

Accountability and value for money: a theoretical framework for the relationship in public–private partnerships

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Published online: 23 August 2009
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Abstract There is an implicit assumption in the UK Treasury’s publications on public–private partnerships (PPP)—also more commonly known in the United Kingdom as private finance initiative (PFI)—that accountability and value for money (VFM) are related concepts. While recent academic studies on PPP/PFI (from now on as PFI) have focused on VFM, there is a notable absence of studies exploring the ‘presumed’ relationships between accountability and VFM. Drawing on Dubnick’s (Dubnick and Romzek in *American public administration, politics and the management of expectations*. Macmillan, New York, 1991, *Research in public administration*. JAI, Greenwich, 1993; Dubnick in *Public service ethics and the cultures of blame*, 1996, *Public sector ethics: finding and implementing values*. Routledge, London, 1998, *Int J Org Theory Behav* 6(3):405–441, 2003, *Public Perform Manage Rev* 28(3):376–417, 2005; Dubnick and Justice in *But can you trust them to be ethical*, 2002) framework for accountability and PFI literature, we develop a research framework for exploring potential relationships between accountability and VFM in PFI projects by proposing alternative accountability cultures, processes and mechanisms for PFI. The PFI accountability model is then exposed to four criteria—warrantability, tractability, measurability and feasibility. Our preliminary interviews provide us guidance in identifying some of the cultures, processes and mechanisms indicated in our model which should enable future researchers to test not only the UK Government’s claimed relationships between accountability and VFM using more specific PFI empirical data, but also a potential relationship between accountability and performance in general.

Keywords Accountability · Performance · New public management · Value for money · Private finance initiative

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1 Introduction

Accountability is a complex and multi-faceted notion. It is often interpreted as a form of stewardship and/or responsibility involving account giving. ‘Why’ and ‘for whom’ we give an account can have significant implications for the ‘way we account’. Giving an account then, may involve a complex set of relationships that need to be unpacked (Huse 2005). The possible influences of accountability on ‘performance’ have been problematic; not least because performance is complex, multi-faceted and difficult to measure¹ (Leeuw 1996; Hyndman and Anderson 2001). Despite these complexities, accountability in new public management (NPM) is often perceived as a tool for enhancing government’s ability to deliver public goods and services—that is, its ability to ‘perform’ more effectively and efficiently (Hood 1991, 1995; Barberis 1998; Dubnick 2005; Demirag 2005).

In the UK almost every domain of public action is being subjected to accountability based performance measurement systems (see, http://archive.treasury.gov.uk/performance_info/index.html). The government publications presume that accountability and transparency are an integral part of PFI processes (HM Treasury 1997, 2003b). They stress government departments should maintain transparency during and after PFI procurement (ibid.). The revised Greenbook (HM Treasury 2003b) reaffirms the government’s position on PFI accountability by stating that “in all cases, transparency is vital” and that the appraisal process throughout government will be more consistent and transparent than before the introduction of PFI contracts (Demirag and Khadaroo 2008). It is indicated that more transparent appraisal process will not only lead to better management of PFI projects and value for money (VFM) in the future, but also increase PFI accountability (HM Treasury 2003b). This suggests that the relationship between accountability and VFM is one in which the given account has to be transparent. Actors can then identify problems, take action and therefore improve VFM. It is presumed that improving accountability will increase VFM, and perhaps VFM improvements will develop accountability (Demirag et al. 2005). However, as will be argued later in the paper, the literature makes clear that any relationship between accountability and performance or accountability and VFM is problematic for a number of reasons, in particular surrounding definitions and measurement of accountability and VFM. Therefore any asserted relationship ought to meet a number of assumptions. However, these assumptions remain unchallenged and the literature suggests that these assumptions may not hold true in the case of PFI.

This paper develops a model that can be used to empirically test whether or not there is any evidence of a relationship between accountability and VFM, and

¹ We are aware that a well established theory of accountability and performance is not available or certainly, not in forms that have a wide level of support and recognition. In this paper, we aim to explore the presumed relationship between these two problematic issues and recognise that it is difficult to achieve a definite understanding of the relationship. It is also beyond the scope of this study to establish the direction of the relationship between these two concepts. We recognise the phenomena which Dubnick (2005, p. 396) terms as ‘accountability paradox’ where an inherent tension between accountability and performance at the operational and logical level exists: Increased efforts to improve performance through accountability tends to have the opposite effect.

whether that relationship takes the form(s) as postulated by the government. The model identifies appropriate cultures of accountability and accountability processes and mechanisms. The argument is that different accountability cultures/processes/mechanisms variously impact on VFM. Finally, the paper provides some initial empirical evidence, from research conducted in Northern Ireland, hoping to establish the credibility of the model.

This paper has five further sections. The next section provides a brief overview of PFI contracts in the UK and discusses the concepts of VFM and accountability. Section three presents Dubnick's framework for accountability cultures, and PFI processes and mechanisms and we discuss the robustness of our model by introducing a number of criteria. A discussion of the research methods then follow in section four. Section five discusses the findings from the interviews. The last section provides some concluding remarks for the development of future research designs in PFI and other similar contracts.

We now turn to the appraisal of the government's claimed relationships between accountability and VFM in PFI contracts.

2 VFM and accountability in PFI contracts

The issue of how to define accountability and VFM—an aspect of performance—is postponed until section three where interpretations from different perspectives can be explored. Provisionally we define VFM in terms of the three Es; economy, efficiency and effectiveness (Glynn 1985). It is suggested that PFI contracts will enable the public sector to leverage private sector management techniques, and may therefore provide better VFM than traditional procurement options (HM Treasury 1997, 2003a). Successive UK governments have also stated that PFI is an accountable means for enhancing VFM (unlike its alternatives), as it relies on 'healthy competition' in the form of private sector bidding for the right to offer the service in question (HM Treasury 1997, para. 3.10).

Before we discuss the concepts of VFM and accountability, a brief discussion of the UK's PFI contracts is provided here. PFI is a form of Public Private Partnership (PPP) which involves a contractual agreement between the public sector and a special purpose company, consisting of private sector contractors and their financial backers. Figure 1 shows a typical PFI arrangement.

PFI has been increasingly used by the British Government since 1992 and it has been predominant in the education, health, transport and roads and prison services sectors of the economy (HM Treasury 2009). There have been a few defence and IT projects but these have not been as successful as the others (see for example, NAO 1997, 2002a). These PFI contracts have tended to be in the realm of construction and facilities management. However under the PFI schemes, the Government maintains the core/traditional public services even though Trade Unions have raised concerns about equity and employment issues (Shaoul 2005; Froud 2003; Unison 2003).

Northern Ireland uses a similar PFI model to the rest of the UK except perhaps for the special guarantees provided for the political risk in the region. In all other respects Northern Ireland adopts the standard UK PFI contracts. We used three

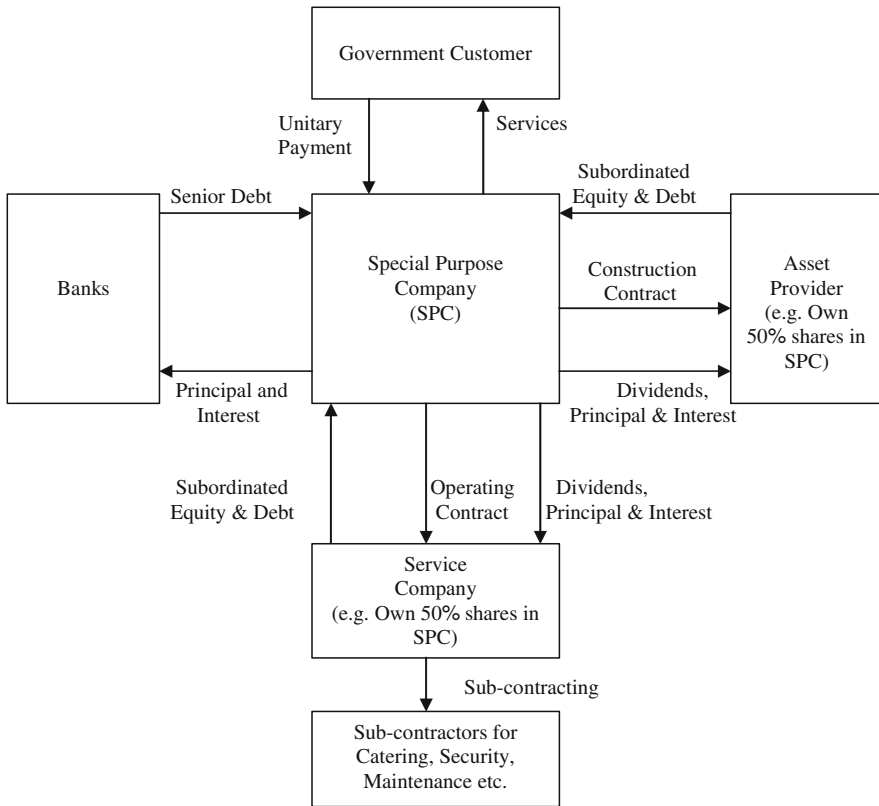


Fig. 1 A typical PFI contract structure. *Source:* Serco Plc (2002, p. 2)

school PFI case studies and interviewed forty-two key stakeholders in Northern Ireland mainly for convenience. Investment in education PFI in Northern Ireland is higher than other areas (£284.2 million in education; £127.69 million in hospitals; £139.2 million in transport; see www.PartnershipsUK.org.uk). Nevertheless we recognize the limitations of our work and recommend that future work should duplicate our guidance model and be applied to other sectors in the UK.

2.1 Value for money in PFI contracts

VFM has emerged as a key argument for legitimising the expanding use of PFI contracts in the UK public sector² (Broadbent and Laughlin 2003, 2005). As with performance, VFM is even more problematic in that it requires estimating future financial and non-financial benefits of the procurement options (Heald 2003; Broadbent et al. 2004). Within PFI decision making VFM has taken on a very particular meaning. VFM in PFI is deemed to occur if the discounted cash flows

² For the purpose of this paper however, we are not interested in ‘measuring’ VFM.

from a PFI are less than those from a public sector comparator (PSC). VFM measurement thus becomes involved in estimating future cash flows, discounting rates and risk transfer, and the concept tends to focus on economy.

Assessing economy in PFI contracts involves the construction of a PSC to benchmark the PFI option (HM Treasury 2003b; Grimsey and Lewis 2005). The PSC is an estimate of the costs of the conventional public sector procurement alternative. If the private sector alternative of PFI project costs less than the PSC, then PFI is regarded as providing VFM. However, calculating the PSC is further complicated by the use of opportunity costing principles to calculate and discount the relevant cash flows in addition to estimating the cost of risks transferred to the private sector. The risks, which are allegedly passed on to the private sector, are widely discussed elsewhere and their measurement is beyond the scope of this paper (Froud 2003; Heald 2003; Shaoul 2005; Broadbent et al. 2008; Pollock and Price 2008; Demirag 2009).

Heald (2003) argues that estimating VFM related benefits and costs is difficult and vulnerable to manipulation. He argues that VFM analysis appears to be done primarily from the perspectives of the purchasing public body without regard to costs imposed on other public bodies (pp. 348–349). The author also points out that VFM analysis should be concerned with total risks and more specifically, the amount of risks borne by the purchaser. Finally, he addresses the question of VFM in terms of whether the purchasers are content or discontented with the PFI project over the full life of the concession. A further related problem is the continuity of the parties involved in the contract, as some of the parties may exit by selling their interests before the completion of the contract, resulting in different perceptions of VFM.

2.2 Defining accountability

Accountability is a complex, abstract and elusive concept (Ijiri 1983; Sinclair 1995; Robinson 2002). Cochrane (1993, pp. 47–48) posits that:

...the notions of accountability in the public sector remain confused...accountability is becoming a contested issue rather than one which can be resolved by the imposition of rules drawn from textbooks of financial accounting and marginal economics.

Accountability is often associated with the execution of responsibilities and being answerable for them. Its chameleon-like nature (Sinclair 1995) allows it to emerge in various forms, leading observers to generate typologies that elaborate a range of accountabilities, including political, legal, public, managerial, professional, bureaucratic and personal (Stewart 1984; Glynn 1985). The central distinctions among these forms are often the questions of ‘to whom’ (Mayston 1993), and ‘for what’ (Pallot 2003; Broadbent and Laughlin 2003) the accountable individual is obliged.

How accountability is defined has changed over time and it is dependent on the ideologies, motifs and language of our times (Sinclair 1995, p. 221). At the level of individual behaviour and social relationships, accountability is treated as a means for dealing with potential/actual problematic situations that necessitate excuse making, justifications, rationalizations and other forms of account-giving (Scott and

Lyman 1968; Benoit 1995). In addition, accountability is also treated as a strategy for coping with demands for answerability (Tetlock et al. 1989; Lerner and Tetlock 1999). Dubnick and Romzek (1991) consider a functional approach by expressing accountability as a primary means for managing expectations. This definition of accountability is especially useful where expectations are multiple, diverse and conflicting. Dubnick and Romzek (1993, p. 43) argue that civil servants are assumed to act rationally most of the time with the aim of dealing with the expectations of their duties. They point out that “much of their self-interest behaviour is driven by the need to effectively cope with expectations”. Accountability based on the concept of ‘management of expectations’ is a useful definition for the purpose of this paper as it is capable of dealing with PFI stakeholders’ multiple, complex and often conflicting undertakings. In section three we observe that Governments may regard accountability as a useful analytical tool for managing and enhancing the VFM perceptions of key stakeholders.

2.3 UK government’s claims for PFI accountability and VFM

Demirag and Khadaroo (2008) indicate that successive UK government arguments for PFI contracts appear to have been largely rhetorical. PFI contracts are presented as a means of providing more accountability, equity and VFM through efficient and responsive services. Their principal argument for using PFI is that it provides better VFM, through the provision of more ‘efficient’ and ‘cost-effective’ public services than conventional methods of procurement. The following extract from a Treasury publication illustrates this premise:

PFI achieves this [*quality of services*] by focusing the public and private sectors on the areas each does best. The results are there to see. PFI is happening. PFI is delivering better services at better value for money. PFI is here to stay (HM Treasury 1996, *News Release 147/96*).

The government claims that PFI utilizes private sector management skills without putting its own capital at risk thus delivering better VFM (HM Treasury 2000, p. 5). This claim is re-emphasized in a more recent government publication where it is asserted that the contractual accountability of the private sector will reduce the risk of the public sector partner in PFI. For example:

...the private sector contractor is responsible, and at risk, for its ability to meet the service requirements it has signed up to. Where it proves unable to do so, there are a number of safeguards for the public sector and the smooth delivery of public services in place, but the contractor is at risk to the full value of the debt and equity in the project (HM Treasury 2003a, p. 35).

The UK government’s PFI publications also indicate that increased accountability will strengthen performance, as this report by HM Treasury/Cabinet Office (2004) makes plain:

An analysis of best practice in the public and private sectors in the UK and abroad suggest five areas that must be developed to strengthen local

performance management capacity. These are: robust and reliable internal data reporting, strong leadership, clear accountabilities, performance review combining challenge and support and transparent rewards and sanctions (HM Treasury/Cabinet Office 2004, paragraph 1.10).

It would appear from the above arguments that considerations of the broader efficiency and effectiveness aspects of VFM are largely ignored in government publications, perhaps because they are difficult to assess at the pre-implementation stages. These considerations should account for the main differences in the perceptions of future benefits, costs and risks transferred from public to private sectors, resulting in subjective judgments of VFM. In the next section we develop a research framework which identifies appropriate cultures of accountability within PFI contracts, (together with formal accountability processes and mechanisms) and their claimed relationships to VFM.

3 A research framework towards developing the presumed relationships between accountability and VFM

While recent major empirical studies concerning PFI in the UK have discussed alternative accounting and accountability processes in an attempt to assess the extent of VFM, mechanisms specifically linking accountability to VFM improvement have not been explored. Based on Dubnick's (Dubnick and Romzek 1991, 1993; Dubnick 1996, 1998, 2003, 2005; Dubnick and Justice 2002) framework for accountability, which has its roots in ethical theory, we identify a number of appropriate cultures of accountability for our PFI accountability model. It is these cultures of accountability we now turn to.

3.1 Dubnick's conceptual framework for accountability and its cultures

Dubnick (Dubnick and Romzek 1991, 1993; Dubnick 1996, 1998, 2003, 2005; Dubnick and Justice 2002) develops his framework for conceptualising accountability in a number of forms, considering individual attitudes and behaviour. One of the advantages of his framework is that it is based on ethical theory and can be implemented in practical situations. Dubnick (1998), p. 72) posits that we need to develop deeper concepts of accountability rather than bridging "the gaps between normative frameworks that stress the need to assess various forms of accountability and the more descriptive and practical approaches".

Dubnick (1998, p. 80) believes that accountability as an analytical tool is closely related to issues of ethical behaviour and stresses that his conceptualisation reflects ethical assumptions.

He argues (p.73) that in developing a useful conceptual framework we need to examine the works of two groups of scholars, namely, social psychologists and ethno-methodologists and political scientists.

3.2 The socio-psychological and socio-cultural cultures of accountability

Dubnick (1998, p. 73) posits that there are two main perspectives on the accountability cultures. The first perspective mostly comprises social psychologists and ethno-methodologists who are concerned with the ‘*accountability of conduct*’ (Lerner and Tetlock 1999; Behn 2002; Dubnick 1998, 2005). This approach emphasizes the functional and emergent properties of account giving behaviour. The second perspective mainly comprises political scientists adopting a legal and institutional framework and is concerned with the ‘*conduct of accountability*’. This approach to accountability stresses the institutionalized obligations of accountable actors. Each of these perspectives on accountability is implied in the assumed relationship between accountability and performance, established by policies and programs such as PFI.

Dubnick (1998, p. 73) argues that in developing a useful conceptual framework we need to examine the works of these two groups. Social psychologists and ethno-methodologists are primarily interested in the use of excuses or rationalisations by individuals who make or are perceived to make wrong decisions and feel they are accountable to some other individual or group of individuals. This empirical task is concerned with describing and/or explaining a common human behaviour and the role accountability plays for the individual both psychologically and socially. He describes this perspective as *the ‘accountability of conduct’*.

Researchers oriented towards the ‘*conduct of accountability*’ look at the institutional structures, rules and procedures through which individuals are brought to account. Their main focus is on the institutional settings for account giving and they often engage in debates of the relative merits of the different forms of accountability. Dubnick (1998, p. 73) explains that, *conduct of accountability* not only focuses on institutional context but also has a normative purpose. The focus in this perspective of accountability is on the structures and procedures through which accountability is achieved and the emphasis is put on governmental or private and legislative or executive.

The question of whether a viable empirical foundation exists upon which to build a form of ‘intelligent accountability’ that meets the challenge posited in Onora O’Neill’s critique of the ‘new accountability’ is relevant here (see O’Neill’s 2002 BBC Reith Lectures). In her BBC lectures on the philosophy of trust, O’Neill (2002) suggests that ‘intelligent accountability’ is based on good governance, independent inspection and careful reporting. Specifically, we examined the socio-psychological and socio-cultural mechanisms that foster or obstruct the development and implementation of intelligent accountability processes in general and VFM attainment and measurement systems in particular.

Dubnick (1998, p. 77) differentiates various cultures of accountability which can take place in real public sector work situations. Dubnick and Justice (2002), argue that tasks and obligations of individuals are either articulated or institutionalised and are perceived as inherent to the position a person is occupying. Dubnick (2003) labels this as *answerability* and highlights the idea that persons in this category are expected to give accounts upon demand. In other words their roles and social identities determine their expectations. Answerability cultures reflect hierarchical

and other forms of structured social settings where individuals perceive themselves as responsible for reporting, justifying or explaining their actions to others.

Dubnick (2003, p. 77) sees *liability* culture arising from on the job behaviour. Expectations are reasonably well structured but do not necessarily come from within the organisations but from external and larger social or legal frameworks in which organisations function (Dubnick and Justice 2002, p. 22). They explain that liability culture, unlike answerability, arises from external frameworks and tends to have fairly structured and rigid expectations based on legal requirements. Law is the main mechanism used to define structured requirements (Pound 1997; Schuck 1999). Liability cultures represent settings where individuals regard themselves as subject to a system of rules and laws that carry the potential for sanctions (positive or negative). Accordingly individuals and organizations should be held liable for their actions and/or rewarded for their good performance. Hence, the liability culture of accountability deals with both penalty and reward systems. In democratic systems, elected officials are held liable through the electoral process, while public servants are mostly held liable in the criminal sense for malfeasance.

Dubnick and Justice (2002) argue that *blameworthiness* as a form of accountability involves a shift in focus from stable roles and structures to one's relative social position or identification with a certain group. As Dubnick (1996, 2003) puts it 'you are held accountable because you are regarded as socially, if not organizationally, blameworthy'. Blameworthiness cultures stress the sense of responsibility within a moral community where expectations are generalized rather than specific to individuals or their roles in society.

Finally, *attributability* cultures focus attention on the roles that individuals play and the expectations associated with those roles. Dubnick (2003) refers to "attributability" culture where nonwork behaviour of a public worker affects his/her job not because of his/her accountability performance at work but because of his/her job in the public life and its associated expectations. The sources of such standards are people who 'attribute' an action or behaviour to an actor and would demand or expect an accounting, if they were in a position and able to do so. Dubnick and Justice (2002) also argue that attributability does not have to relate to work in public office and it sometimes can affect the lives of private individuals when it is regarded as grounds for adverse personal action. This is possible even when the action of the individual concerned has had nothing to do with their position in work (p. 30).

3.3 Formal accountability processes and mechanisms

As a form of governance, PFI contracts do not escape accountability, but rather have the burden of accountability shifted to them from the government (Shapiro 2001). In part this may be intentional and it is implied that PFI contracts are designed to assume the risks associated with the design, construction and operation of a facility. Formally this manifests in the construction of a *contractual accountability system* (Fig. 2) that is central to any PFI.

It is assumed that contracts, by creating liabilities and obligations, would enable the fulfillment of the PFI objectives. The establishment of liabilities through judicial

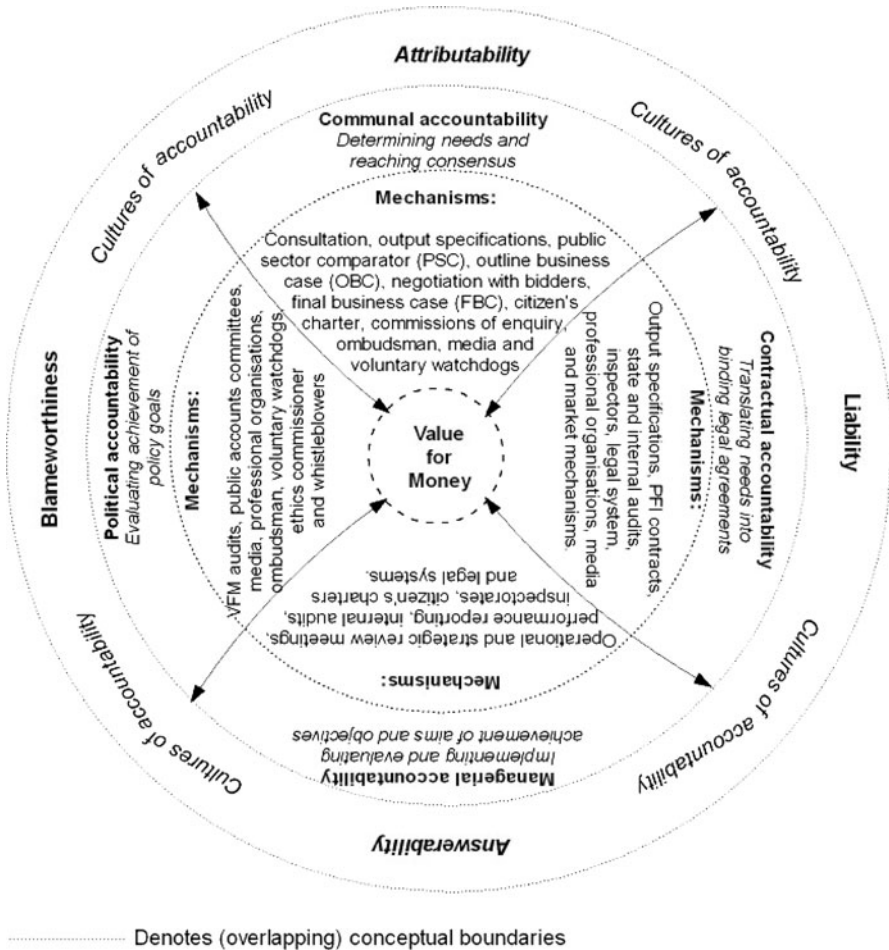


Fig. 2 PFI accountability processes and VFM mechanisms

or quasi-judicial actions may ‘force’ the partners to comply. Dubnick points out that in developing an effective conceptualisation of accountability, ethical and institutional perspectives of accountability are needed. Dubnick (1998) attempts to link the two perspectives of accountability by focusing on the concept of ethical theory and in particular Nozick’s (1981) understanding of ‘moral push’ and ‘moral pull’ of human behaviour that sees action as the outcome of his two forces of moral driven behaviour. ‘Moral push’ stresses the importance of being a “good and virtuous” person, living up to an individual’s own moral (presumably high) values. ‘Moral pull’ on the other hand highlights the need to regard and respect the value of others. Dubnick (1998, 2005) argues that liabilities create a ‘moral pull’ for the parties to adhere to the terms stipulated in the contract and are ‘external’ to the individual.

Obligation, the ‘moral push’ of conduct, is the desire to comply with the law to avoid legal sanctions. It is ‘internal’ and represents the processes through which behaviour is internalized. Dubnick (1998, 2005) suggests that accountability is partial to the extent that only the ‘moral pulls’ take hold. It would become more effective and ethical when both the ‘moral pulls’ and ‘moral pushes’ are operative. Moral pushes give bureaucrats the feeling that ‘this is the right thing to do’ rather than ‘this is what I am forced to do’ (*ibid.*). As such, unless matched with obligation, liability is ineffective.

It is also assumed that the contract would include provisions for management and oversight of the PFI. To this end, the PFI arrangements include an internalized *managerial accountability system* developed for the period of the contract. Managerial accountability processes could also influence VFM in PFI contracts (Stewart 1984; Sinclair 1995). It is often argued that the ultimate VFM outcome of PFI depends on how PFI policies and guidance formulated at the macro level are executed at the micro organization level (Broadbent and Laughlin 1999; English and Guthrie 2003).

Performance monitoring and evaluation of PFI programs could be used to assess the extent to which PFI projects are meeting the service standards agreed in the contracts. Payments to contractors may be structured in such a way that contractors are rewarded for providing an acceptable level of service and penalized for poor performance. In this respect, service quality and assessment of users’ satisfaction may be important elements in ascertaining VFM. According to Mwita (2000), service quality could be seen as a process of minimizing the performance gap between actual delivery of services and users’ expectations. Public sector managers and contractors alike may need to adopt ‘customer-oriented’ techniques to assess the extent to which needs of PFI users are satisfied. This may be achieved through stakeholder satisfaction surveys although to date post-project evaluations do not tend to be carefully considered (Broadbent et al. 2004). However, the limitation of user satisfaction surveys is that they may only reflect the users’ appreciation of newness and take no account of the absolute or relative costs of these PFI facilities compared to conventional procurement.

Adequate PFI monitoring mechanisms may be required to safeguard the public interest to ensure that PFI delivers the VFM benefits foreseen at the appraisal stage. The financial health of contractors may need close monitoring. Poor cash flows could also threaten the viability of PFI contracts, adversely affect the quality of public services, affect the amount of compensation that the public sector receives in the event of default and tempt the private sector partner to ‘cut and run’ where PFI contracts fall into difficulty.

Given the embedded nature of more general notions of accountability in the modern state, two additional systems are present in any PFI, and we designate these as the communal and political accountability systems respectively. These are discussed below. Given that PFI involves the provision of ‘public services’ such as schools, hospitals, and roads—a *communal accountability system* to contend with the demands and needs of stakeholders, users, clients, and other interest groups is unavoidable. This system emerges (in formal or informal forms) from interactions with these various parties, mostly through the consultation process.

Communal accountability involves seeking the legitimacy and consensus of stakeholder groups affected by a particular policy through their participation in the decision making process. Francis (1990) and Lehman (2005) posit that accountability is both a moral and discursive practice. Moral on grounds that it involves human agency and has consequences on people by affecting their lived experiences; and discursive because it requires an agreement between the accountant and accountee in terms of how the expectations of the accountee are to be met.

It is assumed that dialogue with interest groups is an important communitarian accountability mechanism for understanding and responding to their needs (Behn 1998; Farrell 2000; Roberts 2002; Shearer 2002). Open and transparent public debate leading to better management and service performance and allocation of resources is regarded as one way of achieving better VFM from public monies. In this respect, Fowles (1993) argues that citizen participation in public sector governance reduces power differentials between service providers and service users to promote better downward public accountability and safeguard the longer-term interests of taxpayers and service consumers.

Although the UK's current Labour government has sought to promote more participation from community members, Chandler (2001) argues that its social inclusion agenda is less democratic because it does not seek political engagement from community members. In this respect, the PFI policy may be criticised on grounds that the decision making process is not transparent and interest groups do not have the power to question the PFI policy (Mayston 1999; Edwards and Shaoul 2003a, b).

'Active' participation in the PFI decision-making process by stakeholders may be an important source of VFM. Assuming a fair distribution of power in the decision-making process, the various interest groups would be challenged to justify their opinions and course of actions such that the chosen alternative is acceptable and appeals to the common interest of all stakeholders. In this context, stakeholder dialogue can be an important accountability mechanism in that open dialogue among the interested parties would bring about different perspectives and interpretations of a particular issue and would lead to more accountable and transparent policy making (Demirag 2005).

On the other hand, the authority of Parliament to call ministers and public servants to account for PFI contracts, which is rooted in the constitution of most Westminster democracies, forms the basis of a *political accountability system*. Parliamentary institutions could act as a check on the Executive government (the political party with the majority seats in the House of Commons) by scrutinizing the policies pursued (Glynn and Murphy 1996; Gendron et al. 2001; Broadbent and Laughlin 2003). In Westminster democracies, powers are separated among the Executive government, the Parliament (representing public interest) and the public. In the UK, the NAO and Audit Commission investigate individual PFI projects for VFM, and the Public Accounts Committee calls on the responsible public sector executives to account in cases where PFI contracts are experiencing difficulty.

Parliamentary institutions are expected to guard the public purse by investigating and disclosing inefficient utilization of the public funds (English and Guthrie 2006). Through their VFM recommendations, best practices and lessons may be

disseminated to other parts of the public sector (Leeuw 1996). However, the power of public sector auditors in the UK may be limited in that they can only assess the way government policies are implemented in their VFM audits. They cannot question government policies (NAO 2002b).

In the period 1992–2006, the NAO has published 84 VFM reports on PFI on its website (see, for example, NAO 1999, 2001). The Public Accounts Committee has acted upon many of these reports by calling the responsible ministers and public sector executives to account for those PFI contracts, which have fallen into financial difficulty (see, for example, PAC 2000, 2001). However, many PFI researchers have criticized the VFM investigations conducted by Parliamentary institutions as ‘reactive’ on grounds that they are in response to problems (Shaoul 2005). In many cases, the cost of PFI failure was externalized to the public and taxpayers [see for example, the case of the UK’s Passport Agency PFI (NAO 1999) and the case of the Royal Armouries PFI (NAO 2001)].

Dubnick (1998, p. 73) argues that any potential linkages between ‘accountability of conduct’ and ‘conduct of accountability’ provide a common foundation for his framework of the four cultures of accountability. He points out that the accountability of conduct approach highlights the role accountability plays in an individual’s conduct from both social and psychological perspectives and in practice it is largely shaped specific roles played by the governmental setting. The ‘conduct of accountability’, on the other hand, belittles or oversimplifies the influence of individual psychology and social dynamics in the structures and procedures of institutionalised accountability processes. Dubnick believes that accountability is closely related to issues of ethical behaviour and this is clearly seen in his framework for accountability. Dubnick’s framework for accountability provides a potential ethical analytical tool to explore the relationships between PPP processes and accountability mechanisms and their relationships to performance and value for money concepts. In determining whether the ethical approach to accountability is useful in unpacking the complex relationships between accountability and performance relationships, Dubnick (1998, p. 81) suggests three useful criteria; Does the framework, when applied to research design, generate sufficient understanding and insight to warrant its continued use? Does its continual use lead to improvements in the framework and thus advances in our understanding and insights? And finally, does the continuous application and improvement of the framework move us nearer towards a public administrative behaviour theory? Dubnick and Justice (2002, p. 34) argue that refinements to institutional mechanisms might then be complemented by an effort to provide administrators with powers to control or regulate their behaviour and apply and understand moral reasons behind their behaviour and control.

3.4 An assessment of the model for establishing a presumed relationship between accountability and VFM in PFI contracts

A great deal of the confusion about the value of PFI and the role of VFM is rooted in unchallenged assumptions surrounding the relationships between accountability and performance in NPM programmes and empirical research in PFI. Here we offer four

assumptions as a foundation for such an analysis to understand the nature of the accountability and VFM relationships. The four assumptions are general and could apply to most asserted relationships. Our initial starting point is that the four assumptions apply to all of the cultures equally. How these four assumptions *precisely* apply to all of the cultures of accountability can only be answered with more empirical work specially designed to test the complex relationships within the framework offered in this paper. We now examine these assumptions.³

1. *The Warrantability Assumption* That the relationship between accountability and VFM is based on theoretically and empirically credible knowledge. The history of managerial theory is filled with efforts to establish the credibility of this and similar relationships. The most famous is scientific management (Jenks 1960; Taylor 1967) and its various intellectual offspring (Freeman 1996, offers an especially wide range of motivational theories). The management shelves of libraries and booksellers are overflowing with ideas about how performance can be enhanced through various techniques—many of them linked to accountability. A great many of these (e.g., MBO, TQM) have been articulated in models and theories, and some applied, but few have been subjected to systematic and sustained empirical testing. Too often, these various theories turn out to be little more than passing fads and ideologies (Barley and Kunda 1992; Perrin 1998; Gittel 2000).

The question of whether, and if so, how, accountability and VFM are related is not grounded in theoretical or empirical knowledge (Talbot 2001; Dubnick 2003). To the knowledge of the authors, research has not appeared to have reached any definitive conclusions about the theoretical superiority of PFI and whether empirically it leads to better accountability and VFM than conventional procurement (Broadbent et al. 2004; Edwards et al. 2004). The Audit Commission in determining VFM in traditionally procured and PFI contracts, examined 17 schools (Audit Commission 2003). In general, the Audit Commission found that the delivery of the facilities management of PFI was good but found that the quality of the early PFI schools was inferior compared to those built following more conventional procurement methods. The findings suggest that PFI schools did not deliver VFM as some of the most important benefits expected from the schools were not realised.

In general, PFI researchers have been critical of accountability and VFM relationships, and have attempted to illustrate that the government's claim of a relationship between them does not hold up well in practice. Mayston (1999), for example, suggests that many reasons why PFI may not provide VFM—poor communal, contractual and managerial accountability processes are some of the reasons for this failure. In the case of the 'Pimlico School PFI', Edwards and Shaoul (2003a) argue that the PFI collapsed due to poor communal accountability processes. Edwards and Shaoul (2003b) further argue that PFI

³ We are grateful to Melvin Dubnick for directing us to these four assumptions which he also used for his accountability culture model adopted in this paper. However these assumptions are used and interpreted here in the context of PFI projects and can also be used to test the robustness of any other management models.

contracts are likely to fail where they are poorly drawn and hard to implement. The prior empirical evidence cited here offers support to the problematic nature of a weak relationship between accountability and VFM.

2. *The Tractability Assumption* That those factors constituting the relationships between accountability and VFM are visible, subject to control, and can be acted upon. The relationship is valuable only to the extent that it can be operationalized, and this requires points of access to and leverage over performance relevant behaviour. We can rely on this assumption to the extent that performance-relevant behaviour is malleable through external 'levers'. Much of the rhetoric of NPM reform in the UK has been articulated in mechanistic metaphors that stress the view of government as a machine, and of reforms envisioned as mechanistic adjustments (Hartley et al. 2002). This assumption is challenged both by the existence and value of relatively amorphous factors (that is., morale and moral commitment) as well as the use of ambiguous concepts [e.g., 'best' practices, 'transformational' leadership; see Behn (1992)].

Accountability and VFM relationships are even more problematic because it is often difficult to trace the VFM benefits of PFI projects and as a result it is presumably difficult to hold public sector executives accountable for public services. There is also the problem of the closed nature of the PFI decision-making process, which makes the accountability processes lack transparency and visibility (Ball et al. 2001; Chandler 2001; Edwards and Shaoul 2003a). For example Heald and Dowdall (1999) argue that capital charging, which has the objective of obtaining VFM by making the cost of using capital assets transparent, may be undermined by the extent of off balance sheet PFI assets (see also, Heald 2003). Broadbent et al. (Broadbent et al. 2003) further argue that assessing PFI contracts for VFM may be a subjective and difficult process and should be left mainly to the NAO and Audit Commission. Baker (2003) also contributes to this view of the important role played by Parliamentary institutions in the post PFI implementation process. Broadbent and Laughlin (2003) and English and Guthrie (2003) further argue that PFI outcome depends on public policy parameters issued by PFI regulators. The implementation of VFM decisions at the micro organisational level through interactions with PFI stakeholders further complicates the tractability of accountability to VFM.

3. *The Measurability Assumption* The relevant behaviour being subjected to account-giving can be measured. Regarding the literature on the relationship between accountability and performance, the measurability assumption is central. Measurement plays two distinct but inter-related roles in the relationship. First, it is designed to act as an indicator of performance, providing an assessment of the accountable actions. Second, it is often regarded as a driver of performance by providing the incentive for better performance, especially when attached to some system of reward or punishment (Neely et al. 1995; Neely 1999). Both of these assumptions are controversial at best (Halachmi 2002a, b, c; Bolton 2003). The measurement of performance is notoriously difficult (Stone 2002; Cavalluzzo and Ittner 2004), especially in environments where the problem of multiple and diverse expectations is magnified (Feltham and Jim

1994). Just as significant are the distortions generated by measurement effort, particularly in generating goal displacement and engagement in the 'performance game' (Perrin 1998; Bohte and Meier 2000; Grizzle 2002; Greener 2003). Accountability and VFM are problematic and, arguably, non-measurable concepts (Glynn 1985). In this context, it is arguable that the preparation of the PSC and quantification of risks which are needed to assess VFM at the pre-contract appraisal stage are at best subjective (Mayston 1999). Equally difficult to measure is the extent to which PFIs are meeting their VFM objectives after their implementation (Broadbent et al. 2004; Shaoul 2005). The ACCA (2002) survey also confirms that VFM and risk transfer processes are both subjective and difficult to measure, suggesting that PFI may not be having a beneficial effect on public services.

4. *The Feasibility Assumption* That the account-demanding actors have the capacity to undertake the actions required of the relationship between accountability and VFM. For some observers, the problem of making accountability and performance measures work as useful tools lies in overcoming the barriers to their effective implementation (Winston 1999). Behn (2002) has highlighted a variety of 'psychological barriers' to the assumed consensus on desirable performance standards. The potential for success appears to rely on a wide range of assumption and situational factors (Halachmi 2002d; Noordegraaf and Abma 2003).

The problematic relationship between accountability and VFM in PFI contracts may also be accounted for by the fact that many of the PFI accountability processes are not feasible. Contractual accountability processes may not deliver VFM over the life of the PFI contracts on the grounds that it is hard to foresee and clearly specify future changes in service requirements in contractual documents (Mayston 1999). Moreover, Froud and Shaoul (2001) and Edwards and Shaoul (2003b) argue that risk transfer in PFI contracts is not a feasible process on the basis that it is hard to ascertain the extent to which risks have been transferred to the private sector contractor.

4 Research methods

For the purpose of this paper qualitative data were collected through semi-structured interviews. Case study research can provide richer interpretations of the research issues through the particular synthesis which the researcher develops to encompass the cases under consideration (Humphrey and Scapens 1996, p. 96). Blumer (1969) and Connolly and Hyndman (2006) point out that when the research objective is to capture a complex process where people have different perspectives on the subject, it is appropriate to use a research strategy which allows these diverse perspectives to be understood in terms that the participants understand. However, as Broadbent and Laughlin (1997) highlight, case study research restricts the number of cases that can be examined in one study. This theoretical analysis and the framework developed in the paper are used to inform the three in-depth case studies of PFI contracts in

secondary schools in Northern Ireland. School PFI contracts are used as an exemplary case to illustrate the cultures and formal processes of accountability and to assess their potential relationships with VFM.

In all, forty-two interviews, involving thirty-seven key stakeholders were conducted between July 2003 to April 2006. We have chosen diverse perspectives of head teachers, local government officials, private sector facilities managers, because they are the most important people involved in the implementation and day to day operations of the PFI projects. Another limitation of the paper is that time and cost constraints prevented the views of parents, pupils, chairs of boards of governors, financiers and building contractors, being sought. All interviews were tape recorded and transcribed. References to accountability cultures and VFM were analyzed using a qualitative software package (NVIVO N6). In this process we sought to capture references made to accountability by the interviewees and then subjectively classified these into the appropriate cultures of accountability. In the next section we explore the presumed relationships between accountability and VFM.

5 Empirical findings from interviews

Our findings indicated that answerability enabled subordinates to do what the principals desire. For example, one of the principals we interviewed explained that plans, budgets, annual reports and meetings with the board of governors are the mechanisms of answerability and are used to measure accountability:

But being accountable to these other bodies, mean that accountability tends to be measured and showed. More periodically or episodically, the board of governors, by law must hold an annual general meeting of the parents and must publish an annual report which publishes outcomes in terms of results, financial accounts, the policies we have in place and the measures we have taken to protect the children in contentious areas such as sex education, the extent in which we provide support and extra curricular activities and all of those areas (Principal, school 1).

The question of to whom the interviewees were answerable changed depending upon who we were talking to. The head of PPP Unit, for the local education authorities explained accountability as being answerable through line management and the bureaucratic control and reporting processes:

I think accountability in government is very clearly defined and is line management. Whereas I will be responsible if there is a total mess here, it would be the Chief Executive of the South Eastern Education and Library Board (SEELB) who would have to appear in front of the public accounts committee, not me. My accountability is to the chief executive, whom I answer to directly and do my appraisal every year and my salary is based on achieving my targets. So, this is a form of accountability. The Chief Executive

is accountable to the permanent secretary and he may have to resign if things go wrong, but I don't have to.

Similarly, the head of public private partnerships (PPP) unit at the Department of Education Northern Ireland (DENI) perceived accountability as being answerable in terms of explaining and justifying budgets:

My interpretation of accountability is that, I get a budget each year and then Gerry McGowan, who is the Permanent Secretary, will hold me accountable for the proper use of that budget.

Accountability as a liability culture was highlighted by a contracts manager from the local education authority, who stated that the service provider suffered deductions from PFI payments because of unavailability of a football pitch, possibly because the penalty was the cheaper option:

Take the example of the football pitch, if the school can't have a match on the football pitch and because it's covered in glass, because it's been vandalized, we would say that the pitch is unavailable. CCMS [the local education authority] would then deduct a payment from the unitary payment because the pitch is not available (Contracts Manager, school 3).

The Chief Administrative Officer at the Education and Library Board (ELB) defined accountability in terms of its blameworthiness culture as follows:

Well, accountability, I think really is having responsibility for ensuring that something is either completed or delivered and also for ensuring that the resources are used properly (Chief Administrative Officer, school 2).

Similarly, a facilities manager perceived blameworthiness to be adherence to rules setting the limits for her behaviour as follows:

Well, I would view myself as having the overall responsibility for managing this contract, within the guidelines that the company has set out and as specified in the contract (Facilities Manager, school 3).

While the above statement could also be interpreted as a formal responsibility, when we explored the wider contextual settings of the interview, the above statement appeared to be a symbol of blameworthiness culture and not her formal responsibility within the school—the interviewee was using the written contract as a scapegoat for her behaviour.

The attributability culture of accountability was explained by one of the project managers who viewed accountability as efficiently responding to the needs of the community and making the best use of resources:

...if children are not getting schools, education, the services they are entitled to, the public will very soon flag the matter up. And then our role will be looked at seriously, because that is our task, you know, if schools are not properly managed, if the children are not getting to school by bus when they should be getting to school by bus, if they are not getting their school meals when they should be getting their school meals, if they are not getting properly

maintained schools when they should be, we are responsible for these things. I think the users are the persons to whom we are singularly most accountable to.... (Project Manager, school 2).

Our findings of the empirical application of Dubnick's accountability cultures in three PFI schools suggest that aspects of all the four cultures of accountability may be at work in our case studies. The respondents have indicated that aspects of Dubnick's four fundamental cultures of accountability may be relevant and thus require further empirical investigations. We now turn our attention to the formal accountability processes and mechanisms identified in our PFI case studies.

PFI contracts are often complex documents of legally binding terms agreed over a period of 25 or more years and dictate: level and quality of service; payment mechanism; the length of the contract; risk allocation and changes in service requirements. Because VFM is a long-term concept and contracts cannot cater for every eventuality, these contractual terms would always be incomplete. As such, flexibility and fallback options in PFI contracts may be very important considerations. Ball et al. (2001) point out that this is not a very straightforward process because it is difficult to understand and specify service requirements and quality over time.

The objective of the contractual accountability process was to translate needs into binding legal documents. From our case study it appeared to us that VFM was a concept dependant on how well the contracts were structured and whether the terms could be enforced. VFM also had specific and general accountability mechanisms and these included; the PFI contract, state and internal audits, inspectors, legal system, professional organizations, media and market mechanisms.

The managerial accountability process usually involved monitoring whether PFI projects were achieving the objectives identified in the business case and the contract itself. In general this was done by users of PFI services, a private sector facilities manager and a contract manager from the public sector. In our case studies we have identified the following managerial accountability mechanisms: performance reporting, internal audits, inspectorates, citizen's charters and legal systems.

Communal accountability involved meeting the expectations of the stakeholders affected by government's policy. A project board and a project team were formed to manage and deliver PFI projects. The accountability mechanisms included consultation with users and preparing output specifications, PSC and an outline business case (OBC) making the case for PFI, negotiation with bidders and the final business case (FBC). However, the transparency issue is relevant here because for some projects these are not in the public domain, or the version in the public domain may have been redacted. Other accountability mechanisms we have identified included citizen's charter, commissions of enquiry, ombudsman, media and voluntary watchdogs.

We have found that in the UK's PFI contracts, as seen in Fig. 2, the objectives of political accountability process were to evaluate the achievement of policy goals and objectives of the government. Accountability was discharged through the VFM audits conducted by the National Audit Office (NAO) and their reporting to Parliament. Other accountability mechanisms we have identified include media,

professional organizations, ombudsman, voluntary watchdogs, ethics commissioner and whistleblowers.

Given these variations in accountability cultures and forms, we argue that an effort to impact on an individual's or any group of individuals' perceptions of VFM would be most effective if the 'appropriate' cultures and forms of accountability mechanisms were applied to that individual or stakeholders. It follows that a misfit of accountability cultures and accountability mechanisms will result in less success in achieving improved VFM through accountability or, worse still, what O'Neill terms 'counterproductive' performance.

Figure 2 reflects the interaction of these four accountability processes and indicates how accountability relates to VFM. The question of what constitutes 'value' in VFM will only be partly defined by the contractual relationships in a PFI, and will be subject to change as a result of what happens as the dynamics of managerial, communal and political accountability take hold over time. These accountability concepts are useful in so far as they focus the attention of researchers and practitioners on the underlying assumptions and characteristics of accountability processes and their presumed relationships to performance.

6 Concluding remarks, limitations and future research agendas

This paper has been chiefly concerned with developing a research framework for exploring the 'claimed relationships' between accountability and VFM considerations, as reported in recent UK Treasury publications on PFI. We focus on PFI contracts because of their strategic importance to the UK government's modernization programme. They also provide an opportunity to examine the dynamic and changing cultures and forms of accountability at various stages of implementation.

In order to explore the relationships between the promises of accountability and VFM, we have, using Dubnick's framework for accountability, identified four types of accountability cultures, processes and the mechanisms that may influence VFM decisions from a number of PFI contracts in Northern Ireland secondary schools. We have taken note of the fact that the cultures and forms of accountability may inter-relate, overlap and influence one another. In addition, we have also acknowledged that there may be other personal and institutional forms of accountability than discussed here, which may impact on VFM decisions.

We have argued that the UK governments' presumed relationship between these two problematic concepts of accountability and VFM cannot be substantiated, at least, not in forms that have been presented in the recent UK governments' publications on PFI. In order to be able to assess the governments' claims we have suggested four criteria—warrantability, tractability, measurability and feasibility—that underlie these relationships. These assumptions are neither mutually exclusive nor exhaustive. We have argued that on the basis of these assumptions, the governments' presumed relationships may be partially supported on the measurability assumption as there have been some attempts to 'measure' either accountability or VFM—but not their relationships. For the relationship to satisfy the warrantability assumption, we need theories of 'accountability' and 'VFM' as

well as new and stronger empirical evidence supporting these relationships. We have also indicated that there is a deficit of a theory of the relationships between accountability and VFM. As for the feasibility assumption, given the nature of the PFI contracts, we may need to wait twenty or more years for the conclusions of the contracts before we can establish the feasibility of PFI contracts and assess their full impact on VFM. The tractability assumption highlights the significance of the factors constituting the relationship to be visible and malleable. Although there is some developing literature on this, we have indicated that very little empirical evidence exists to support the presumption of how one moves from 'accountability' to 'behaviour that improves performance and VFM' in PFI contracts and provides explanations about the mechanisms that bind them together.

We argue that the framework presented in this paper has various contributions. First, it makes an attempt to integrate research on accountability and VFM in PFI contracts. There have been several calls [for example, see Cavalluzzo and Ittner (Cavalluzzo and Ittner 2004) and Dubnick (2005)] for re-examining the relationships between accountability and performance. Recent studies on PFI contracts have been fragmented and there has been no overall framework to examine the governments' claimed relationships. Second, the framework presented contributes to the understanding of the accountability cultures and mechanisms that may influence VFM in PFI contracts. Third, the framework has some practical implications as it draws attention to the cultures, forms and mechanisms of accountability that may influence behaviour, transparency and VFM decisions in PFI processes. Finally, it provides an agenda for future research. The framework contains a rich research agenda with various research themes and questions. Many of these research questions require data that may not be easily available in the context of PFI contracts, and alternative research approaches may be needed. Further empirical research is therefore called for to shed additional light upon the understanding and transformation mechanisms of interpretive schemes over time. For example, we need to further understand how various stakeholders perceive accountability cultures and VFM and how these perceptions are formed in a process involving longitudinal studies in specific organisational settings at different points in time. Future work will need to focus on what values characterize the cultures identified and which PFI stakeholders identified in the study exhibit these cultures. Whether these accountability cultures are alternative to each other or can be complementary are also two further important research questions which must be explored. Such accountability research designs may involve more than the collection of empirical data through field work, and require psychological and clinical studies. This paper provides some pointers in these directions.

Acknowledgments We are grateful for the constructive comments received on the earlier drafts of this paper, from the participants of Conference on Governing the Corporation, Queen's University Belfast, September 2004; Accounting workshop, Queen's University Belfast, December 2004; BAA Special Interest Group in Corporate Governance Annual Conference at the University of Nottingham, December 2004; BAA Annual Conference at Heriott Watt University in Edinburgh, March 2004; European Accounting Annual Conference, Gothenburg, Sweden, May 2005; Aston University Business School staff seminar, June 2005; and, Accountable Governance: An International Research Colloquium, Queen's University Belfast, October 2005, presented by the first named author of this paper. We would also like to

thank Pam Stapleton, Jean Shaoul, Richard Laughlin, Jane Broadbent, Stuart Turley, David Heald, Ciaran Connolly, Tony Wall, Sara Fyson and Carol Stevenson for their constructive and helpful comments on the earlier versions of this paper. We are especially grateful to two anonymous reviewers of this journal for their helpful suggestions and to Melvin Dubnick for discussing his accountability framework with us and his insightful advice and comments on previous versions of our paper. The remaining errors are the responsibility of the authors.

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