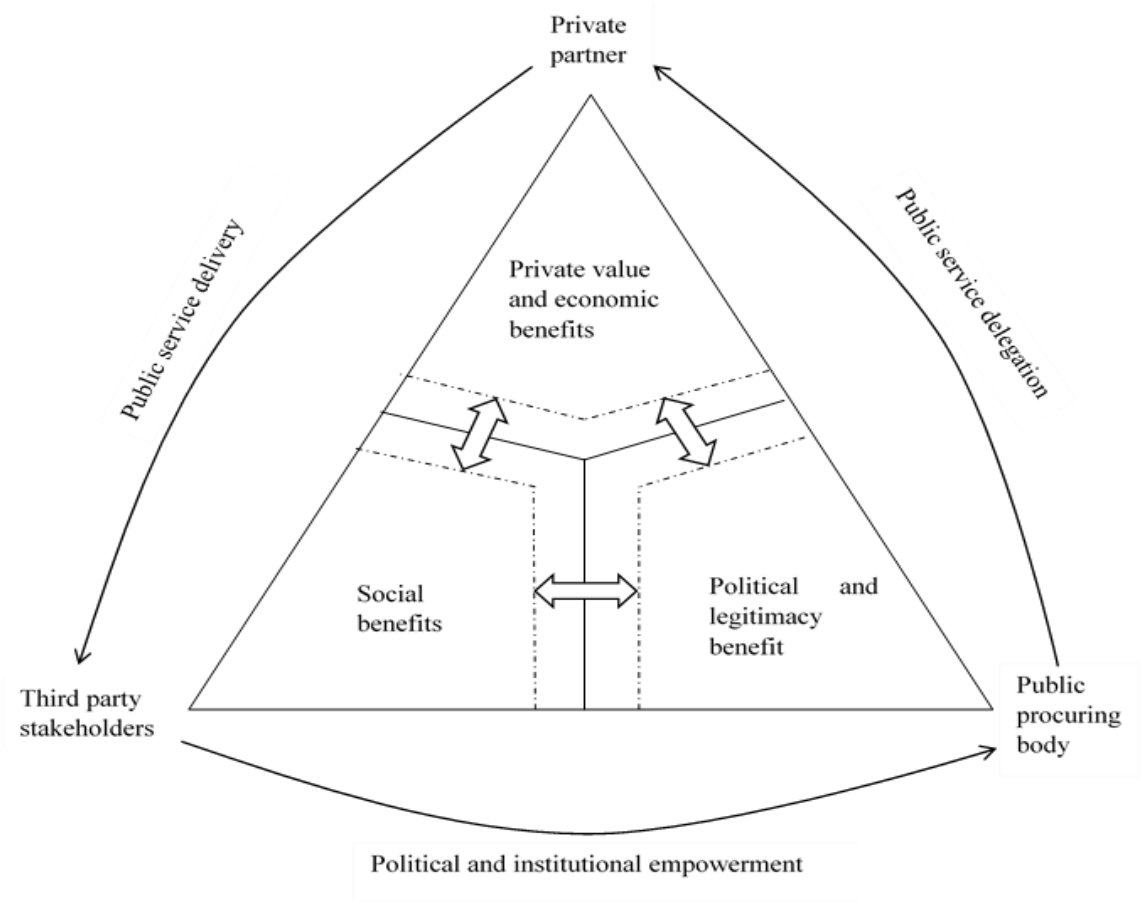


Figure 7.2: Value appropriation in PFI contracts: Tripartite distribution and tensions

Source: Adapted from Kivleniece and Quelin (2012: 278)

Third-party constitutes contribute to the value creation process by the consumption of services delivered by private partners or through service as specialist consultants whose inputs determines outcomes of an intervention. While a portion of them may be docile, the formation of interests groups with political interests in their capacity as political principals of procuring authorities and as users of public services may arise seeking the fulfilment of their interests (Kivleniece and Quelin 2012 citing Spiller 2008, 2010).

'Value' thus can be conceptually defined as the sum of the material and symbolic benefits derived by the public (the procurers and users alike) from a PFI relationship towards the delivery of services, with money representing the resource commitment, financial or otherwise towards the generation of that value. Whereas this conceptualisation still draws from a logocentric

characterisation, the composition of VfM and money in analysis draws from both material and symbolic means, advocating a holistic approach to evaluation. This conceptualisation accommodates the various conceptions currently held on VfM.

In Bourdieusian terms, two types of capitals take centre stage in PFI procurements: economic and cultural capital. The infrastructure, itself an economic capital, is procured premised on the trade of periodic economic capital in the form of unitary payments over the life of the contract for PFI services. The service element of PFI solutions is also premised on the assumption that the government lacks the in-house expertise to effectively and efficiently deliver services, and the presumption that private providers are better placed to deliver these services (Forrer *et al.* 2010). PFI providers are selected on the premise that they possess superior cultural capital in its various forms to deliver procured services. However, the public procurer itself requires a sufficient cultural capital to be appreciative of the services delivered via the scheme, and to transform them into usable forms. Hence, the positions of agents within a specific PFI field are defined by the relative possession of both economic and cultural capital.

However, the importance of the aesthetic and functional state of a PFI hospital infrastructure (the economic capital) lies in justifying the unitary payments received and/or the deductions levied on performance. The symbolic and material benefits of the hospital infrastructure produce a practical logic that values service delivery over the economic costs or benefits. NAO (2006c) VfM conclusion reached in the case of the cancelled Paddington health campus PFI scheme reflects the importance of the material and symbolic benefits of PFI. The cancelled Paddington scheme, driven by clinical and operational need, was to replace three rundown hospitals through £300 million PFI scheme (at year 2000 prices). On the VfM implication of the cancellation, the NAO (2006c: 1) concluded that:

> The cancellation of the scheme represents poor value for money for the patients, visitors and staff who have been left with hospital premises that are long overdue for renewal and specialist clinical services which have failed to meet the recognised need for reconfiguration.

The value accorded new hospital builds make procurers prepared to plunge into long-term relationships all but guaranteed to present adverse financial impact on their operations. The state of the hospital infrastructure and the amount of hospital capacity available is all the more important given the cultural importance of the NHS in the UK's society. After all, the NHS "is the closest thing the English have to a religion" (Lawson 1992: 613), and the hospital is the place of worship for that religion.

7.4.3 Value for money: evaluation

The logic of practice in Trusts excusing themselves from implementing their post-procurement evaluation programmes lies in the economy of practices on VfM and the operational management of the projects. Based on the findings of this study, and the identification of economic and cultural capital as the mainstays of a PFI procurement, an evaluation of the scheme should focus on assessing both aspects of the operations of the project. As such, the AEDET analysis[85], which formed the justifications for a procurement would profound a sound basis for analysing the functionality and operational delivery of the PFI infrastructure itself. It also provides a basis for the comparison of the stipulations and outturns of the performance of the infrastructure itself. With respect to the operational management of the project, the contract management and governance framework suggested by NAO and OGC (2008) also provides a sound foundation for the assessment of the contract management functions of the procurement. These are only indicative starting points for the evaluation of VfM, but nonetheless, are illustrative of the fundamental standpoints to be considered in assessing the material and symbolic benefits of the procurement. An analysis for VfM delivery should thus consider the usage of the asset, with or without reference

[85] Extracts of the AEDET toolkit are presented in the analysis is presented in the appendix.

to the original procurement intentions as well as the operational management of the asset as evidenced in Figure 7.3.

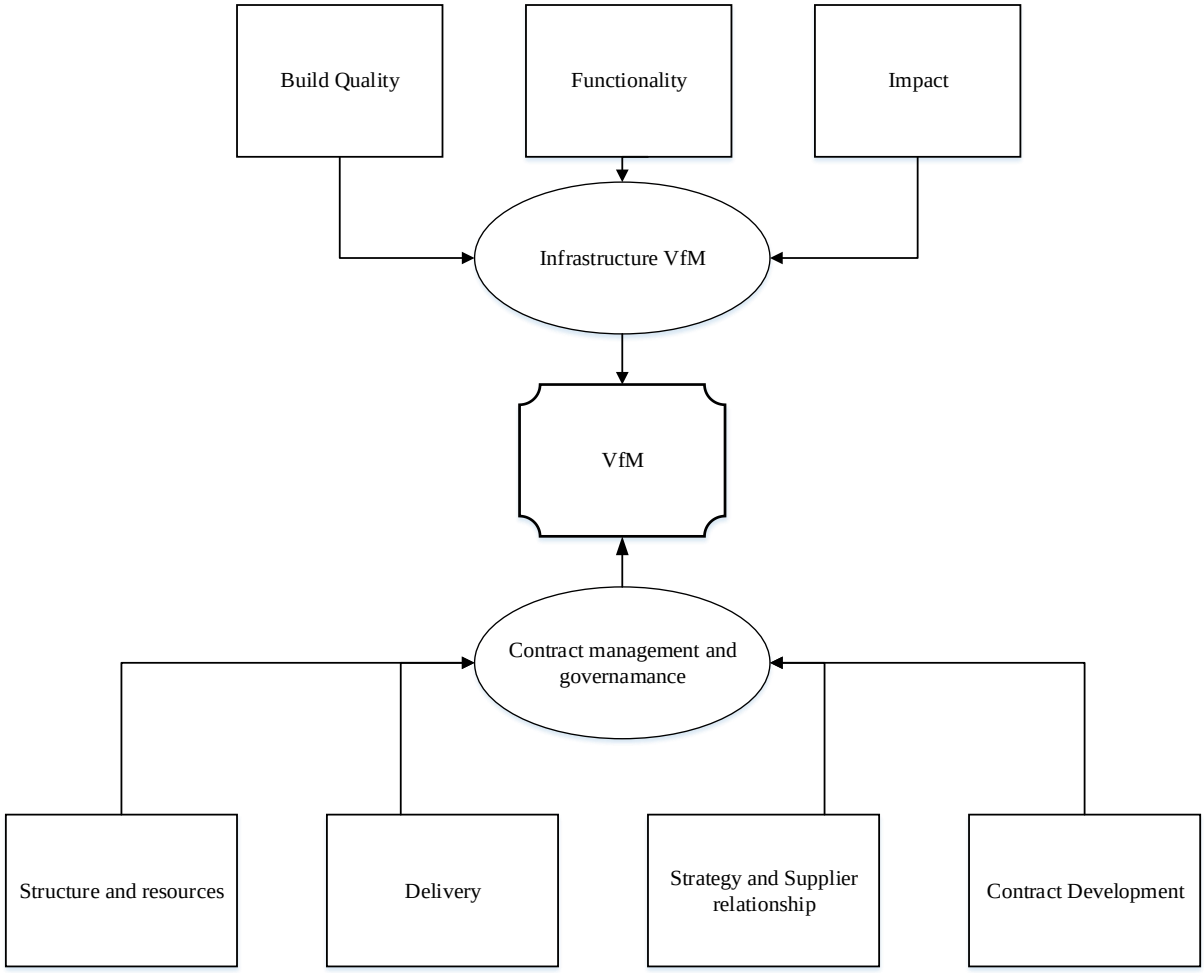


Figure 7.3: Towards the evaluation of VfM

Source: Adapted from NHS (2008) and NAO and OGC (2008).

7.5 Operational Management Practices

Bourdieu (1984, 1990b) discusses that the strategies employed within fields are defined by the amount of capital possessed by agents with the field. The strategies adopted in the management of operational projects, and the power relations between the agents are defined by the relative concentration of capital in their relationship, relative to the hierarchies of their field positions and the habitus they call upon. The concentration of economic and cultural capital, and to a lesser

extent, social capital; contributes towards defining the strategies adopted in the operational management of projects and the reproduction of those practices.

Despite the importance of the hospital building, cultural capital is the capital valued as the 'trump card' in PFI relationships. It is the symbolic capital because it is the premise on which PFI procurements are based, and is one of the single most important capital in defining the contractual relationship and the appropriation of other forms of capital, especially economic capital, within the relationship. PFI procurements are premised on the assumption that procuring authorities can specify their requirements throughout the contract period; translate the benefits into economic and quantitative terms for comparison under the VfM regime, and manage the relationship to secure such benefits. This, however, requires the procuring agents to possess a certain degree of cultural capital, a lack of which can deter the appropriation (or even the intent thereof) of the material and symbolic benefits of the procurement (see NAO 2010b).

However, the state contributes significantly to defining the levels of cultural capital available within specific PFI fields. By defining the procurement process and the statutory returns required in the operational management of the projects, the state contributes to the nature of embodied cultural capital of Trust' agents. The state avails the support of the PFU to procuring authorities to strengthen the cultural capital needed in negotiating the procurement process. Despite best efforts, however, there are significant deficiencies in procured buildings. Edwards (2013: 2) notes that:

> There has been investments in buildings that are in the wrong place, and others that now appear to be surplus to requirement, or are rapidly becoming out of date as treatments and care change. Many of these buildings are over-specified and inflexible, which makes them expensive to operate and to reconfigure.

This observation on procured NHS buildings in reference to the PFI displaces the argument of the supposed possession of cultural capital needed in sustaining a PFI relationship.

Furthermore, the concentration of cultural capital required in the operational stage of the project – the symbolic capital, defines the actual delivery of the project in terms of the appropriation of the material and symbolic benefits of the procurement. All cases considered in this thesis recognised the need to assign the management of their projects to dedicated staff with the expertise of managing similar projects or arrangements. Nonetheless, the contract management functions are a smaller proportion of the relative strength of the Trusts' estate management function, which traditionally is concerned with the maintenance and operations of buildings without the cultivation of the entrepreneurial skills (Edwards 2013) which may prove valuable in managing a PFI relation.

A demonstration of the symbolic capital comes into effect in the proving of faults for the purposes of levying deductions. NAO (2010b) observed the level of penalties applied for poor performance in NHS PFI services to be low. However, the observations from the case studies in this thesis suggest that this may as well come down to the ability to prove the existence of faults to warrant deductions. Furthermore, objectified cultural capital in the form of the contract documents, meant to codify the contractual process, requires further cultural capital to translate and enforce. In the case of HFT2, the objectified cultural capital is presented as having been tailored to the benefit of the private providers, hence strengthening their position vis-à-vis the public procurer.

In addition, the relative ability of the public procurer to accumulate cultural capital is impaired, relative to that of the private partners. PFI providers are mostly specialised in the services they provide, consolidating experiences and knowledge across the various sites of delivery. Conversely, Trusts often have the single procurement to learn lessons from, relying on the DH and HM Treasury to support their functions through the dispersion of the informational and cultural capital accumulated from the coalition the various returns submitted from respective NHS Trusts[86]. The

[86] For example, in April 2012, HM Treasury required departments to start reporting to it on a quarterly basis from July 2012 on their progress in identifying and agreeing savings (NAO 2013b). This is in addition to the ERIC and other statutory returns made to the DH with respect to NHS estates.

present structure that allows the centralisation of expertise within the PFU to assist in local efforts towards the management of PFI projects is theoretically appropriate, given the possibility of the state to accumulate extensive informational capital from all operational projects. However, NAO (2010b) reported that there was no centrally held data on PFI programmes at the various departments, impairing the accumulation of informational capital. Also, the findings in this thesis suggest that there is a reduction in efforts of the PFU in the dispersion of lessons gleaned from other PFI sites. Furthermore, high turnover in staff with PFI responsibilities as observed in HFT2 and HFT3, creates a paucity of cultural capital within projects (see NAO 2011), thus affecting the concentration of cultural capital within Trusts.

Social capital – the network of relations between parties (Bourdieu 1984), contribute to defining the relationship between the parties and the accumulation of cultural capitals. The cases in this thesis suggest that the ability to form a network of relations between agents of procuring Trusts and their counterparts in other Trusts contributes towards the sedimentation of cultural capital accreted through such relations. More importantly, the social capital cultivated between parties to a PFI procurement contribute to the agents adopting informal mechanisms towards the execution of project demands rather than the reliance on formal mechanisms. This is because relying on the enforcement of contract terms on pure market mechanisms imposes higher transaction costs than through using non-market coordination mechanisms (McCartney and Stittle 2012). The relationship among the agents in the PFI relationship of HT1, allows for the use of the contract document as a last resort in the resolution of disputes. Conversely, HFT2, whose relationship relatively weaker, relies on formal mechanisms towards the execution of project responsibilities.

To conclude, the power relations between the agents within the PFI procurement are defined by the relative concentration of capital each agent embodies. PFI providers have more economic capital in ownership of the hospital building, and is assumed to have higher cultural capital than

that of the procuring authority whose economic capital lies in the ability to meet his PFI obligations and with cultural capital arguably less than his private counterpart.

7.6 Power Relations and the Effects of VfM Doxa

The orthodoxy composite in the regime of truth of HM Treasury for VfM exists in the form of cultural capital; in the forms of instruments of knowledge and accounting technologies endowed with universal validity within the limits of their competence. Bourdieu (2005) discusses that doxa often works to the benefit of the dominant, with domination secured through the control of doxa. The doxa of VfM not only works to the benefit of the higher state nobility, but also on behalf of the private providers within the local PFI field.

Principal players on the states right hand include HM Treasury, providers of private finance and the accounting firms. For the right hand of the state that no longer really wants to know what the left hand does (Bourdieu 1998a), the doxa of VfM ensures the achievement of their objectives and the maintenance of their power relations. The state's right hand, principally HM Treasury and the accounting firms, perpetuates symbolic violence by representing the ideal constitution of VfM to be founded on a narrow conception. The effect of this violence is that peoples' categories of perception permeated with classificatory systems follow to make 'factual' representations on the VfM delivery in operational projects, representations which are irreconcilable with the reality of the projects.

HM Treasury's in their preoccupation to justify the successes of the PFI benefit from a narrow conceptualisation, wherein successes could be demonstrated via the achievement of procurement objective and to justify the public benefits of the PFI. This conceptualisation is but an abstraction devoid of context, through the application of performance measurement techniques with a financial focus. This doxa of VfM is however misleading, obfuscating and disguises the real

problems of PFI projects under different prejudices. It also contributes to the passivity of the dominated, who regard their positions as givens with limited options out of escape. Having employed various strategies to enforce the adoption of PFI, the withdrawal of the state from the operational management of the projects, and the attempt to devolved failures to individual Trusts, is enabled by this doxa. For HFT2 for example, wherein it is argued that repayments and outcomes matched those of stipulations, a verdict of good VfM delivery would ordinarily be reached on the narrowest level. The reality of the project's operation is however far from this representation. Attention is thus diverted away from addressing the rudimentary causes of the failures that lie within the PFI itself, towards the management of other aspects of the Trust's operations. The passivity of the Trust's management, in their agreement that the project overall performance is good based on outturn versus expectation, is grounded in the doxa of VfM.

For the providers of capital and PFI services, a narrowly conceived VfM constituting its doxa continues to safeguard their present and future interests. The passivity with which Trust agents accept their situations guarantees the continuance of projects with limited alterations. A narrow conception also follows to arm capital providers with legitimate justifications for the rewards reaped in PFI relationships, with the argument that outturns match those of stipulations. These representations contribute to the foundations of future interventions using private finance, as earlier interventions in PFI are justified.

The conflicts of interests facing accountancy firms who not only help device public policies, but also contribute to their operationalisation and evaluation, have already been noted in the literature (see Ruane 2010, Shaoul 2011, Shaoul *et al.* 2007b, UNISON 2002). However, the doxa of VfM enhances the opportunities for accounting firms to accrete and appropriate symbolic and material value. The pursuit of VfM and affordability within PFI procurement requires the engagement of professional bodies to provide assurances on the procurements in terms of their VfM case. When Trusts such as HFT2 ran into financial difficulties, additional business was created for the

consulting firms, who were brought in to consult on turnaround schemes to reverse Trust misfortunes. However, as the Public Accounts Committee (2013) noted in the case of HFT2, the consulting services which were procured at a significant expense, in practice had little effect in alleviating the impact of the financial strains put on the Trust. Further involvement of the firms cannot be avoided, given the legitimacy advisory firms have within our societies.

The effects of this doxa and symbolic violence on the left hand of the state are profound. PFI has contributed to the provision of infrastructure to the NHS, but has also negatively impacted the operations of the NHS Trusts in the forms of dissatisfactions, disillusionments and tribulations. No doubt, the aspirations that underlie these impacts on NHS Trusts, who are pre-eminently the victims of symbolic violence, always seem to owe something to the complicity of the Trusts themselves, and to the alienated desires by which they conspire to bring about their own unhappiness. Trusts embarking on projects measured against their aspirations rather than their possibilities, procure PFI solutions that are not fit for purpose over the life of the contract. In the process, they lock themselves into impossible constraints, with no option than to cope with the consequences of their decisions at extraordinary costs in tensions with the providers and their constituents. At the same time, they strive to content themselves with the judgements reality passes on their expectations, expectations constructed with significant inputs from the right hand of the state. Trusts aided by VfM doxa, continue justifying their failures, semi-successes, or worse, of deceptive successes of their misconceived procurements to complete dead-ends, as they still need to survive the realities of the procurement. The management of procuring Trusts are however criticised for their PFI decisions (e.g.NAO 2012) or for their failures to meet the affordability of their procurements, procurements they undertook because they were drawn to live beyond their means under the PFI, which they had looked to work miracles on their behalf.

The role of accounting and the accounting practitioners in the reproduction of the adverse effects of relying on the doxa of VfM cannot be overemphasised. It is the accounting consultancies that

contributed to VfM as a legitimate principle of pursuit in the public sector (see Sherer 1984), and further lent credence to its evaluation by employing various accounting techniques of cost assessments and performance evaluation. The entrenchment of the doxa of VfM and the resultant symbolic violence enabled by accounting thus led to the dominations observed within PFI fields.

7.7 PFI in NHS: Overall Worth

The contribution of the neoliberalism to the *nomos* of the bureaucratic field influences the construction and management of governance relationship between the right hand of the state (HM Treasury and the DH) and its left hand (the NHS Trusts). To discuss the worth of the PFI in the NHS, we must escape the traps of individualism, which eschews collective responsibility forming the foundation of the welfare state. Individualism in application to the NHS is deeply flawed in that the welfare state guarantees the existence of NHS Trusts and the services they provide, and failure in a single Trust is not limited to that Trust alone, but rather reverberates throughout the health economy.

7.7.1 PFI costs and NHS financial performance

The impact of the PFI unitary payments on a procurer's financial performance has been documented in the literature, with some researchers (Pollock 2012, Pollock *et al.* 2011, Shaoul 2005, Shaoul 2011, Shaoul *et al.* 2008a, Shaoul *et al.* 2010, Shaoul *et al.* 2008b) suggesting that the PFI contributed to the worsening financial performance of procuring authorities. NAO (2014a, 2015) also report a statistically significant correlation between capital charges (interests, depreciation, and dividend payable) and financial performance in Trusts with PFI, whereas an insignificant relationship was recorded in those without PFIs. Palmer (2005) in discussing the underlying causes of deficits in the NHS also cites 'legacy costs' associated with past capital

investments, ‘stranded capacity’ and problems with the PbR tariff system, each of which has a bearing on the operations of the PFI.

The effects of PFI costs (enhanced by their indexation to the RPI) as legacy costs are exacerbated when procured capacity is underutilised, but remain sunk for decision-making purposes. Conversely, unutilised capacity contributes to the overall cost structures of Trusts, as is the case of HFT2. However, an assessment of the procurement of excessive capacity should be made vis-à-vis the spatio-temporality of the procurement. PFI procurements offer relatively inflexible solutions, especially in relation to the capacity of procured projects. The costs of extending physical spaces through variation orders, as the findings of this thesis suggest, stands to be higher than the varying of already procured capacity. Decisions for the utilisation of additional capacity thus bring material benefits to Trusts and symbolic benefits to the populace, in the face of the ballooning demands for healthcare. Conversely, NHS buildings are often over-specified, inflexible and expensive to operate and reconfigure, especially in the face of changing modules of care delivery (Edwards 2013). The procurement of excess capacity thus presents additional financial burdens to Trusts who must bear the costs of reconfigurations.

However, it is arguable whether a critique on the procurement of excess capacity and the over-specification of design solution lies with the PFI. A conventionally procured facility with similar features of excess capacity and over-specification, while presenting the rewards of flexibility, would have similar defects as one procured with the PFI, with the difference only lying in the timing. In such projects, excess capital costs would be written off *ab initio*, with the related hard-FM services having the potential to increase over the life of the asset. A non-commitment to honouring such related costs would reduce the effectiveness and efficiency of the capital build, consequently affecting the life-cycle costs of the project.

There is no exact science to predicting the actual demand for care and models of care delivery. The inherent inflexibility in the PFI solution presents it as a solution not suitable for a highly evolving sector like that of healthcare. Both HT1 and HFT3 argued that the capacity they procured was less than their needs, whereas HFT2, who procured in excess of their needs are facing significant financial pressures from the procurement. HM Treasury (2012a)'s intimation that the exclusion of some soft-FM services from the PF2 is justified because of their inflexibility is not fully borne out, as hard-FM services are as inflexible as (if not more than) the soft FM services in a PFI solution.

The PbR tariff system is arguably the single mechanism contributing to the unaffordability of PFI costs by Trusts. The PbR system[87], contrived on the accounting technology of which rewards the delivery of care on unitary basis by using a standard tariff, was introduced to reward efficiency and improve the quality of care delivery (DH 2012). The standard tariff: a national average of the costs of providing care adjusted by an 'uplift' (*ibid.*), contributes to the exacerbation of financial difficulties in Trusts with a PFI, and to structuring an unlevelled playing field for NHS Trusts.

PbR tariffs do not discriminate between capital and revenue costs, and offers a pricing composite of both elements. However, Hellowell and Pollock (2007, 2009) suggested that Trusts with PFIs have their capital costs higher than those without PFIs. At 10.1%, the average capital costs of Trusts with PFI was higher than the average of 5.8% used in the PbR, causing a funding shortfall of circa 4.3%[88] (*ibid.*). Pollock *et al.* (2011) argued that this shortfall accounts for some of the deficit in the Trusts with PFI. Regarding these assertions, and given the present cocktail of problems facing the NHS, it is unlikely that increases in activities in Trusts that procured excess

[87] Like VfM, the PbR is contrived on and operates as an accounting system by allowing control through distanciation of time and space, and abstraction of reality out of context. It is an activity based system of rewarding care delivery without recourse to the contextual factors leading to the provision of such services.

[88] The data used for their analysis was related to the year 2005-06 and may not represent other years. However, owing to the general inadequacy of reliable information on the PFI payments and performances (NAO 2010), it is relatively impractical to arrive at the real costs of capital in these schemes.

capacities (such as that of HFT2) could cause significant reductions in their deficits. This is because the NHS has in recent years seen a rise in the cost of service per capita (ONS 2015) (Figure 7.4), and a rise in demand for NHS services without an equivalent growth in funding for care delivery (Dunn *et al.* 2016) (Figure 7.5). Increasing activity levels to offset financial pressures, as suggested by the CPT in the case of HFT2 (2013a, PwC 2013b), would not be sufficient in light of the above, especially because Trusts receiving a higher proportion of their income from providing healthcare are also more likely to be in deficit (Monitor 2014, NAO 2015). Edwards (2013) also argued that the specificity of the design of many health buildings do not allow for the buildings to be put to alternative uses to generate sufficient income to offset the increased costs.

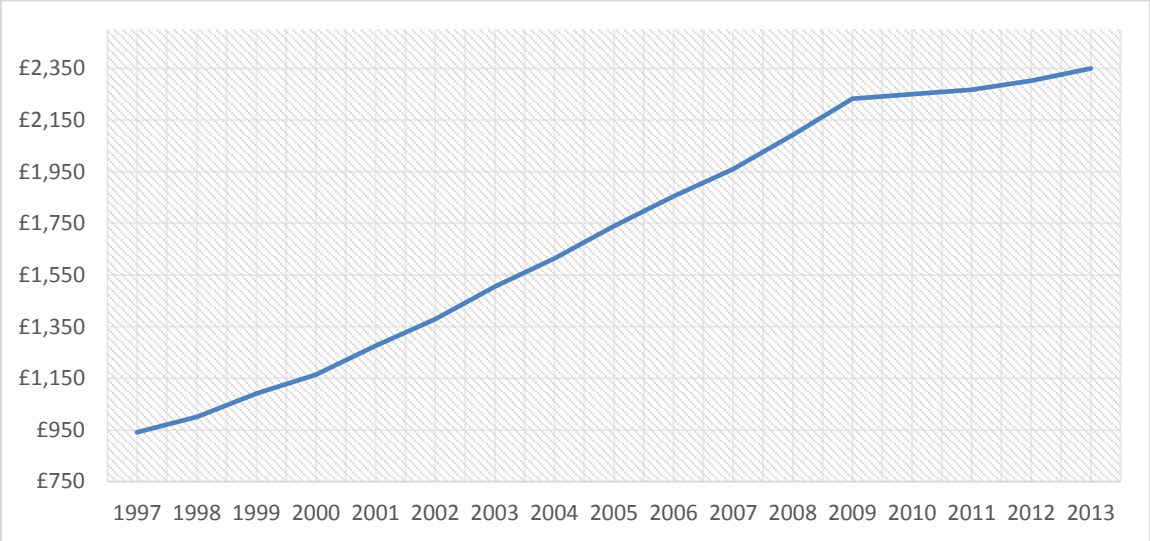


Figure 7.4: Total healthcare expenditure per capita

Source: ONS (2015)

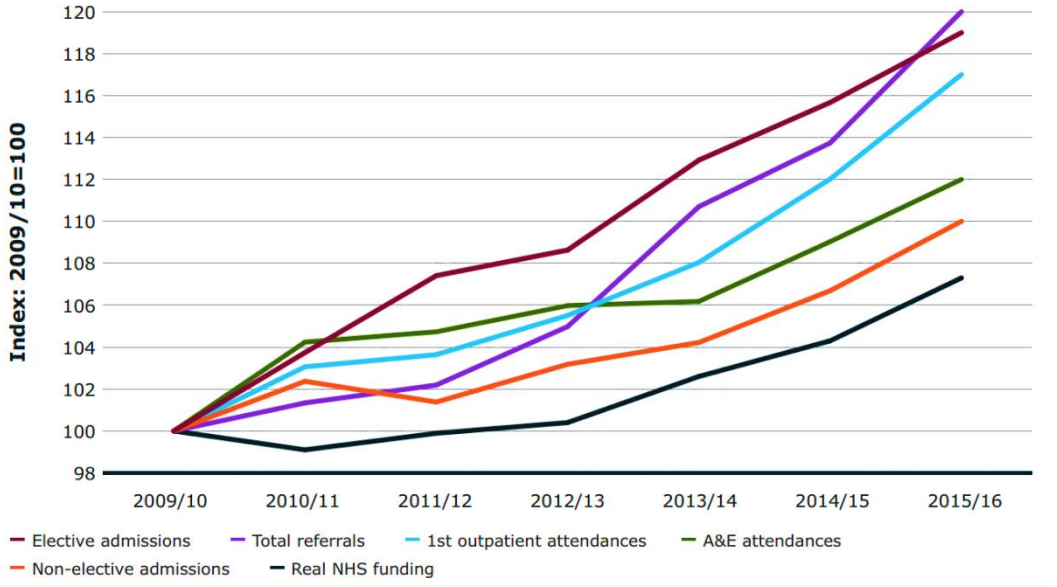


Figure 7.5: Annual trends in hospital activity and overall NHS funding

Source: Dunn *et al.* (2016: 14)

Furthermore, the adoption of IFRS in the financial reporting of NHS activities has meant the introduction of other cost pressures on NHS Trusts. All the procurements considered in this thesis were intended to be accounted for off-balance sheet. The adoption of IFRS has however caused for the reclassification of PFI assets to be on-balance sheet. The net effect is that the total asset base and the related depreciation costs have increased relative to expectations. In the case of HT1, the on-balance sheet reclassification had the additional effect of impairment costs related to the PFI facility written-off in its first year of operation, 2010/11.

However, care must be taken to not ascribe the increased capital costs to be adversely related to the PFI as a procurement option. Hypothetically, a Trust with sufficient financial capital to finance conventionally procured estates would subsequently be faced with the prospect of servicing their debts at the market rates of interest, whereas a similar Trust using public finance would not be exposed to such. The resultant capital costs, even if lower than those of the PFI, would stand to pose similar risks as the PFI relative to conventional methods, with the PbR still not adequately funding such costs.

The net effect of the above discussion is that the operation of the PbR goes against the grain on the individuation of NHS Trusts. The introduction of market reforms was supposed to introduce and promote competition among care providers (DH 2012). However, because the PbR system does not separately finance capital costs, Trusts with estates financed through PDC effectively have their costs subsidised by the DH, reducing the capacity building potential of those with PFI. Furthermore, Trusts with more discretion on their estates' costs can move funds around to achieve short-term benefit that may not be available to those with PFIs. An alternative tariff system that separately finances capital expenditure, like those used in Germany, Australia and Denmark (Appleby *et al.* 2012) would be more attuned to the needs of the health economy in this regards.

Furthermore, an incidental effect of some of the measures introduced to alleviate the financial distress of Trusts in deficits may have the unintended consequence of snowballing Trusts into further difficulties. Historically, the DH offered financial assistance to Trusts in the form of revenue PDC. However, effective March 2015, the DH introduced fee bearing PDCs and interest-bearing loans to encourage financial recovery (NAO 2015, 2016). For Trusts with recurring underlying deficits, the additional fees and interests on these financial assistances would only elevate the level of distress they already face.

7.7.2 PFI and NHS ethos

The most observable benefit of the PFI is the benefit of additionality: the provision of additional capacity that hitherto would not have been available given the historical restrictions on capital finance. It has also been argued that PFI facilities tend to be associated with improved estate quality, positively affecting the operational performance of the procurers (cf. Ive *et al.* 2010, Monitor 2014). These associated benefits stem from the material and symbolic benefits of infrastructure procured, irrespective of the route used. The marginal benefits presented through the PFI, however, requires further scrutiny.

The findings of this thesis (echoed by sentiments of some researchers such as Ive *et al.* (2010)) suggest that contractually locking-in maintenance regimes, as done under the PFI, ensures that infrastructure is well maintained and fit for purpose over the life of the asset. The enforcement of financial penalties, and the requirement to return the facility in 'condition B' are often deemed sufficient motivations to cause for the providers to implement their maintenance regimes. As PLACE and PEAT scores demonstrate (see appendix), the three cases in this thesis have consistently earned higher scores with respect to cleanliness and patient experiences, which they argue is because of the PFI facilities.

However, facilities similarly procured through a conventional method within similar timeframes would theoretically provide such benefits also. However, the absolute control that management has over the estates management budgets means that in periods of crises such as the one the NHS is currently experiencing, the likelihood of management to reprioritise expenditure causing for the diversion of funds away from the delivery of hard FM services would be high. The findings of this thesis suggest that the diversion of resources to clinical services has consistently been the norm in NHS. The logic of this practice stems from a short-term focus on the achievement of symbolic benefits of healthcare delivery to the detriment of maintaining the assets on which that delivery depends. Conversely, locking-in maintenance regimes (especially at given the costs of such commitments in PFI) has had the reverse effect of reducing the operational capacity for care delivery. Under the present PbR system, either procurement route would come with its own disadvantages, until the introduction of separate funding schemes for capital expenditure.

Perhaps, the most significant critique on the overall worth of PFI in the NHS stems from the compatibility of the neoliberal ideals and the NHS. PFI contracts rely on output specifications towards which services are delivered. These specifications define the nature of the contracts and the focal points for performance evaluation and control, and hence draw from the rulebook of NPM: performance measurement and management and the institution of perceived accountability

(cf. Broadbent and Laughlin 2005b, Ezzamel and Willmott 1993). However, as Edwards (2013: 2) argued: "the rapid pace of change in medicine means that it is very difficult to future-proof large-scale investments in estates and once built, there are few mechanisms for this asset to change." This thus suggests that the present benefits accruing from the projects may not necessarily be long-term, and would require further investment by way of costly variations to secure future benefits. The output specification model on which the PFI is built presents limited benefits to sectors such as the PFI.

7.8 Concluding Remarks

This chapter set out to outline the theoretical foundations for the (re)production of practices in and around the operations of the PFI in the NHS, by employing and deploying the relational method of analysis of Bourdieu both in the constitution of hi Theory of Practice but also in his mode of analysis. This chapter built on the logic that the real is relational, but only within the limits of the context that give meaning to the relations. As such, theoretically substantive explanations for the adoption of PFI by respective Trusts and the practices related to the cultivation, assessment and preservation of VfM can be developed.

Principally, the chapter argued that explanations for the adoption of the PFI were not universal and unbiased, nor were purely driven by the materiality of the hegemony of the dominant within the bureaucratic field. Rather, the system orchestrating the adoption of the PFI is founded on implicit systems of rewards (both symbolic and material) according to which PFI procurers were rewarded relative to their relative successes in participation. The proliferation of the PFI policy and the regularity in the application of its procurement processes owe their practical coherence to the fact that they are products of common schemes of thought, drawn from the bureaucratic fields. The regularity of practices owes their (relative) constancy to the (relative) constancy of dispositions

corresponding to the (relative) constancy of the social games enabling the deployment of dispositions.

However, the nature, size, and scope of PFI procurements depend on the actualisation of the dispositions of institutional agents procuring the projects. As the chapter discussed, these procurements and their operationalisations are but products of (conscious and/or unconscious) strategies, strategies engendered between the relations of positions and dispositions. The doxa of VfM contributes to the structuring of dispositions. As doxa, the present constitution and application of VfM are to the benefit of the dominant in the relationship, and causes the PFI to have varied impacts on the NHS.

Chapter 8: Conclusions

8.1 Overview

This thesis explored the adoption of PFI as a procurement route by three NHS Trusts, and presented a multilevel analysis on the operations of the PFI in the English NHS. In doing so, the study sought to understand conditions of possibility (both structuring structures and the structured structures) that caused Trusts to view the PFI as a viable alternative for the procurement of capital projects, and discussed VfM and its delivery in operational PFI schemes. The thesis drew from Bourdieu's oeuvre, particularly from his *Theory of Practice,* as the broad framework within praxeology to enhance the theoretical and empirical understanding of the saliency, operations and operationalisation of the PFI within the NHS. By drawing from Bourdieu's theoretical concepts, the thesis also fulfilled an implicit objective of exploring the usefulness of the *Theory of Practice* in explaining complex accounting phenomena, and how accounting has been implicated in the (re)production of domination within the field of PFI. The use of explicit theoretical frameworks in the study of PFIs, which was relatively unexplored, has proved particularly promising. Bourdieu's theoretical lens provided a systematic approach for a multilevel analysis focusing on the interactions between positions and dispositions in the production of practices, and in the explanation of social practices.

The preceding three chapters focused on the findings and discussions about how the research objects were achieved, and how the research questions were answered. This chapter provides an overview of the thesis, along with a summary of its key findings. It also presents the empirical and theoretical contributions the thesis makes, and identifies the implications for policy and practice. The chapter also discusses the limitations of this thesis and the avenues for future research.

8.2 Research Overview

Various aspects of the PFI and its operations has attracted substantial research interest. A substantial amount of this interests has centred on the proliferation of PFI, with researchers offering critical explanations as to why procuring authorities elect to procure through the PFI. However, the explanations offered are often developed at the macro-level, wherein a discussion of the socio-political factors are presented to account for the proliferation of the PFI (Andon 2012). In addition, VfM has taken centre stage research interest since the inception of the PFI. However, relatively little scholarly interest has been devoted to exploring the *ex-post* operations and performance of schemes that required substantial resources in construction.

In light of these, this thesis set out to understand the local conditions and actions that made PFI procurements to be spatio-temporarily viewed by Trusts as acceptable routes to achieving their estates development plans, and also to understand the *ex-post* VfM and affordability issues abound in operational PFI schemes.

PFI schemes exist in their unique microcosms, outside of which the influences of the parties in the relationship is limited. In the case of the NHS (which procured the largest number of projects in terms of capital values), the state still plays a role in determining the construction of that relationship and its execution processes. Furthermore, the actions of institutional and social agents in PFI relationships do not operate in a vacuum, but are informed by practical logics constructed for specific deployment within the microcosms in which they are considered meaningful. Within this context, this research drew from the oeuvre of Bourdieu's *Theory of Practice*, a theory developed at the epistemological level to lay the foundations for the uncovering of the principles of cultural reproductions.

This research, therefore, is an attempt to empirically uncover evidence and theoretical explanations for the adoption of a PFI procurement route by NHS Trusts, and the practices in and around the

operational delivery of VfM. The research sought to uncover the conditions of possibility – the micro and macro structuring structures informing the choice of a PFI as a procurement route. Once PFI projects are operational, the actual delivery of VfM takes to the forefront, with Trusts expected to implement their post-implementation evaluation programmes to assess the delivery of VfM. This research sought to uncover the VfM and affordability issues in the operational projects, and assess the extents to which the projects delivered VfM and/or were affordable.

The study adopted a qualitative, embedded case study approach drawing on data collected from multiple sources. Three different cases representing different configurations of acute Trusts were selected. The study used semi-structured interviews and observations to collect primary data, and extensively drew from documents and archival records. In accordance with Bourdieu's methodological approach, a two-levelled analysis was conducted. The first-order analysis largely drew from the document analysis to uncover the objective relations that accounted for practices in and around PFI procurements. The second-order analysis, which introduced the subjective dimension, added a hermeneutical touch to understanding PFI practices in the English NHS.

8.3 Summary of Key Findings

8.3.1 Conditions of possibility

The structuring structures structuring dispositions for a PFI procurement primarily originated from the bureaucratic field. The construction of the bureaucratic field vis-à-vis the PFI in the NHS dated back to the 1970s through the material and symbolic interventions made by the state relative to the operations of the PFI and relative to the capital finance mechanisms operated within the field. These reforms were multi-levelled and multi-directed but ultimately had the impact of transforming the environment in which private finance was deemed viable among other 'alternatives' (see Chapter 3).

Within the NHS, reforms as a statecraft of modernisation involved re-organisations to the structure and accountability relationships of Trusts in relation to the state, and also a transformation of the financing arrangements with which the operations of Trusts were to be funded. The seeds of marketization, sown between 1948 and 1997 in the NHS culminated to the introduction of NHS Trusts as pseudo-corporate bodies within the state (Shaoul 1998). These Trusts were to deliver healthcare services, but the ultimate responsibility for healthcare still lay with the secretary of state. The consolidation of recurring and capital expenditure into a single stream of cash flow in the form of prices for services delivered was also a major break from funding traditions. This break was premised on the need for efficiency savings.

The final aspects of the statecraft of modernisation saw the introduction of NHS FTs with full financial freedoms and also the introduction of the PbR system to better streamline the pricing of healthcare delivery. From a theoretical perspective, the latest reformation of the NHS in 2012 saw a reconfiguration of the neoliberal state with respect to healthcare delivery. The reformation of the NHS effectively took away responsibility for healthcare delivery from the secretary of state. The DH, from a Bourdieusian lens, now accurately falls into the right hand of the state rather than its left, given that it now preoccupied with the demonstration of prudence in expenditure without the juridical responsibility of healthcare delivery.

The PFI also came through a series reforms as part of a statecraft of modernisation (Broadbent and Laughlin 2005b), beginning with the cancellation of the Ryrie rules in 1989 through to the introduction of institutional, legal and regulatory mechanisms and incentives aiding the adoption of the PFI by procuring authorities. In the process, consent was manufactured for the use of the policy by both coercive and persuasive means (Ruane 2010).

Against this backdrop, the cases studied in this thesis, prior to their procurements, had estates that were either functionally, clinically or economically inefficient (or sometimes a combination of

all). Furthermore, new models of care, accreditation process and operational standards introduced by the DH (NHS 2000), and the ballooning healthcare demands, meant that the Trusts required additional investments in their estates. However, the effect of the various reforms meant that the financing of capital projects principally now lay with Trusts and not the secretary of state. The consolidation of the capital elements into the prices for healthcare delivery meant that Trusts could not build enough reserves to procure the desired capital projects, nor did they have sufficient financial capital to raise external financing for the projects. Faced with the prospects of not meeting their terms of authorisations as healthcare delivery institutions, and with no government grants, Trusts agents' dispositions were structured to view the PFI as a spatio-temporally acceptable method of achieving the objectives of their estate strategies.

8.3.2 VfM and affordability issues

The DH requires that all procured capital projects be evaluated for VfM delivery post-implementation (DH 2002a). However, none of the cases studied herein had executed their evaluation programme towards the assessment of VfM. The practical logic informing this practice is multifaceted. Firstly, the conceptualisation of VfM in operational projects is relatively less established, given the deficiencies in applying the orthodox regime of truth established by HM Treasury for VfM in PFI. As it is impracticable to construct a cocktail of solutions like those in offered through the PFI, Trusts elect to fall on the comparison of stipulations and outcomes of the PFI procurement option (a relative assessment) or to compare present outcomes to pre-procurement conditions (an absolute assessment)[89]. However, this comparison process does not have a formal process of application, and Trusts choose to rely on their performance management mechanisms to monitor the outcomes of the procurement in the assessment of benefits from the procurement. Secondly, the procurement of capital projects is likely not to be immediately

[89] See NAO (2009b) for the distinction between relative assessments and absolute assessment, or see the discussion in chapter 3. However, the VfM regime applicable in PFI should be that of a relative assessment.

repeated in the short-term by the procuring authority. Dedicating financial resources towards an exercise whose benefits will not immediately accrue to the Trust, stands to be foolhardy especially, in relation to the financial distresses faced by Trusts with PFI schemes.

In effect, VfM has largely gained a symbolic status within PFI relationships. Its pursuit goes without saying, and its characterisation in terms of the three 'Es' (economy, effectiveness, and efficiency) comes without saying, however impractical it may seem to operationalise the three 'E's. The doxa of VfM, which relies on a logocentric relationship between 'value' and 'money', is relied upon in the communication of practices geared towards its determinations, and plays a role in the symbolic violence HM Treasury and the right hand of the state wields over NHS Trusts and other public procurers. HM Treasury's VfM regime of truth in application to operational projects creates a reality not entirely visible in operational stage. Most of HM Treasury pronouncements are self-serving and masks broader limitations in the operation of the PFI. Successful delivery or otherwise of VfM do not have the objectivity and inevitability often associated with them. In the process, the 'nanny state' transitions into a 'daddy state', preoccupied with demonstrating economic stewardship. VfM, therefore, superimposes the semblance of reason on social fantasies of the dominant, endowed with performative power to bring into being the very reality it describes (self-fulfilling prophesies).

However, the laxity with which the orthodoxy of VfM operates in operational projects causes for heterodoxy to flourish, wherein different conceptualisations are held of what is and could be a VfM outcome. Principally, the sources of the heterodoxy come from the pre-procurement dispositions of agents who, having seen the state of infrastructure prior to the procurements, use different categories to classify outcomes in VfM terms.

Nonetheless, the state of the PFI asset (the economic capital) and the contract management function (the cultural capital) are the two predominant species of capital in operational PFI

projects, although the cultural capital is viewed as the Trump card in the relationship. The possession of superior capital is recognised both within and without specific PFI fields, as it aids in the accumulation and appropriation of alternative species of capital in the process of conversions. However, the combinations of capitals called upon by agents in the operational management of different projects differ with respect to the spatio-temporality of the project and the practical logics such calls forth.

Finally, the projects remain relatively unaffordable to the Trusts, but the reasons for their unaffordability remain complex and multifaceted, some of which are not entirely reducible to the PFI. PFI commitments represent uncontrollable costs to procurers, who have had to redirect the flow of funds from other hospital activities to finance the PFI. However, while some of the reasons for their unaffordability stem from adverse deviations from procurement stipulations, a more significant cause lies in the tariff used in commissioning healthcare. The tariff under the PbR does not sufficiently cover capital costs, and thus, effectively subsidises the costs of Trusts with lower costs in conventionally procured schemes. Furthermore, some of the measures the government introduced to deal with the unaffordability (including interest bearing loans and capital PDCs) will arguably exacerbate the unaffordability of the PFI and other operational costs.

8.4 Research Contributions

This thesis makes empirical and theoretical contributions to the literature as outlined below.

8.4.1 Theoretical contributions

In mapping out the current field of knowledge pertaining to the proliferation of PFI schemes and the evaluation of VfM in operational PFI schemes, this thesis asserted the need for an alternative theoretical framework to reveal the multilevel explanations for the proliferation of the PFI, together with the multilevel composition and explanation for the states of the procurements as

regards VfM delivery. From the discussion of the research findings, it has been demonstrated that the application of Bourdieusian informed theoretical approach has allowed this thesis to uncover the multifaceted reasons for the adoption of PFI – reasons that extend beyond the macro level explanations in the literature. This has only been made possible via the theorisation of the neoliberal state in Bourdieusian terms, through which a splintered field of forces could better be analysed. Similarly the conception and construction of VfM, its evaluation, and practices directed at its maintenance could only be uncovered in their multifaceted nature through a Bourdieusian informed approach.

In the process, this thesis has demonstrated the value of exploring PFI practices as socially constructed phenomena that are contextually defined and reliant on those who stand to gain or lose power (in its various forms) via the projection of stated ideals and/or believes. A substantive theoretical explanation for the proliferation of PFI could thus be presented: *PFI schemes were not adopted purely because the government made the PFI the 'only game in town', but because the relative endowment of capital by the respective procurers, together with the contextually defined interpretive frames and habits conditioned towards the PFI are what explains the PFI's proliferations.* Similarly, VfM is not a neutral concept equitably mediating the interests of the parties to a PFI, and whose construction and assessment is towards the generation of a binary outcome. *Rather VfM is constructed through aligning characteristics, modes of thoughts and conduct and contextual characteristics of a procuring entity and as such is multi-layered and non-binary. VfM's present hegemonic constitution and construction (aided by accountinization (see Broadbent et al. 2008)), serves to undermine the lived social experiences of procuring entities relative to the economic ideals constructed with the aid of accounting technologies.*

Finally, the application of a Bourdieusian approach has made a further theoretical contribution in relation the development of an approach in studying a contextually technical subject matter such as PFI and its operationalisation. Bourdieu's approach aided in the introduction of a level of

subjectivity in the (re)production of practices, in understanding the homologies of practices and in the state of phenomena. The application of Bourdieu's approach enabled the researcher to escape the *'scholastic fallacy*' in researching the PFI, and the constitution and operational delivery of VfM. By making both a subjective and objective break in accounting for the (re)production of practice, the researcher has reduced the risk of conflating the 'logic of things' to 'things of logic' (see Bourdieu 1990a, 1990b, 1993a, 1998b). Practices in and around PFI procurements are thus not reducible to the mere execution of juridical procedures, but are products of the dispositions of actors within a field with recourse to their resource endowments. Practices being products of the habitus engendered within a field, and the habitus formative of actions, provides a potential grounding for the generation of emancipatory practices. Through the habitus, individuals are not only predisposed to reproduce states of domination, but are also allowed to draw upon experiences learned from other fields of practices to subvert acts of domination within a particular PFI field. This affords the agent an avenue of escape from domination and control, which would otherwise not be possible through other approaches.

8.4.2 Empirical contributions

This research contributes to a relatively small body of research examining the *ex-post* operationalisations of PFI projects (e.g. Edwards *et al.* 2004, Hellowell and Pollock 2009, Hellowell and Pollock 2010, Pollock *et al.* 2011, Shaoul *et al.* 2007a, 2008a, Shaoul *et al.* 2008b). It contributes to our understanding of the operational issues in PFI projects regarding VfM delivery and the affordability of such projects. Although there are few bodies of knowledge including reports from the NAO, magazine articles, and some scholarly work exploring some aspects of the operations of specific PFI schemes, this, to the best of the researcher's understanding, is the first piece of work that explores the historicities of specific procurements and how they came to be structured, through to how they are attended to operationally, and the impacts that these projects have on the operations of their procurers.

Empirical studies examining the devolutions and reforms of the NHS one hand, and the proliferations of PFI on the other are common. Similarly, and although at a much smaller scale, studies exploring some aspects of the PFI in operational schemes are common. However, this thesis, whiles recognising the original contributions of these scholarly work, comprehensively integrates all these aspects together to present a narrative that reflexively provides a rich historical account of the micro and macro-structuring and structured structures in their roles in informing PFI procurements and the practices adopted post procurement.

Finally, the empirical-cum-theoretical conceptualisation of the state as the bureaucratic field has enabled this thesis to contribute a nuanced understanding of the motivations for the adoption of PFI schemes at the level of the procurer without completely relying on the macro-level critical explanations, as called for by Andon (2012). Similarly, the empirics highlight the implications of *ex-post* VfM, which as an accounting construct, and as a construct whose composition, assessment and evaluation is enabled by various accounting technologies, also extends the literature on the implication of accounting. The orthodoxy of VfM in application has manifested new organisational realities of resource constraints and a focus on financial and economic returns, together with an emphasis on entrepreneurial behaviour.

8.5 Challenges, Ethics and Limitations

The object of this thesis was not to make statistical generalisations about the operational delivery and management of all PFI schemes, and certainly was not to make generalisations from the views expressed. The cases studied, though products of the same healthcare conceptual schemata, exhibit unique characteristics, and are not necessarily representative of all PFI procurements in the NHS. The opinions and views of obtained are unique and applicable to the interviewees relative to their organisations, and do not necessary reflect the practices of all involved in PFI procurement and management. These viewpoints may or may not differ in different institutions across the UK. This

is despite the attempts of the researcher to present the findings as both ideographic and nomothetic, in the view that being products of similar structures, regularity in observation would cut across the sector, whiles accounting or the spatio-temporality of the case. It may also be argued that the number of interviews is not representative. However, the focus of this thesis is not to make statistical generalisations, which would have required high volumes of data, but rather to construct a richer understanding of the research objects (Humphrey and Scapens 1996, Yin 2009). The use of the archival data also contributed to strengthening the richness of the discussion.

The beliefs expressed in this investigation are not meant to be taken as wholly indicative of the future. With time, the opinions and views of the interviewees may change. This is relevant in the case of PFI procurements where alterations to the performance and management of the project may inform different viewpoints to be held of the project. Nonetheless, this research provides a groundwork to inform future understandings.

The researcher recognises the influence of his opinions and views in the construction of the data and the presentation of the findings. Bourdieu (1990a) warns of the 'scholastic fallacy', and advises against researchers imposing their views on phenomena in the communications of their findings. However, the researcher acknowledges that personal feelings, judgement, attitude and thoughts are embedded in the research process and the presentation of the results, although they may not have been explicitly expressed, and despite the attempts made to reflexively account for the above influences. As a researcher seeking further understanding, and in an attempt to place the etic on the emic in the development of a critique, these personal influences may as well have seeped into the research process.

The ethical undertakings informing this study, caused for the anonymization of the case details and details of the interviewees. Given that these organisations are public bodies with significant amounts of information open to the public, it is conceivable that some people might be able to

identify the specific cases and organisation used in this research. One could argue that the identification of the organisations and research participants would be resourceful in the division of policy and practical responses; it must be counter-argued that the promise of anonymity was made to safeguard the privacy of the participants and their organisations, and as a technique to encourage them to discuss freely the issues pertinent to this research.

Finally, the main challenge this thesis faced in terms of theoretical analysis was to present a praxical analysis that avoided over and/or under-theorising the research objects. Although Bourdieu's framework presents an embedded theoretical approach, his oeuvre has been described as overly dense and inaccessible(see Malsch *et al.* 2011), which meant this thesis run the risk of presenting discussions that may also be inaccessible to some. This thesis thus chose in some cases to present theoretical discussions in simple language rather than through heavily ridden concepts as apparent in some chapters, whereas in others where the researcher believed it to be beneficial, presented a rather more theoretical composition of expositions.

8.6 Opportunities for Future Research

The mainstay of this thesis has been an assessment of the *ex-post* operational delivery and management of PFI schemes. It has identified practices abound in the operations of PFI schemes, including the use of monitoring mechanisms and the operational management of such schemes. However, the thesis did not fully engage with the dilemmas for management accounting and other practices used in aiding the monitoring, management, and control of such projects, especially in the context that PFI agreements need to be continuously renegotiated to accommodate contingencies originally not envisaged in the procurements (English and Baxter 2010, Froud 2003). Future case studies could follow suit in examining these issues together with the appropriate management controls systems employed in the operational management of projects (Andon 2012). Future research could also be extended into the examination of changes in management control

systems in the transition from the contracting and construction phases of PFI procurements, to the commissioning and operational management of such projects. These together could be used in aiding our understanding of how PFIs are made to work efficiently and effectively once they are in operations.

Moreover, research on the nature and rationale for PPPs/PFIS has often centred on their proliferation in countries such as the UK, Canada and Australia – countries with mature approaches to PPP/PFI (see Andon 2012). However, several less-developed countries including Nigeria, Ghana, Kenya, are increasingly adopting PFI as means for infrastructure development. However, governments and governance structures are often challenged by global interests who often contribute to the adoption of neoliberal economic policies (see Harvey 2005). In the context of globalised capital interests and players and the roles they played in structuring PFI in the UK for example (Ruane 2010, Shaoul 2011), it is conceivable that the adoption of these policies would have neo-colonialist foundations. In the purest of situations where governments of less-developed countries may wish to learn from the experiences of countries with 'mature' PFI procedures would be inculcating systems that are products of the globalised capital interest. Future research thus could investigate the neo-colonial influences on the adoption of PPP/PFIs.

The final avenue for research lies in exploring the accountability implications of PFI decisions. Whereas it is relatively easier to establish the accountability implications for PFI decisions at the Trust level, political and institutional accountability is relatively less easy to establish and to exact. As the findings of this research suggest, Trusts often have their dispositions in relations to the PFI constructed outside of the Trust's field. However, relatively little is known about the political accountability for decisions on failing PFI schemes. Furthermore, as argued by Palmer (2005), the causes of financial deficits in hospitals include those of legacy costs from interventions such as the PFI. These legacy costs have implications for the current management of NHS Trusts, and the extent to which they influence accountability relationships could be further explored.

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Appendices

Appendix A: Request for information under FOI Act

Dear Sir/Madam,

I am a PhD student at the University of Essex, Colchester, undertaking a research to understand the evaluation of value for money in operational National Health Service Private Finance Initiative (PFI) projects. The objective of my research is to understand the workings of PFI projects and how they are evaluated for value for money.

In this regard, I would be grateful if you could kindly provide me with the following information on the "New District General Hospital" PFI project:

1. The Outline Business Case (OBC) and the final Full Business Case (FBC) for the PFI project including any supporting appendixes;
2. Unitary payments made to the contractor since the commencement of the project, including any performance deductions, together with the performance monitoring/evaluation reports;
3. The future commitments on this project, including how they are accounted for in the Trust's accounts; and
4. The names and contact details of the public and private sector partners.

I would be grateful if this information could be provided ideally in a screen-readable portable document format (PDF), otherwise, I would be happy with any other format you could supply me with.

Please do let me know if you require further information or clarification.

I look forward to hearing from you.

Yours faithfully,

Ekililu Salifu
PhD Candidate (Accounting)
Essex Business School
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Appendix B: Sample letter, interview request

University of Essex

ESSEX BUSINESS SCHOOL

10th July, 2015

To whom it may concern

Dear Sir or Madam,

Invitation for PhD research participation

I am a PhD student from the Essex Business School, University of Essex, Colchester, under the supervision of Dr John Stittle and Prof Iqbal Khadaroo. My PhD research examines Value for Money and its evaluation in National Health Service Private Finance Initiative (PFI) projects in the UK.

In order to provide insightful input to my research, I need to conduct interviews with PFI decision makers, members of the project management team, Trust CEOs, consultants, and PFI contractors. In this regard, I would like to have an interview with you to discuss some issues related to the operationalisation of value for money in projects and the practice of its evaluation, as contained in the attached interview guide. The discussion is expected to last about forty minutes. I understand that not all of these issues may be relevant to you. Therefore, at the end of our discussion, I shall be grateful if you could please direct me to the relevant person in your organisation who would be able to discuss the remaining issues further.

As a researcher, I am required to adhere to ethical guidelines when conducting research. In this respect, I would like to assure you that all the information provided would be kept strictly confidential. No individual or organisation would be named in my final report. The names of the NHS Trusts and/or their partners studied would be anonymised. For note-taking purposes, I shall request participants' consent to conduct the interview and record the communication via an electronic digital recorder, or simply through notes, if the recording is not permitted.

In return for your support, I intend to provide you with a summary of my research report. Your contribution is vital to the success of this study and would be greatly appreciated.

Finally, thank you for taking the time to consider my request and I look forward to hearing from you.

Yours faithfully,

Ekililu Salifu

PhD Candidate (Accounting)

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Appendix C: Informed consent form

Informed Consent Form

By signing this form, I am attesting that I have read and understood the information below and I freely give my consent to participate in the research exercise conducted by Ekililu Salifu from the University of Essex. I understand that I will be one of approximately 30 people or so being interviewed for this research. I also consent to the following:

1. I understand that my participation is voluntary and that I am free to withdraw and discontinue participation at any time without (with) reasons. I understand that I will not be paid for my participation.

2. I understand that the researcher will not identify me by name in any reports using information obtained from this interview, and that my confidentiality as a participant in this study will remain secure. Subsequent uses of records and data will be subject to standard data use policies that protect the anonymity of individuals.

3. I understand that notes may be written during the interview. I also understand that the interview may be recorded to aid in later transcription and analyses. If I do not want to be taped, I will raise an objection to the researcher.

4. It is also my understanding that neither my name nor the names of my colleagues (and /or the name of my organisation) mentioned during this interview would be made public.

5. I have read and understood the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.

6. I have been given a copy of this consent form.

_____	_____	_____
Name of Participant	Date	Signature

_____	_____	_____
Name of Researcher	Date	Signature

Appendix D: Semi-structured interview questions for Trusts employees

Person-centred questions – habitus determination

- What is your role and how long have you been in this organisation?
- What career history do you have in relation to the current position you occupy?
- What is the highest professional and/or academic qualification you hold; and how they have helped you in delivering on your current role?

General project question

- Can you tell me about your PFI project, in terms of when and why it was procured and also why you think the PFI option was selected?
- What to your understanding is Value for Money (VfM) within PFI usage? And does it differ in usage to other public sector ventures?
- Can you describe the process of evaluating for VfM? How useful are the government's guidelines (the Green Book, Capital Investment Manual, NAO framework *etc*.) to the evaluation process?
- In general, would you say the project is delivering VfM?

Theme 1: Economy and financial sustainability

1.1. Do you suppose the project is delivering to time and budget in terms of costs?

1.2. Does the Trust engage in market testing and benchmarking of service costs? If so how are benchmarks constructed?

1.3. Have the project costs been affordable thus far? And will they be sustainable into the future?

1.4. Has anticipated risk transfer proved optimal for the project?

1.5. Are there systems and procedures to enforce the transfer of risks to respective parties? If so how effective are they?

1.6. Have new risks (if any) been identified and optimally allocated to secure value? Give examples if any

1.7. Has the accounting implication of the contract remain consistent with actual risk transfers as with anticipations? If so how?

1.8. Overall, would you suggest the PFI option to be economical?

2. Theme 2: Effectiveness and non-financial sustainability

2.1. In your opinion, is the service provision outturn meeting the requirements?

2.1.1. Have the service requirements been updated to reflect changes in core business requirements and is the contract delivering to the updated requirements?

2.1.2. Has the Trust assessed the economic impact of varying service requirements?

2.2 Is the procured asset fit for purpose and maintained to a good standard?

2.3 Is there a performance management system in place for the project? If so, how effective would you characterise it in terms of monitoring performance, generating timely reports, and enforcing deductions?

2.3.1 Whose responsibility is it to manage the performance management system?

2.3.2 How does the Trust verify the output of reports of the private consortium in service delivery?

2.3.3 Does the system accommodate changes in service requirements and also on enforcing maintenance demands?

2.4 Is the PFI option helping to secure broader fiscal and/or political objectives, do you think?

2.5 Has the PFI option helped improve the broader performance of the Trust than otherwise would another procurement option?

2.6 Will service outturns from the PFI project still fit future requirements? If so, will the PFI option be the best to deliver on the requirements?

Theme 3: Efficiency and Expertise

3. Describe the contract (project) management arrangement for the contract

3.1.1. Does the Trust ensure the project team understand their roles and responsibilities?

3.1.2. Does the project management team have the requisite expertise to secure the best deal for the Trust?

3.1.3. Is there a process of continuous learning and development for the project team?

3.1.4. What system is in place to assess the skill needs of the project management team and also to evaluate their performance?

3.1.5. Does the Trust share from and to experiences from other Trusts with similar projects?

3.2. Do you think the project governance arrangements are appropriate to secure procurement benefits?

3.2.1. How are disputes often resolved under the contract?

3.2.2. Are there appropriate relationships at different levels (both operation and strategic) between the Trust and the Contractor?

3.3. How would you describe the contractual relationship between the Trust and the contractors?

3.4. Do you think the contractors are best positioned to provide the best quality outputs procured relative to the market, and also to provide future changes in demand?

3.5. Do you think the contractors understand and core requirements of the Trust and are working to fulfil these requirements?

3.6. Has the authority taken the time to plan for the end of the contract? What are the possible consequences and their effects on current operations?

Theme 4: Socio-political impacts and Stakeholder Engagement

4.1. What would you say are the socio-political impacts of the procurement? Give examples if any.

4.1.1. Is there an active system or mechanism to monitor these while the PFI is in operations? Why or why not?

4.2. Is there a good level of stakeholder satisfaction to the PFI's projects operation?

4.2.1. How does the contract management actively engage all stakeholders to the evaluation?

4.2.2. How are the divergent stakeholder demands accommodated within the evaluation process?

4.3. Does the Trust use specialist consultant services? Why or why not?

4.4. How would you characterise the role of specialist consultants and other third-parties to the evaluation of the operations of the project?

Additional information:

I shall be grateful if you could please provide me with any additional information you think would be helpful for my PhD research *e.g.* corporate documents, plans, performance management reports *etc*.

Would you please recommend to me knowledgeable officials who would be able to enlighten some of the issues I have discussed with you or in this interview guide?

Appendix E: Semi-structured interview questions for SPV and providers

Person-centred questions – habitus determination

- Please provide us with some background information on your company (for example, employees, size of projects, types of projects, equity and debt finance stakes, countries you invest)
- What is your role and how long have you been in this organisation?
- What career history do you have in relation to the current position you occupy?
- What is the highest professional and academic qualification you hold and how they have helped you in delivering on your current role?

General questions

What is VfM, and why do you think it is a justifying notion for the use of PFI.

In your opinion, are you delivering the project to time and budget and other expectations?

What is your relationship with the Trust like? How would you characterise your contractual relationship at both the operational level and the senior management levels?

is there an open and honest environment between the contractors and the authority?

How quickly do you respond to problems?

Are disputes resolved at the appropriate management levels?

How would you describe the payment mechanism in place here, how effective is your performance management system?

How would you evaluate the design of this hospital? Do you think it could have been better designed?

The asset is to be handed back to the Trust in 'Condition B', how would you characterise your current maintenance regime in order to return the asset in 'condition B'?

How would you classify the risk transfer arrangement? What are the pertinent risk relevant to the post-contractual stage, and how are the arrangement enforced?

Have you refinanced this project, if so, why?

Have the equity owners changed since project implementation?

What are your motivations for engaging in this PFI project, and how do you respond to the bad press you have been getting as being self-interested at the expense of the public sector?

Appendix F: Semi-structured interview questions for advisory services

- In your opinion, why do you suppose the PFI is or was promoted as an alternative to traditional public procurement routes?

- How do you rate the success of PFI thus far? Why that rating?

- What are value for money and its constituents? Does the concept of value for money differ in usage in the public sector from the private sector?

- Post-project implementation, what indicators should be used in the constitution of a review framework for the formal evaluation of value for money and how should it be evaluated post-implementation?

- What support is provided to the Trusts with PFI projects, and how do you evaluate the effectiveness of that support?

- What is the effectiveness of Departmental and Treasury guidelines towards the management and evaluation of operational NHS project?

- Overall, do you think various Trusts with PFIs have the right contract management expertise to enhance the delivery of value for money in operational projects?

- What is contract management arrangement best suited to the efficient delivery of value for money in operational projects?

- Should the continued use of the policy be grounded on the microeconomic justification of value for money, or be shifted to the macroeconomic reason of improved infrastructure investment?

Appendix G: Patient Environment Action Teams (PEAT) and Patient-Led Assessments of the Care Environment (PLACE) Site Scores

PLACE Scores

		2016	2015	2014	2013
HT1	Cleanliness	97.85%	90.64%	93.08%	97.12%
	Food	89.00%	86.39%	86.54%	89.45%
	Privacy, Dignity and Wellbeing	69.08%	79.57%	81.18%	92.68%
	Condition Appearance and Maintenance	96.82%	79.60%	84.62%	92.36%
HFT2	Cleanliness	98.66%	96.79%	98.53%	96.99%
	Food	79.79%	83.20%	94.72%	83.08%
	Privacy, Dignity and Wellbeing	88.65%	91.70%	93.41%	96.10%
	Condition Appearance and Maintenance	95.84%	92.62%	95.91%	92.70%
HFT3	Cleanliness	98.33%	98.07%	97.06%	98.98%
	Food	78.80%	86.00%	85.64%	85.13%
	Privacy, Dignity and Wellbeing	87.11%	83.96%	90.26%	82.22%
	Condition Appearance and Maintenance	92.98%	90.37%	92.55%	84.82%

PEAT Scores

		2012	2011
HT1	Weighted Environment Score	4	4
	Food	5	5
	Privacy, Dignity and Wellbeing	4	4
HFT2	Weighted Environment Score	5	4
	Food	5	5
	Privacy, Dignity and Wellbeing	5	5
HFT3	Weighted Environment Score	4	4
	Food	4	4
	Privacy, Dignity and Wellbeing	4	4

5 = Excellent, 4=Good, 3=Acceptable, 2=Poor, 1=Unacceptable, 0=Not applicable

Appendix H: Extract of AEDET Toolkit

IMPACT

The four IMPACT sections deal with the extent to which the building creates a sense of place and contributes positively to the lives of those who use it and are its neighbours.

A: CHARACTER AND INNOVATION

Section A deals with the overall feeling of the building. It asks whether the building has clarity of design intention, and whether this is appropriate to its purpose. A building that scores well under this heading is likely to lift the spirits and to be seen as an exemplar of good architecture of its kind.

A.01 There are clear ideas behind the design of the building

A.02 The building is interesting to look at and move around in

A.03 The building projects a caring and reassuring atmosphere

A.04 The building appropriately expresses the values of the NHS

A.05 The building is likely to influence future healthcare designs

B: FORM AND MATERIALS

Section B deals with the nature of the building in terms of its overall form and materials. It is primarily concerned with how the building presents itself to the outside world in terms of its appearance and organisation. Although it deals with the materials from which the building is constructed it is not concerned with these in a technical sense but rather the way they will appear and feel throughout the life of the building.

B.01 The building has a human scale and feels welcoming

B.02 The building is well orientated on the site

B.03 Entrances are obvious and logically positioned in relation to likely points of arrival on site

B.04 The external materials and detailing appear to be of high quality

B.05 The external colours and textures seem appropriate and attractive

C: STAFF AND PATIENT ENVIRONMENT

Section C deals with how well an environment complies with best practice as indicated by the research evidence. The statements correspond to the sections in ASPECT (A Staff Patient Environment Calibration Tool).

C.01 The building respects the dignity of patients and allows for appropriate levels of privacy and company

C.02 There are good views inside and out of the building

C.03 patients and staff have good easy access to outdoors

C.04 There are high levels both of comfort and control of comfort

C.05 The building is clearly understandable

C.06 The interior of the building is attractive in appearance

C.07 There are good bath /toilet and other facilities for patients

C.08 There are good facilities for staff including convenient places to work and relax without being on demand

D: URBAN AND SOCIAL INTEGRATION

Section D deals with the way the building relates to its surroundings. It asks whether the building plays a positive role in the neighbourhood whether that is urban, suburban or rural. A building that scores well under this section is likely to improve its neighbourhood rather than detract from it.

D.01 The height, volume and skyline of the building relate well to the surrounding environment

D.02 The building contributes positively to its locality

D.03 The hard and soft landscape around the building contribute positively to the locality

D.04 The building is sensitive to neighbours and passers-by

BUILD QUALITY

The three BUILD QUALITY sections deal with the physical components of the building rather than the spaces. This is therefore what might be thought of as the more technical and engineering aspects of the building. It asks whether the building is soundly built, will be reliable and easy to operate, last well and is sustainable. It is also concerned with the actual process of construction and the extent to which any disruption caused is minimised.

E: PERFORMANCE

Section E is concerned with the technical performance of the building during its lifetime. It asks whether the components of the building are of high quality and fit for their purpose. However, we are not concerned here with how well the building functions in relation to the human use of it which belongs in another section.

E.01 The building is easy to operate

E.02 The building is easy to clean

E.03 The building has appropriately durable finishes

E.04 The building will weather and age well

F: ENGINEERING

Section F is concerned with those parts of the building that are engineering systems as opposed to the main architectural features. It asks whether the engineering systems are of high quality and fit for their purpose, will be easy to operate and if they are efficient and sustainable.

F.01 The engineering systems are well designed, flexible and effective

F.02 The engineering systems exploit any benefits from standardisation and prefabrication where relevant

F.03 The engineering systems are energy efficient

F.04 There are emergency backup systems that are designed to minimise disruption

F.05 During construction disruption to essential services is minimised

G: CONSTRUCTION

Section G is concerned with the technical issues of actually constructing the building

and with the performance of the main components. A building that scores well under this Heading is likely to be constructed as quickly and easily as possible under the circumstances of the site and to offer a robust and easily maintained solution.

g.01 If phased planning and construction are necessary the various stages are well organised

g.02 Temporary construction is minimised

g.03 The impact of the construction process on continuing healthcare provision is minimised

g.04 The building can be readily maintained

g.05 The construction is robust

g.06 The construction allows easy access to engineering systems for maintenance, replacement and expansion

g.07 The construction exploits any benefits from standardisation and prefabrication where relevant

FUNCTIONALITY

The three FUNCTIONALITY sections deal with all those issues to do with the primary purpose or function of the building. It deals with how well the building serves these primary purposes and the extent to which it facilitates or inhibits the activities of the people who carry out the functions inside and around the building.

H: USE

Section H is concerned with the way the building enables the users to perform their duties and operate the healthcare systems and facilities housed in the building. To get a good score under this Heading the building will be highly functional and efficient, enabling people to have enough space for their activities and to move around economically and easily in a way that relates well to the policies and objective of the Trust. A high scoring building is also likely to have some flexibility in use.

H.01 The prime functional requirements of the brief are satisfied

H.02 The design facilitates the care model of the Trust

H.03 Overall the building is capable of handling the projected throughput

H.04 Workflows and logistics are arranged optimally

H.05 The building is sufficiently adaptable to respond to change and to enable expansion

H.06 Where possible spaces are standardised and flexible in use patterns

H.07 The layout facilitates both security and supervision

I: ACCESS

Section I focuses on the way the users of the building can come and go. It asks whether people can easily and efficiently get onto and off the site using a variety of means of transport and whether they can logically, easily and safely get into and out of the building.

I.01 There is good access from available public transport including any on-site roads

I.02 There is adequate parking for visitors and staff cars with appropriate provision for disabled people.

I.03 The approach and access for ambulances is appropriately provided

I.04 goods and waste disposal vehicle circulation is good and segregated from public and staff access where appropriate.

I.05 pedestrian access routes are obvious, pleasant and suitable for wheelchair users and people with other disabilities / impaired sight

I.06 Outdoor spaces are provided with appropriate and safe lighting indicating paths, ramps and steps

I.07 The fire planning strategy allows for ready access and egress

J: SPACE

Section J concentrates on the amount of space in the building in relation to its purpose. It asks if this space is well located and efficient and whether people can move around in it efficiently and with dignity.

J.01 The design achieves appropriate space standards

J.02 The ratio of usable space to the total area is good

J.03 The circulation distances travelled by staff, patients and visitors are minimised by the layout

J.04 Any necessary isolation and segregation of spaces is achieved

J.05 The design makes appropriate provision for gender segregation

J.06 There is adequate storage space