AN EXPLORATORY STUDY OF ANNUALITY IN THE UK PUBLIC SECTOR: PLUS ÇA CHANGE, PLUS C’EST LA MÊME CHOSE?

Noel Hyndman (Queen’s University Belfast)
Rowan Jones (University of Birmingham)
Maurice Pendlebury (Cardiff University)
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ABSTRACT

Annuality (the requirement of budgets to be spent by the financial year-end or be surrendered to the centre) affects public sector budgeting in many countries. As a consequence, as the end of a financial year draws near it can result in a scramble to spend. However, despite much anecdotal evidence regarding the negative impact of annuality, little has been written on the subject. This research explores the use of annuality in practice in the UK public sector. A series of interviews with those working within and with the public sector was used in order to understand the complex process that is annuality. The main findings of the research are that annuality remains prevalent (despite changes that seek to reduce its perceived negative influences), its impact is managed by individuals in a flexible manner and, although greater freedom regarding end-year flexibility is now permitted, this has often not permeated to front-line managers.

Key Words: Annuality, End-Year Flexibility, Public Sector Budgeting
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INTRODUCTION

For decades the UK’s public sector has practiced the almost universal phenomenon of annuality (Talbot, 2001). The annuity principle (as defined in Government Accounting, HM Treasury, 2000a) requires budget allocations to be spent by the financial year-end or be surrendered to the centre. As a consequence of this, as the end of the financial year draws near it often results in a scramble to spend, as reflected in its nicknames, such as ‘March Madness’, the ‘Silly Season’ or ‘Hurry-up’ spending. This is seen as counter to the economic, efficient and effective use of public sector funds (HM Treasury, 2000b). A scramble to spend can lead to, among other things: higher prices being paid to suppliers or contractors; the purchase of unnecessary goods or services; and money being spent on low-priority items merely to consume the budget (HM Treasury, 2000b; Comptroller and Auditor General, 2003). Since the early 1980s some limited carry forward of budget has been permitted (see Thain and Wright, 1995), although a major relaxing of the rule on annuality was not seen until the late 1990s when government departments were given multiyear budgets and considerable freedom to carry forward underspends.

Despite much anecdotal evidence regarding the impact of annuality, coupled with the widespread influence of annuity in the UK and elsewhere, it is perhaps surprising that so little has been written on the subject, and research on its impact has been so limited. Moreover, given the recent apparent relaxation of the annuity rule in the UK, it appears an appropriate time for investigation. The overall objective of the paper is to explore the practice of annuality within various public sector organisations. Utilising perceptions of key actors working within and with the public sector, the main research questions are: to what extent have recent changes regarding end-year flexibility altered annuity’s impact; how does
annuality influence decision making in the public sector; and is the principle of annuality a good thing? The research included in this paper is an initial exploratory investigation and seeks to make a contribution to the understanding of the influence of annuality in UK public sector planning and control systems ostensibly at a time of change. The paper commences with a discussion of the magnitude and influence of annuality, followed by an outline of changes for reform, particularly in the UK, that sought to mitigate the perceived adverse consequences of its impact (in particular the change to multiyear budgeting and departmental freedom to carry forward unspent budget allocations). In an attempt to explore the use of annuality in practice, and any changes that have resulted from the greater departmental freedoms afforded departments in the late 1990s, a series of semi-structured interviews was conducted with finance officers, budget holders and consultants working within and with central government, including devolved administrations, local authorities, the health service, non-departmental public bodies and charities, in England, Northern Ireland (NI) and Wales. The results of these interviews are presented, analysed and discussed, and areas for further research are identified.

ANNUALITY: MANIFESTATIONS, CONSEQUENCES AND PROPOSALS FOR REFORM

A sound and prudent system of financial management is obviously an essential requirement to the proper management and control of public expenditure. In the UK, this has traditionally led to the emphasis being placed on the centralised control of the expenditure of government departments, and annuality is one of the budgeting techniques that has been crucial to this. However, this tradition of centralised control does not fit easily with the reforms of the 1980s and 1990s in the management of the public sector in the UK and many other countries. Collectively these have been known as New Public Management (NPM) (Boston et al., 1996; Hood, 1991, 1995, 1998; Pollitt and Bouckaert, 2000). NPM reforms typically have evolved
around such dimensions as: privatisation, marketisation, decentralisation, output orientation and quality systems. Movements towards decentralisation in the UK (for example, in schools, hospitals and executive agencies) have been a major part of the government agenda. Government documents articulating increased decentralisation, as part of NPM, resound with the advantages of such changes (for example: HM Treasury, 1992, 1998; Cabinet Office, 2000; Comptroller and Auditor General, 2000). More specifically, the underlying principle of accountable management (Gray and Jenkins, 1993) can be seen as an aspect of the decentralisation thrust of NPM, and, as such, encourages changes in the budgeting rules and much greater freedoms in the spending and control of budgets.

A further feature of accountable management is that once the accountability mechanisms are in place, managers can be given freedom to manage within the constraints of their budget allocation and the performance targets that have been set (Humphrey, Miller and Scapens, 1993). Parallels with accountable management can also be seen in the extensive (mainly US) literature on ‘performance budgeting’ or ‘budgeting for results’ (for example Anders 2001; Jordan and Hackbart, 1999; Lee and Burns, 2000; Organization for Economic Cooperation and Development (OECD), 1995; and Schick, 1990). Anders (2001, p. 35) states that performance budgeting aims to ‘rectify both overcontrol and under-accountability by changing the nature of accountability from compliance with rules toward accountability for results.’ This means that bureaucratic control rules are relaxed and budget administrators are given discretion over how the budget is spent. Examples of the type of discretion include (Anders, 2001, p. 38) the ‘administrator’s ability to carry over funds from one year to the next, greater flexibility in determining the timing or allotment of funds, the capacity to generate and return income and the possibility of retaining within the unit some or all of any savings made’.
Manifestations of hurry-up spending

A widely acknowledged effect of annuality is that of disproportionately high spending during the final quarter of the financial year (which in the UK means between January and March). The timing of such spending exhibits two dimensions: the rush of spending in the final quarter that might otherwise have taken place earlier in the year; and speed spending that takes place to ensure that budgets are spent. Evidence of such a rush is not easy to obtain without access to an organisation’s accounting system (Rothman and Thornton, 1990, is a rare example of a study that did have access). Even with access, commonsense suggests that many budgets (for example, basic salary budgets) may not be significantly affected by annuality, and the scale of such budgets may mask the overall hurry-up effect. However, Wildavsky (1989) commented that patterns of spending in which a high proportion of the annual budget is spent towards the end of the year are found in most countries, regardless of their geography and regardless of their relative wealth; Rothman and Thornton (1990), for example, demonstrated the pattern specifically in Australia and in the US a comprehensive senate subcommittee study (US Senate Subcommittee 1980) found significantly increased expenditure near the year end and concluded that this, in many cases, was extremely wasteful.

Consequences

Annuality provides a particular pressure on the budget holder not to overspend. In addition, there are clear incentives for the budget holder not to underspend. Underspending sends a strong signal that the authorised budget was not wholly required and signals that subsequent budgets can be reduced; as a result, these signals reduce the effort to achieve efficiency savings. This is sometimes referred to as a Catch-22 situation in public sector budgeting (for a fuller explanation, see Wildavsky, 1974).
Such a set of circumstances can induce behaviour that is intent on spending up to the budget, regardless of the appropriateness of the spending. Osborne and Gaebler (1992, p. 3) refer to this as ‘the time honoured government rush to spend all funds by the end of the fiscal year’. This has also been recognised by HM Treasury (2000b, p. 4) which suggests that annuity can produce a ‘use it or lose it’ mentality and tends to encourage ‘a lot of management effort into achieving a more generous settlement the following year, rather than concentrating on doing a better job with existing resources’. A report by the National Audit Office (Comptroller and Auditor General, 2003) has also drawn attention to the impact of annuity on value for money. The report (p. 20) states that:

This [annuity] increased the risk of nugatory expenditure which did not necessarily match the service needs or priorities and poor value for money as departments had limited time to confirm that expenditure was fully justified and to determine the best procurement approach.

Later, the report (p. 31) identifies another effect:

In some cases there may also be negative distributional effect in that those who use a public service towards the end of the year may benefit from the increased expenditure, for example more patients may be treated compared to those who use the service at other times.

Late expenditure in itself is not indicative of wasteful expenditure. In an uncertain world, it is natural for budget holders to wait, if possible, until the demands of the financial year are clearer before they spend their budgets (Forster, 1990, provides an unusually detailed analysis of this rationality). However, what literature there is does also state that the rush of spending can lead to wasteful expenditure. For example, the US Senate Subcommittee study (1980) provided a conservative estimate that at least two per cent of contract expenditures are wasted because they are rushed.
Proposals for reform

An awareness of the potential disadvantages of strict annuality has led to calls for changes to reduce wastage and to improve the efficient and effective use of resources. In the US for example, the Senate Subcommittee study (1980) made recommendations for: the establishment of more appropriate procedures to ensure greater central overseeing of procurement; the introduction of procedures to increase competition; the reduction in the use of late authorisations to spend; greater restrictions on the use of sole-source contracts; and staff appraisal procedures that provide incentives for prudent management. However, probably the most prominent suggestion for preventing the rush of spending is to permit some, or total, flexibility in the carrying-forward of unspent balances. Shand (1998), in commenting on budget reforms in a number of OECD countries, lent support to both multiyear budgeting and budget carry over, and argued that the use of such systems improve macro control (p. 79):

Under the reforms the future indicative funding levels are not reduced by underexpenditure in a previous year. The reforms have provided flexibility to carry over a proportion of unspent funds to the following year, and in some countries even to borrow from the following year in the case of over-expenditures. For example, Australia has increased the percentage of budget that can be carried over from three per cent to six per cent as this end-of-year flexibility is seen as improving rather than working against improved macro controls.

It is interesting to note that in the UK central government the Efficiency Unit’s (1988) report into improving management in government identified annuality as a rule that militated against effective management. Moreover, it is notable that the establishment of executive agencies following the report appeared to herald greater flexibilities, both in carry over and virement. The formal introduction of the system of end-year flexibility currently in force in central government came when New Labour, elected in 1997, implemented major reforms to the budgeting process, including the introduction of three-year cycles for departmental expenditure budgets, as part of its economic and fiscal strategy (HM Treasury, 1998). At the heart of this process was the setting aside of the rule of annuality (at least at a particular level
of government) by permitting departments to carry forward, in full, any underspendings of departmental expenditure limit allocations. It was argued that such a change ‘will make it possible to have a more stable funding regime’ by giving managers ‘greater end-year flexibility to carry forward unspent provision’ (HM Treasury, 1998, section 3.4). The rationale for this was explained in a later (HM Treasury, 2000b, p. 10) publication where it was stated that:

Annuality in budgeting has been abolished: an End Year Flexibility system avoids perverse incentives for wasteful end year surges by enabling departments to carry over 100% of unspent resources into the following financial year.

**METHOD AND RESULTS**

As indicated earlier, in spite of annuality being so widely practiced in public sector budgeting, there has been relatively little research into its use and impact. Moreover, given recent changes (HM Treasury, 2000b) that suggest that the rule has been ‘abolished’ (at least at department level), it would appear a particularly appropriate time to investigate the topic. In an attempt to explore the use of annuality in practice, and to gain an impression of the impact, if any, of recent changes, a number of interviews were held with budget holders, finance officers and consultants.

The ‘public sector’ has been defined as ‘that part of economic and administrative life that deals with the delivery of goods and services by and for the government, whether national, regional or local/municipal.’ (Wikipedia, 2006). While such a definition may initially appear uncontroversial, what is and what is not within the public sector is often problematical. This is because ‘within the public sector’ may include, among other things, situations/organisations: where services are directly funded through taxation, provided regardless of ability to pay and production is decided by government; where services are provided by publicly-funded corporations which are expected to operate according to commercial criteria and where recipients of services are required to pay a fee; where services
are provided by partial outsourcing (either paid for by the user or funded by taxation); and, possibly, even where services are provided by complete outsourcing (although this might be viewed very much as a borderline case). In discussing this in the context of public information, the Library Association (1999, p. 2) highlight the issue of the non-standard and possibly changing boundary of the public sector by suggesting that ‘the definition of public sector varies from one member state [of the European Union] to another and, indeed, varies over time within states. In the UK for example, the introduction of government agencies and the policy of contracting out of work formerly undertaken by government departments has blurred the boundaries between the public and private sector.’ Indeed, in defining the term more widely than most definitions, the European Foundation for Management Development suggest that (EFMD, 2006, p.1) due to ‘their public good purpose, Non Profit Organisations or Non Governmental Organisations are also included.’

Because of the rather fluid definition of the public sector, and given that this is an exploratory study, it was decided to focus on the impact of annuality on organisations that were not at the limits of any definition of the public sector (the core public sector). Even with this, organisations that make up such a core differ widely in terms of their rules, powers and responsibilities and so a sample was chosen that was reasonably representative of the diversity of organisational type and also representative in terms of geographical location. Negotiating access at the appropriate level was quite often time consuming but it was felt that the final sample of 17 organisations (eight government departments, five local administrative units, two consultancy organisations with extensive public sector portfolios, one non-departmental public body and one voluntary sector organisation that relied heavily on public sector funding) located in England, Northern Ireland and Wales was sufficiently representative to achieve the objectives of this study. Table 1 provides an analysis of the organisations visited, the job category of the interviewees and the letter code for each interview. In relation to the two consultancy organisations (interviews E and O) and the
voluntary sector organisation (interview Q), the focus of the interviews was on their experience of dealing with public sector body(ies) at the centre of the public sector and the extent to which annuality or end-year flexibility operated within those organisations (the views of outsiders looking in).

TABLE 1 Analysis of Interview Responses

<table>
<thead>
<tr>
<th>Organisation Visited</th>
<th>No.</th>
<th>Letter code</th>
<th>Job Category of Interviewees (22)</th>
<th>Finance Officer</th>
<th>Budget Holder</th>
<th>Consultant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Departments (including devolved administrations)</td>
<td>8</td>
<td>A, B, C, D, F, L, J, N</td>
<td>7</td>
<td>3</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Local Administrative units (local authorities and local health authorities)</td>
<td>5</td>
<td>G, H, I, K, M</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Consultancy Firms</td>
<td>2</td>
<td>E, O</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Non-departmental public body (NDPB)</td>
<td>1</td>
<td>P</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Voluntary sector charity</td>
<td>1</td>
<td>Q</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17</strong></td>
<td><strong>12</strong></td>
<td><strong>7</strong></td>
<td><strong>3</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: In central government, there was a very large finance department (B), a very large service department (L), a small service department (A) and a small NDPB (P). In devolved administrations, there were two large finance departments (F and J) and three large service departments (C, D and N). In very large local authorities, there was a large finance department (H) and two large service departments (I and K). In the local health service, there were two large service agencies (G and M). There was a small charity (Q). The consultants were from a very large consultancy (E) and a professional accounting body (O). Although 17 organisations were visited there were five occasions when two interviewees took part in the interviews and so the views and responses of 22 interviewees were obtained. In three of the government departments/devolved administrations (organisations B, F, and J) the interviewees were central controllers for their entire departmental budget. The interviewees from the remaining five government departments/devolved administrations (organisations A, C, D, L and N) were lower level budget holders.

The interviews were semi-structured in nature and each interview lasted for approximately one hour. The participants were chosen because of their seniority and assumed detailed knowledge of the issues being discussed. Access to such leading actors for prolonged periods of time was likely to be difficult given the demands of their positions, and therefore steps were taken to ensure the efficient use of the time available (for example, prepared interview guide, use of taping of interviews and consistent approach to questioning).

In that this research is very much an exploratory investigation, such an approach was considered appropriate. The interviews were conducted at the workplace of each of the
participants, thus providing the researchers with an opportunity to gather additional information. Given that this study is exploratory, the researchers were particularly concerned with ensuring that participants were not ‘led’ in terms of their answers. The questions included in the interview guide emanated from the main themes identified in both the academic (often more critical) and the ‘official’ government (often descriptive and optimistic) literatures relating to annuity (reviewed in the previous section) and were broad in scope (although more individualised follow-up questions were used in response to answers by participants). In totality, they related to the overall objective of the study (to supply details of participants' perceptions of annuity, particularly in the light of ostensible HM Treasury changes in end-year flexibility). Specifically, the individual questions asked matched the three main research questions posed. The interview guide and an explanation of the motivation relating to each of the questions asked are available from the authors on request. It was made clear to the interviewees that strict confidentiality would be observed and that neither they nor their organisation would be identified in any publication arising out of the research. All but four of the interviews were taped, and in addition, the interviewers took notes.

To ensure equivalence, as far as was possible, in data collection, a number of steps were taken. The same questions, which were broad and focused on key themes arising from the literature, were used in all interviews. In addition, at least two of the research team, and in most cases all three, were present at each of the interviews to ensure consistency of approach. Furthermore, to guarantee accuracy and comprehension of the interview data at the analysis stage, the tapes were transcribed, and the notes were finalised and agreed by each of the researchers, soon after the interview. Finally, at the analysis stage, the researchers met together and, on the basis of detailed reviews of the transcriptions and notes from the interviews, discussed and agreed the results. The rationale for collecting qualitative data by informal semi-structured interview is based on the interactionist’s premise that when the aim
of the research is to understand a complex process where those involved have different perspectives on the matter in question, it makes sense to adopt a research strategy which allows these perspectives to be understood in the same terms in which the participants understand them (Blumer, 1969). For presentational purposes the results are discussed under the specific research questions (or themes) of the investigation: to what extent have recent changes regarding end-year flexibility altered annuality’s impact; how does annuality influence decision making in the public sector; and is the principle of annuality a good thing?²

Recent changes regarding end-year flexibility

The focus of this research question is primarily on the effect of the end-year flexibility changes in central government (including devolved administrations). The provisions for carrying forward unspent balances in local administrative units are locally determined and generally pre-date the 1997 end-year flexibility changes in central government.³ Many of the practices found in local government, for example, were developed in response to one of the key recommendations of an influential Audit Commission Management paper - Better Financial Management (Audit Commission, 1989). It can be seen from Table 1 that our sample consisted of interviewees from eight central government/devolved administration departments.

Our results revealed that while flexibility existed between government departments and the Treasury, there was no evidence of it being cascaded to lower level budget holders within departments. The three central controllers in government departments (see note to Table 1) rationalised the lack of cascading in different ways. One (Interview F) explained that, historically, there had been an allocation to lower levels that was less than optimal and which inevitably led to under and overspendings. The interviewee felt that if these anomalies could ever be overcome, so that the baseline budget for each lower level was a
realistic estimate of spending need, then end-year flexibility might be introduced. A
second interviewee (Interview J) pointed out that the politicians in charge of his
department were determined to ensure that the overall departmental budget was almost
exactly 100 percent spent. End-year flexibility was not taken advantage of at the
departmental level and therefore could not be cascaded to lower levels because
underspending was needed to finance the inevitable overspending that would arise for
some budget headings. This need to use underspending to finance any overspinings
was also referred to by the third central controller (Interview B). An explanation proffered
by a consultancy firm interviewee for the lack of cascading was that financial controllers,
though enjoying end-year flexibility themselves, were too traditional and did not trust
lower level budget holders (Interview O).

Our interview findings reveal that the Treasury’s claim that annuality has been
abolished in central government (HM Treasury, 2000b) only applies at the level of
government departments. A widespread failure to cascade end-year flexibility to lower levels
within government departments makes it unlikely that the expected benefits will be fully
achieved. Shand (1998) highlights the potential problem of giving freedoms at a fairly high
level that rarely impact on the majority of decisions that are taken at a much lower level (as
evidenced in this research). He warns that if freedoms are (p. 75) ‘articulated only at a macro
level, they do not assist in achieving the necessary focus…at the micro or organisational
level’. Rumblings of this possible danger, and a reaction to the findings of a review of what
was happening, appeared in a HM Treasury (2000b, p. 10) document:

Government is taking steps to ensure that these freedoms are cascaded to agencies and
sponsored public bodies so that management flexibility is available where it is most
needed, at the front line.

Given the findings of this research, it seems that much has yet to be done in order to achieve
impact where it is perceived by the UK Government that it is most needed. The recent
changes in the end-year flexibility rules for central government do not appear to have altered
annuality’s front-line impact and, as in many areas of government, if real change is to occur it may take much longer than originally anticipated by proponents and its positive impacts may be significantly less than initially claimed.

Annuality’s continuing influence on decision making in the public sector

Since it was clear that annuality still impacted on many financial controllers and budget holders, its influence was discussed. Certain frustrations of having to operate within an annuality framework were evident from a number of the responses. For example, the administrative problem of having a deadline of the end of March created a frenzy of activity prior to this date. This was due to the need to ensure, often at very short notice, that the financial regulations regarding the authorisation and incurring of additional expenditure were complied with, and, to the extent that this required overtime to be worked, added to organisational costs. One interviewee expressed this as follows:

It creates a considerable organisational overhead, because you’ve people frantically running round trying to get invoices, doing all of the necessary paperwork…but I still think that you’d spend it better if you didn’t have the artificial pressure of the deadline. (Interview P)

In addition, the same participant expressed a belief that annuality can skew the spending priorities of the system from the long term towards the short term (Interview P), while several interviewees identified annuality as being made more complex when there was a lack of congruity between the fiscal year and the effective management year or the fiscal year of an associated authority (in particular, EU funding bodies or other grant-making entities).

When questions focused on the processes by which under and overspends were identified and whether such processes provided timely and relevant information of spending against the budget, many of the interviewees, particularly the finance officer interviewees, pointed to systems in place for early identification of possible under and overspending so that planned expenditure could occur by the end of the year. Often the oversight and surveillance techniques used to identify potential under and overspending were considered to be well
defined, adequate and comprehensive, and proactive behaviour was used to ensure that adverse consequences of annuality did not materialise. Examples of such processes in one organisation included two high-level budgetary control exercises (in September and January), as well as routine monthly budgetary control (on an accruals basis, from a single management information system) to identify resources in the form of potential under and overspendings that could be moved between budget heads (Interview J). Within the same body there was also an additional prompting from high-level to encourage budget holders to spend their budgets throughout the year, which, according to the interviewee, resulted in an ‘excellent outcome’. Another example of formal monitoring mentioned by one participant was the use internally of an ‘areas of concern’ paper. Overall, although the irritations of operating within an annuality framework were evident from many of the responses, the general impression was that because everyone was so aware of the problems that annuality might lead to, this resulted in it being managed in a way that minimised the adverse impacts. The following comment from a finance officer expresses this:

I’m not aware of a huge rush of spend that’s done just to spend a budget. Certainly, last year we were on people’s backs to get the budget spent throughout the year because, for the last few years, the department was underspent by quite a bit and that’s not seen as a good thing for all sorts of reasons. So we had a big push to get people to spend their budgets. And it took an awful lot of effort but the results were brilliant with 99.5% of budgets spent, almost too brilliant. This was in comparison with a figure of 97.5% from the year before. By the same token, we have an Accounting Officer, so if this money was going out seriously in advance of need or on things that we didn’t really need, then the Accounting Officer would have cried foul; we do have good checks and balances in the system. So, I wouldn’t actually describe it as a rush of spending. What we have tried to do is to get people to proof up far better. (Interview J)

Besides formal processes, a number of interviewees highlighted the importance of having informal mechanisms, created out of a culture of openness and trust, in order to manage the process. Two interviewees specifically mentioned personal relationships with budget holders as significant in terms of this, while in another case the need to operate as a ‘federal organisation’ or a ‘corporate entity’, with the aim of ensuring that budget holders were not ‘protecting their budget’, was highlighted (Interview J). Indeed, one participant felt
that the ‘offering up’ of underspends was for the greater good, as it could lead to beneficial
effects for the organisation overall (Interview G). However, even with action at an early
stage to identify underspends there was a recognition that there could still be cases where
these exercises would not detect potential underspending, and indeed one interviewee
admitted that ‘there’s also a bit of luck involved’ (Interview I).

As well as monitoring, a number of interviewees mentioned more proactive, or
possibly ‘creative’, ways of managing the process. One budget holder with responsibility for
highway maintenance and development provided the following example of how annuality
could be actively managed:

If we just talk historically about the cash budget base, what we would do to ensure that
we could deliver the budget to a good level of accuracy is to make sure that we gave
ourselves flexibility in the payments we have to make towards the end of the financial
year, and there are various ways to do that. Within the contract you can, for instance on
a major capital scheme, have interim certificates as the contract runs through and as
those become due they are payable over a particular period of time. If you engineer
that period of time to cross the financial year then you have a degree of flexibility as to
whether you pay the invoice in one financial year or the next. (Interview N)

Several other techniques were suggested as to how spending could be manipulated at the
year-end. For example, one participant (Interview C) mentioned that asking for a premature
invoice from a known supplier could be used (viewed by the interviewee as a case of telling
‘white lies’ but not ‘whoppers’). Another referred to the practice of ‘parking’ money with a
service provider, often on a handshake deal, thereby ensuring money appears to be spent by
the end of the financial year, yet the service is provided during the following financial year
(Interview Q).

A widely used approach to dealing with unspent surpluses near the year-end, and one
which was often viewed by interviewees as good management, was in having ‘off-the-shelf’
spending that is desirable and can usefully and easily be taken off the shelf during the final
months of the year. The essence of the use of such a ‘secondary budget’ was that ready-made
projects could be pushed easily and quickly through the accounting system (particularly in an
accruals accounting environment) during the final months of the year. One fairly representative supportive comment regarding having ‘off-the-shelf’ projects was that it was:

…what business planning is all about. It’s not just about having a definite plan. It’s about sensitivity and what ifs and having priority lists; what can we do with what we have…so, at least have some idea it’s available, have some idea that it’s what they want. (Interview O)

‘Off-the-shelf’ spending tended to be of a certain type (discretionary items that could be ordered and received quickly that avoided tight procedural rules and long lead times). Numerous examples were provided: IT equipment (Interviews C and G); staff overtime to clear backlogs (Interview C); vehicles (Interview G); filling potholes (Interview K); equipment (Interviews O and G); furniture (Interview D); training courses (Interview O); one-off funding, such as to voluntary organisations that are trying to get off the ground (Interview G). Repairs and maintenance was mentioned by several participants as it was one of the first items to be cut when cost reductions were required and thus was one of the easiest items to spend money on quickly (Interviews E and G). Some interviewees definitely viewed such expenditures as examples of good management. For example, in the context of highway maintenance, it was suggested that:

Because the financial year ends on the 31 March and the winter period is at the end of the financial year, you have to make, at the start of the financial year, a reasonably prudent allocation for winter maintenance. Obviously if it transpires to be a very mild winter you may find yourself at the end of the financial year with unspent resources which you are looking to consume. Normally, in highway terms anyway, that isn’t a major problem. If it had been a mild winter, you are able to do resurfacing works, for instance, in March, which is a very effective means of spending the money. It isn’t sort of abortive expenditure. And certainly most prudent managers would have a programme ready to pull off the shelf. (Interview N)

However, not all participants viewed this type of conduct in a similar light. One interviewee (Interview F), emphasising the questionable nature of some of this type of spending, used the pejorative term ‘flag-pole painting’. In addition, a few interviewees indicated unease with a system that encourages such behaviour. For example, one individual, who was working for a non-departmental public body (NDPB) which was outside the normal departmental boundaries and perceived that his organisation had to react very quickly (and as
a result incur additional costs) in order to take advantage of money released late in the financial year, commented that he was:

Far from persuaded that the public purse gets best value as a consequence of the way it operates. (Interview P)

Comparable challenges arise when ‘slippage’ money becomes available, often very late in the financial year. This occurs where a unit that is in control of spending realises that they are unlikely to spend their budget entitlement and therefore makes funding accessible to lower levels. Several interviewees mentioned the ‘phone-call’ that it emerged was often used to indicate that slippage funds were on offer (Interviews A, J, K and Q). Despite the late notice of funds, the additional money was often spent. Similar to ‘off-the-shelf’ projects, one interviewee indicated that he had ‘identified people with ideas and rough budgets’ within the voluntary sector, and therefore outside his own organisation, in case slippage money were to become available (Interview Q). Another example of this is as follows:

We find year-end is very problematic for us in some ways but, on the other hand, one of the advantages of annuality is that because we’ve got quite a bit of slippage out of the department this year where their expenditure has slipped, so we’ve been able to fund some things they wouldn’t give us money for. (Interview P)

The same interviewee explained that monies that his organisation had originally been told it could not have were suddenly offered in the second week in March. Despite the late notice the interviewee indicated that, through the availability of ‘off-the-shelf’ schemes, the organisation was able to spend the additional money.

Yes, we were able to spend it. We were lined up to take advantage of anything that came our way, so it does cut both ways doesn’t it? It doesn’t distort priorities quite to the extent that it would suggest because if you are planning for it, what you actually do is bring things forward from the early part of the coming year. But it’s a silly way to do business to be honest. (Interview P)

One interviewee suggested that the phenomenon of slippage money, being a common and recurring feature of public budgeting, created in the system those ‘who will plan on the availability of these monies’ (Interview D). The same individual suggested that such funding resulted in what he termed ‘end-year-maintenance dependency’, whereby voluntary
organisations only survive on the basis that grants would be made to them during the end-year rush of spending.

The possibility of undesirable consequences resulting from the end-year rush of spending, an issue alluded to by many critics of annuity including HM Treasury, was discussed with participants. Some of the individuals interviewed indicated that waste resulted from annuity. This occurred for many reasons including, for example, the ‘great embarrassment for commissioners to have money in the bank’ at the year-end (Interview J). In addition, the fact that the rush of spending at year-end tends to increase an organisation’s administrative costs was mentioned by one participant (Interview C). Another effect on the organisation’s costs can occur because contractors are able, or are required, to charge the organisation more than they otherwise would (because of the speed at which their services are required). While several of the individuals interviewed recognised this possibility, a number outlined strategies to reduce its impact. One interviewee suggested that a way of overcoming this has been to try to commit contractors to prices before the final quarter.

The way local authorities generally used to get round that was by an annual tender process, whereby contractors would commit themselves to rates for those works for a whole year and if they were called upon to carry out these activities in March it would be at rates they had tendered for at the beginning of the year. (Interview N)

However, the interviewee went on to point out that there could still be a situation whereby the contractors would be unable to meet the demand towards the end of the financial year. A similar point was made as follows:

Yes, you do [end up paying over the odds for spending to get rid of money at short notice]. There’re two things – there are those [contractors] on our select list who have given us prices…but you find in some years that none of them is willing to do it, as they are all fully committed and you end up paying over the odds. (Interview K)

Overall, specific examples of waste as a result of annuity were limited, with many of the interviewees stating that it was not a major factor. In Interview F it was argued that the potential adverse consequences were ‘mitigated by the controls that we have on these issues’. Another participant, suggesting a degree of flexibility among budget holders and regular
monitoring, stated that this ensured sufficient flexibility to manage money effectively so
budgets were not ‘blown’ (Interview M). Furthermore, some interviewees saw the ‘spending
surge’ as having an ameliorative impact on the service provided, as it effectively assisted in
managing an organisation whose asset base was not properly financed (Interview G).

Given that the definition of spending affects the timing of spending, the influence of
the accounting base was explored in the interviews. The accounting base used affects the
ability of a budget holder to spend quickly enough to ensure that the budget is neither over­
or underspent (a situation that may be viewed as desirable by a budget holder facing a strict
annuity regime). In the UK, because the full effects of accruals budgeting and accounting
had not yet been felt by budget holders in central government by the time the interviews were
completed (March 2003), bases tended to range along a continuum from cash to forms of
accruals accounting (although, with reference to the management accounting function, the
use of commitment accounting was occasionally mentioned). There were differing views
among the participants on the general matter of which system provided the most scope for
manipulating or masking the way in which spending occurred. In one context, cash
accounting is the hardest for the budget holder who is buying goods and services to manage,
or manipulate, because of the time lapse between order and cash payment, and because the
cash payment is usually out of the budget holders’ hands. Therefore an accruals basis would
appear to be easier to manage (with commitment and obligation bases, if used, easiest of all).

The greater ease of managing with an accruals basis was recognised by a number of
participants (Interviews A, C, Q and O). For example, in expressing a preference for an
accruals base in terms of increasing flexibility in managing spending, the following statement
was made in Interview O.

There’s a big difference between…finding the evidence associated with [accruals
accounting] that needs just one piece of paper than ten thousand pounds leaving your
bank account.
The shorter the time between the order and the booking of the ‘spending’, the more predictable the transactions. Under accruals accounting, direct contact between the budget holder and the supplier provides particular opportunities for managing the expenditure. For example, several interviewees were happy to ask for a premature invoice from a known supplier and deem that as the point of spending (Interviews A, C and Q), although it was acknowledged in Interview A that an accountant might not feel easy with such a practice. While, under accruals accounting, manipulating cash flows will not help, it was suggested that the non-monetary accruals adjustments can be manipulated, as they are pure matters of judgement (Interview O).

However, a number of interviewees expressed the view that the timing of expenditure is easier to manage in cash accounting systems. For example, one interviewee suggested that payments could easily be postponed or advanced by a few days (Interview B). Another technique mentioned in the context of capital schemes, was to establish a cap on spending in an early year but (Interview N):

if the contractor chooses to accelerate or spend at a higher rate, for his efficiency or operational reasons or maybe he’s got another contract coming along each year, he can do so; but he doesn’t then draw down anything more than the capped rate until the following financial year.

Our results revealed that although our interviewees expressed some frustration with annuality, its influence on decision making was much more limited than might have been expected. The interviews provided evidence of: organisations that had developed effective formal in-year monitoring systems (often in tandem with informal systems) to avoid both under and overspend; creative ways of ‘spending’ money; and widespread use of ‘off-the-shelf’ spending (often analogous to a ‘secondary budget’ or a ‘future budget’ containing priorities important to the organisation that initially had not achieved funding or which had been planned for later) to soak up unspent balances (generally viewed as good management). These practices might be viewed as broad coping mechanisms that individual parts of the public sector employ in order to ensure, as far as is possible, the avoidance of a loss of budget
allocation. It is interesting to note that some of the creative approaches to spending, for example ‘parking’ money with a supplier or arranging for a premature invoice to be issued by a supplier, were highly dubious from an accounting and auditing perspective, yet appeared to be condoned by several of our respondents.

With respect to waste, often highlighted in the literature as the major adverse consequence of annuality, there was some evidence that it resulted from annuality (for example, paying a higher price to contractors because of the need to complete the work by the end of March). However, such examples were limited, and the existence of good monitoring, a well-thought out ‘secondary budget’ with a willingness to bring future projects forward if necessary, and the foresight to have contingency plans to move money on to needy, quasi-public-sector organisations outside the accounting boundary if funding permitted, were all seen as ways of managing the system while using money ‘wisely’. Again, these features point to reasonably accommodating systems in practice. Overall, the dominant view was that waste was not a major factor in the annuality regime. At the time the interviews were undertaken the full impact of resource budgeting had not been experienced by our interviewees, with ‘live’ resource budgets being used for the first time in 2003/04, and the views on how this might impact on their ability to handle annuality varied quite widely.

Therefore in terms of our specific research question regarding how annuality influences decision making in the public sector our findings indicate that although the rule of annuality has a pervasive and continuing influence, the routines developed to operate within the confines of the rule were generally felt to be sufficient to mitigate any adverse influence on the effectiveness of decision making and control. 4 For the most part the interviewees from core public sector organisations had few concerns over the impact of annuality and the only exception to this was the interviewee from the NDPB (Interview P).
Is the principle of annuality a good thing?

Interviewees were asked to reflect on their overall impressions of the annuality system and whether it was viewed as a positive instrument. It was interesting to observe that each of the controllers or budget holders in government organisations appeared to be aware of the criticisms and limitations of annuality and yet all of them, either implicitly or explicitly, supported annuality. They were comfortable with annuality because they felt that they had procedures in place that enabled them to operate within the constraints of annuality but, at the same time, avoid the significant levels of wasteful and extravagant expenditure that are often associated with annuality. In addition, each recognised the need for sensitivity, of one form or another, in implementing it.

One participant (Interview A), when asked to make a judgement about annuality, felt that it was a good compromise between a longer period of control (where tight control would be lost) and a shorter period of control (where there would not be enough time for managers to do their job). Several interviewees suggested that political pressures resulted in the use of annuality, as principally it avoided the embarrassment connected with underspends in public services (Interviews D, G and H). For example, one interviewee, in referring to the carrying forward of an underspend by a particular public body, commented (Interview D):

The only disincentive for holding it themselves would have been that the divisional public bodies may not have wanted to declare a sizable underspend at the time the services were under very severe pressure.

In addition, it was suggested that politicians found annuality useful in balancing the tensions that inevitably arose between different portfolios. One participant commented that:

So, [a politician with responsibility for finance] was absolutely determined last financial year that the [public sector body] would spend its budget. And in the end, the finance people ended up cash managing the end of the financial year for the whole of the [public sector body] and did so extremely well…There are lots of debates about the rights and wrongs [of this situation], but you will always have those tensions. (Interview N)

However, there was also a feeling, particularly at a local level, of a lack of political will to allow the planning of projects on a more sensible longer-term basis, with these
benefits being ‘offered up’ for the sake of more immediate political expediency. One participant commented (Interview K):

We tried in the past to take a three year programme to a [politician with responsibility for finance] and said, “Would you agree a three year programme, so that we can design a programme that we will be ahead of ourselves and not chasing our tail on annuality”, and he wouldn’t approve three year programmes. He said, “I only want to see a one year one”, because they will see the political need each year to respond each year to fellow colleagues.

Overall, while there was limited recognition, particularly by some of the interviewees from local administrative units, that annuality was now less pronounced than in the past (that is to say, moving away from strict annuality), most participants appeared to experience annuality in a fairly traditional sense. Moreover, there appeared to be a tendency among many to accept, or at least attempt to manage, within this annuality system. Given individuals’ previous experiences, together with their perceived lack of ability to influence the design of budgeting systems, this is perhaps inevitable. This acceptance was most vividly expressed by one participant (Interview I) in the following manner:

Annuality is a useful mechanism because, to be blunt, I don’t know any other… It’s the culture I work in. I haven’t had any experience of any other culture… It’s difficult for me because I can’t really compare it.

Interviewees who were more peripheral or external to the public sector, for example those in NDPBs, the voluntary sector or consultants, tended to be more circumspect about the benefits of annuality. For example, in reference to annuality as a way of organising the financial management arrangements in the public sector, one participant from the voluntary sector (Interview Q) saw much scope for improvement. In his opinion, systems were currently characterised as lacking proactivity and being too dependent on centralised controls, which undermined the efficient and effective use of resources. In similar tones, another participant (from an NDPB), who worked in an organisation that had benefited considerably from slippage money, commented (Interview P):

The notion of public bodies getting public funding for a particular purpose and then having large amounts of unallocated reserves I think is wrong. But annuality is a very
crude tool for controlling that. So, yes it serves a purpose, but it should be possible to serve the same purpose in a different, more flexible, way.

On the whole, the responses to our research question ‘is the principle of annuality a good thing?’, were somewhat unexpected. At central government level we had expected to find some resentment from those interviewees who had not benefited from end-year flexibility but this was not the case. In fact most of our interviewees from core public sector organisations accepted the need for annuality and were generally supportive of it. The main misgivings about annuality came from the one interviewee from an NDPB (Interview P) and also from those interviewees outside of the public sector (outsiders looking in). Although these results might not permit us to conclude that annuality is a good thing they certainly do not provide evidence that it is a bad thing.

ANALYSIS AND DISCUSSION OF RESULTS
The principle of annuality has, over many years, been the basis of public sector budgeting in many countries, despite extensive anecdotal evidence that it results in significant adverse consequences. However, very little has been written about the subject and only limited research has been undertaken. The study reported in this paper, the first study of its type in the UK, attempts to provide some redress to this situation. Through a series of semi-structured interviews (17 interviews with a total of 22 participants) it explores the use of annuality in public sector budgeting in the UK through the eyes of key actors in the public sector (finance officers, budget holders and consultants working with the public sector). In addition, it seeks to identify the impact of the late 1990s reforms, which provided greater departmental freedoms, on public sector budgeting.

The interviews make available evidence that the impact of annuality is still significant. Although end-year flexibility, with freedom to carry forward 100 per cent of underspends, was introduced at government departmental level since the late 1990s, the departments were left to themselves to decide how to cascade this flexibility down to lower
levels within a department. This research illustrates that none of the government departments that took part in this survey has done this. Similarly, the continuing impact of annuality has also been identified by HM Treasury (2000b) when reviewing the extent of cascading, although, in this instance, some limited evidence of greater flexibility was identified. Here it was claimed that those departments that had managed to cascade end-year flexibility reported a reduction in end-year surges and an improvement in the managing of capital projects that often involve ‘lumpy’ payment patterns. However, it was also recognised that restricting end-year flexibility to the central departmental level made it easier for departments to meet their responsibility for keeping overall spending within their departmental expenditure limit. Similar stresses were apparent in this research.

Arguments in favour of significant decentralisation, whether it be of budgets or more generally for decision making, are fundamental to the standard NPM agenda and have been embraced by HM Government in a number of policy areas (Midwinter, 2005). Benefits such as better local decision making, freeing up central management to focus on wider strategic issues and a more motivated and responsible local management team are often articulated in official documents (HM Treasury 1992; HM Government 1999). However, such moves lead to a change in the locus of control, moving power from the centre to the peripheral units and, because of this, may be resisted by those at the centre (Wildavsky, 1974; Macintosh, 1994) who may prefer traditional annuity arrangements as a basis for preserving both control and power. This may be of particular significance at times of budget crisis in developed economies and, on an ongoing basis, in developing countries.

Tension between having firm control (enhanced by a central finance department imposing strict annual budgets on budget holders) and better management (enhanced by increasing the freedoms afforded local managers) were apparent. The interviews revealed that finance officers tended to favour central control while budget holders viewed greater freedom as important and helpful. One example of this tension was (Interview O):
I wouldn’t be surprised at a Director of Finance saying that annuality is a good thing, as it gives him or her the opportunity to hang on to resources right through the year.

The efficacy of multiyear budgeting and end-year flexibility (even if it were cascaded down an organisation) in supporting effective and efficient decision making in the public sector (key themes of accountable management type thinking with respect to budgeting) is by no means universally accepted. Certainly UK Government pronouncements make the link between end-year flexibility and better decision making, and this appears as a leitmotif in a broad swathe of official pronouncements. For example, in discussing the Spending Review, it is argued that better value for money is achieved by (HM Treasury, 2002, p. 6) ‘allowing departments to carry forward unspent resources from one year to the next through End Year Flexibility. This encourages prudent spending throughout the year and assists better planning’.

The interviews in this research do not provide overwhelming and consistent support for the UK Government’s apparent view that widespread end-year flexibility, and the consequent abolition of annuality, is necessarily a good thing. While central controllers may, perhaps understandably, justify central control of budgets from a power perspective, it is also recognised, by central controllers and others, that annuity avoids risks relating to major departmental overspending and underspending. It is interesting to note that under the UK’s Local Management of Schools (LMS) initiative, all schools have complete end-year flexibility in carrying forward underspends. The caution adopted at individual school level in dealing with uncertainty has resulted in a massive underspend being built up for the service as a whole (Audit Commission, 2004). There is also the well-documented case of severe underspending (of £10 billion over a two-year period) that occurred across the UK government in the two years ending March 2001 at a time when end-year flexibility had been introduced and funding increased rapidly (Stone-Lee, 2001). Indeed, this research suggests that many finance officers and budget holders are comfortable with the form of annuality operated in the UK, as it provides a reasonable time horizon (not too short and not too long)
and a useful and understandable framework for managing risk and uncertainty through the sensible planning of work schedules and spending patterns (see, Forster, 1990). It is interesting to note that Wildavsky and Caiden (1997), in reviewing the situation in the US, suggested that the case for multiyear budgeting was by no means conclusive and tentatively suggested a contingency approach, whereby its appropriateness in parts of the public sector may well depend on individual circumstances (pp. 268-270). The evidence in this research suggests that prudence should be exercised before attempts are made to promote more extensive and general relaxations of annuity rules in the UK.

However, it should be recognised that even if end-year flexibility were widely available to managers in the UK public sector, there might still be pressure to spend up to the budget rather than carry forward unspent surpluses because of the potential media, or perhaps political, pressures. Two of the interviewees pointed out that this might be particularly the case if the services of the organisation are, or are perceived to be, under severe pressure. This might lead managers to avoid carrying forward surpluses, even when there might be justifiable reasons for doing so, rather than attempt to explain such carry-forwards to the media, or to politicians, that possibly seek sensationalist headlines. Without judging whether individual carry-forwards can be justified in managerial terms or not, there have been several high-profile examples where such carry-forwards lead to startling captions in newspapers and other publications. For example, in the US, a headline of ‘Congressman blasts NASA slush fund’ (Kaiser, 1996), which reported one politician’s take on a NASA carry-forward, forced NASA to engage in a media and political justification of its action. Given this potential risk, managers may be disinclined to carry forward balances even in an environment that permitted, or even encouraged, such behaviour.
CONCLUSIONS

The research reported in this paper suggests that although in the late 1990s the UK Government heralded its intention to move from strict annuality in public sector budgeting by introducing end-year flexibility and multiyear budgeting (suggesting a much greater emphasis on accountable management principles and a move away from traditional, strict central controls), the reality is that this new freedom has not permeated much beyond department level. A number of commentators have argued that unless it does this, then these reforms are likely to achieve little in terms of improving budget decision making in the public sector.

While central government criticises annuality in budgeting as short term and wasteful, annuality still dominates front-line managers’ thinking and actions. Whether this is a question of timing, with, eventually, greater end-year flexibility filtering down to lower-levels, or whether those at the centre in departments will continue to focus on the need to maintain strong central control (possibly, in some cases, as a foundation for preserving their own power base) is unknown.

Earlier examples of the restricted pace at which central control is replaced by delegated management responsibility can be seen in the implementation of both the Australian Government’s Financial Management Improvement Programme of the 1980s (see, Zifcak, 1994, p. 123, and Rothman and Thornton, 1990) and the UK Government’s Financial Management Initiative (see, Zifcak, p. 85). However, what appears clear in this research is that good intention has run up against cultural, institutional and political barriers that appear to accept (and, in some cases, value) the strictures of tight annual controls. It may be that if major change in this area is to be achieved, it will require much greater engagement of central government to force it through; although this research suggests that such change from the status quo may not be desirable from the point of view of either finance officers or budget holders, and may not significantly improve planning and control in the UK public sector.
The research reported in this paper is exploratory, and while it seeks to open up a much-neglected area to investigation, further work is needed to build upon this study. One possible way of doing this would be to undertake a substantial case study in a large spending department. In this research, each of the departments and organisations that were visited had its own systems and procedures, its own specific problem areas and its own culture. In a single interview in each of the organisations it was not possible to understand and appreciate fully the significance of these different variables. A case study within one large department would mean that these background variables would, for the most part, be common, which would be helpful when analysing and discussing the responses and findings. In their US work, Wildavsky and Caiden (1997) have suggested that the appropriateness of changed budgeting processes for parts of the public sector may well depend on individual circumstances. On the basis of this, research focusing on how and why annuality (or end-year flexibility) varies in different parts of the public sector (for example, individual departments, local authorities, executive agencies or hospitals) might prove useful. Finally, the research provides evidence that although HM Treasury appears to want front line managers to have greater budgetary freedom to carry forward unspent balances (as a basis for improving resource utilisation), this freedom has not cascaded from departments to lower levels within departments. More detailed exploration of the views of key actors in HM Treasury and in individual departments with responsibility for budgetary control, possibly through the use of interviews concentrating solely on the issues of annuality and end-year flexibility, might provide a richer understanding of why change appears, at best, to be slow.

Taken as a whole, this research suggests that there is a significant difference between the attempts to introduce change and the change taking place in practice. While the justification for greater flexibility at year-end is made by HM Treasury, the evidence from front line managers reveals a fairly traditional annuality framework. Whether the case for a change from a strict annuity regime (or the rather flexible annuity regime that appears to
operate in practice) is required, is not universally accepted (nor do the authors make it as a basis for their investigation). Indeed, many interviewees perceived that they were able to work a budgeting system based on traditional procedures in such a way as to avoid possible inflexibility and reduce potential adverse effects. However, it appears that HM Treasury has deemed that change is required. Perhaps, in time, change will come. Or perhaps, it is a case of ‘plus ça change, plus c’est la même chose’.

Notes

1 Although some participants made additional information available, overall such provision was patchy and did not add significantly to information provided in the interviews.
2 Although the key theme questions were raised in each interview, the wide-ranging nature of the responses meant that presenting the results in the form of a discussion of these relating to the specific research questions posed was considered more appropriate than analysing the results in the form of tables. The use of tables would have required a level of precision in the categorisation of the responses that was not possible from the results.
3 The interviewees in three of the local administrative units (organisations H, I and K) stated that under certain circumstances limited ability to carry forward underpendings (end-year flexibility) existed but this was usually restricted to a small percentage of the budget with traditional annuality rules applying to amounts in excess of this. Annuality was strictly imposed in the remaining two local administrative units.
4 Burns and Scapens (2000) in their examination of the use of an institutional framework for the conceptualisation of management accounting change make the useful distinction between rules and routines. They define rules as ‘the formalised statement of procedures’ and routines as ‘the procedure actually in use’ and explain that ‘routines represent the patterns of thought and action which are habitually adopted by groups of individuals’.
REFERENCES


