

*The University of Western Ontario
Department of Political Science
Master of Public Administration, Local Government Program*

PA 9912b

Financial Management in Local Government

Course Outline
Winter Term 2016

Kelley Coulter, MPA, CPA, CGA
(226) 231-2571
E-mail: kcoulte7@uwo.ca

Office hours: By appointment before or after class. If students ask questions via email please note that responses will occur in the evening hours (after 6:00 p.m.).

TIMETABLE & LOCATION

Three weekends: Friday 3:00 – 7:00 PM and Saturday 9:00 AM – 4:30 PM.

January 15, 16;

February 6, 7;

March 4, 5

All classes will be held in **room 4255 SSC** (Social Science Centre).

COURSE OBJECTIVES

This course follows the textbook closely. The course focuses on the tools and understanding that public managers in local government require to ensure the successful use of resources to carry out good public policy.

The objective of the course is to give students a solid understanding of the basic elements of public sector financial management. In achieving this, it will give students an understanding that financial considerations play a role in virtually every local government activity. Specifically the course will cover:

- ✓ How the financial planning cycle of local government impacts policy decision-making.
- ✓ How to understand and interpret financial information
 - Basic accounting principles
 - Financial Statements

- ✓ The elements of sound financial management in local government
 - Resource allocation
 - Effective budget management
 - Management control
 - Elements of fiscal management for all leaders in local government

- ✓ Elements of financial accountability both within local government and out to the public
 - Reporting
 - Accountability
 - Internal and external oversight

This course is not designed to make you into an accountant! The primary goal is to give students the knowledge of how to work with the Finance Department to the advantage of the organization and the taxpayer. Additionally it is designed from a practitioners viewpoint and is intended to equip both the mid-career manager and the full-time academic student with skills in financial management.

Be aware: students will need to have some familiarity with Excel spreadsheets or their equivalent.

INSTRUCTIONAL STYLE AND EXPECTATIONS

- The instructional style is interactive and highly participative. It will involve a blend of lecture, group discussion and some group work (ungraded). *Your participation grade focuses on your contribution to the learning of others.*
- It is expected that students will complete the assigned readings, including any case studies, prior to each class so that intriguing and inspiring dialogue and knowledge transfer can occur as we discuss concepts and in-field applications.
- In class use of laptops, BlackBerries/PDAs, cell phones and other electronic aids will not be necessary for this course.

REQUIRED TEXTBOOKS

Graham, Andrew. Canadian Public Sector Financial Management, 2nd Edition. (Kingston, Canada, Queen's University, School of Policy Studies, 2014)

BMA Study, 2014

Additional readings may be handed out in class from time to time, or made available through the Local Government Library.

COURSE REQUIREMENTS AND EVALUATION

Assignment #1:	In class multiple choice quiz (January 16) 3:00 – 4:00 p.m.	(15%)
Assignment #2:	The Financial Model Analysis (February 25) 5:00 p.m.	(30%)
Assignment #3:	Financial Management Analysis (Due March 28) 5:00 p.m.	(35%)
Participation:	Quality of learning and learning of others	(20%)

Note: All assignments should be submitted in WORD format to the course website via OWL with a copy emailed to kcoulte7@uwo.ca, 11 font - double-spaced by the date and time stated. **DO NOT SUBMIT IN ADOBE PDF Format.** This is to facilitate on-line commenting for the ease of the student learning experience.

Assignment #1: In class quiz January 16 - 3:00 – 4:00 p.m. (15%)

- The quiz will be administered at the end of class on January 16th.
- Students will be asked to complete a multiple choice quiz at the end of day two of the first weekend.
- The quiz will consist of 20 multiple-choice questions based on the readings of Introduction, and Chapters 1, 2, 3 and 4 of the textbook.

Assignment # 2: *Designing, preparing and analyzing an Operational Budget* February 17- 5:00 p.m. (30%)

The task will be based upon one of two case studies:

- Students will be asked to design, prepare and ultimately analyze an operational budget.
- Each student will be given the choice between two scenarios and will be asked to complete a fulsome operating budget for their scenario of choice.
- Students are asked to highlight the primary issues (the environment) of the organization and the overall financial issues that will impact the budget of the community.
- Students are further asked to analyze the strengths and the weaknesses of the budget they have developed.
- The submission must include analysis of the elements of the financial health of the organization in their scenario.
- Highlight some material opportunities that are not being considered through the case.
- Explain the strengths, weaknesses, opportunities and threats of the initiative including the financial implications
- Students must ensure they submit a fulsome budget that includes the major cost categories of a typical local government environment.
- Revenues and expenditures should both be considered.
- Be sure to defend your reasoning. Please ensure that you source your work.
- Submissions should **not exceed 10 typewritten pages 11 font, double-spaced.**

Assignment # 3: Case Study Financial Management Analysis, Program Review
March 28 5:00 p.m. (35 %)

- Details on Assignment #3 will be circulated on Saturday February 7.
- Students will assume the role of the Commissioner/Director of Planning & Development of the Community. The analysis shall be in the form of an internal staff report to the Chief Administrative Officer on the strategic, operational and financial risks and opportunities of joint Memorandum of Understanding. Do not present as a report to Council.
- Students will be asked to complete a fulsome management analysis including fiscal issues to support a material capital investment.
- Students may use a standard Business Case template for completing their financial analysis
- Students are free to consider other materials.
- Quantitative analysis should be included along with narrative for the reader.
- Risks and Opportunities should be considered as part of the analysis.
- Students need to consider the major revenue and expenditure elements of a local government environment.
- The financial analysis should include discussion on managerial control, cash management and fiscal management for a non-financial manager.
- Clear recommendations for the Chief Administrative Officer to consider should be included, including steps for the elected officials.
- Maximum length: 15 pages – double spaced 11pt font (not including appendices or bibliography)
- The submission should be in Word format.

Participation: (20%)

- No grades are assigned for attendance and no participation grades can be assigned if you are not in attendance.
- The course is designed to be interactive and participative. Lecturing will be in bursts and students will be engaged in dialogue throughout the three sessions.
- Quality of contribution enhancing the learning experience for your colleagues is more important than quantity.

It is the student's responsibility to submit his or her own original written material in courses.

Late assignments will receive a 2% penalty for each day and will not be accepted 10 days following the due date.

Weekly Topic Schedule and Readings:

WEEK 1: The Public Sector and the Accounting Context (January 15, 16)

FRIDAY

- Introductions
- Overview of the course: What is this course about? What is expected?
- Review of Course Outline & Explanation of Assignments
- Financially literate Manager and Organization
- Public Sector Accounting Principles
- Financial accounting and management accounting
- Users of the Accounting information
- Quality of Accounting Information
- Defining Accounting & Accounting Cycle
- Key terms: assets, liabilities, revenue, expenditure, equity (cumulative surplus/deficit), net assets
- Debits and Credits: Tools to Balance the Equation
- Building Blocks of Financial Statements

SATURDAY

- Q&A
- More Financial Statements:
 - Balance Sheet/Statement of Financial position (What is our position – at point in time?)
 - Income statement/Statement of Operations (How did we do in achieving/delivering objectives over period?),
 - Changes in Financial Position
 - ... And don't forget the Notes! (they are the meat on the bones)
- Basic Ratios
- Accrual accounting and non-cash transactions
- Management discussion and analysis
- Relationship of Financial Statements to external reporting (audited statements) and internal (management statements)
 - **January 16: In class quiz of readings Introduction & Chapters 1,2,3,4 – 15% of final grade**

Readings:

Graham, Andrew. Canadian Public-Sector Financial Management (2nd Edition)

Introduction: pages 2-8

Chapter 1: Financial Management in the Public Sector

Chapter 2: Public Sector Accounting Principles

Chapter 3: Financial Statements

Chapter 4: Accrual Accounting and Budgeting

WEEK 2: The Budgeting Context (February 6, 7)

FRIDAY

- Overview of Week 1 – Q&A
- Review of Assignment #1
- Budgets - What they do and how they do it? Why do we budget? Where is policy in the scenario?
- Types of Budgets
- Planning and the budgeting cycle
- Operational Budgets
- Revenue and workload forecasts in budgets
- Cost analysis and forecasting
- Fixed and Variable Costs
 - *Labour Budget*
 - *Benefits Budget*
 - *Materials*
 - *Program Budget*
- Objectives of financial and performance reporting
- Capital Budgets
- Business Cases
- Review of a City Budget: City of Windsor
- Assign roles/responsibilities of the in-class Case Study

SATURDAY

- Q&A
- Budgeting in a period of deficits
- Budget Level and Program Level
- Reallocation within budgets
- Setting budget reduction priorities
- General approaches to Reallocation
- Shields, defenses, behaviours
- Break for Lunch
- ***Afternoon – solely focused on in class Case Study Exercise: Developing the Budget for The Town of Nowhere Budget – The Good, The Bad and the Downright Uggggllly!***
- Review Assignment # 2 (submit electronically to OWL with a copy emailed to kcoulte7@uwo.ca in WORD format) **Due: February 25 at 5:00 p.m.- 30% of final grade**

Readings:

Chapter 5: Budgets: What They Are and What they Do?

Chapter 6: Planning and Budgeting

Chapter 7: Capital Planning & Budgeting

Chapter 8: Taking It Back: Reallocation and Budget Cutting

Tassonyi, Almos. Municipal Budgeting (Canadian Tax Journal, 2002, Volume 50, No.1)

Our Cities, Our Future: Addressing the fiscal imbalance in Canada's cities today (Big City Mayors' Caucus, June 2006)

WEEK 3: Implementation and Accountability Context (March 4, 5)

FRIDAY

- Overview of Week 2: Q&A
- Review Assignment #2
- Managerial control – the concept
- Management control frameworks and control process
- Risk and risk management: Heart of the Control Process
- Control procedures and policies
- When things go wrong – critically assess article
- Finding the balance between control, discretion and cost
- Public Sector Financial Management Context: who, what, why, roles.
- Relationships of the budget to Economic planning and policy.
- Defining Cash Management & Cash Management Cycle

SATURDAY

- Q&A
- Variance Analysis
- Objectives of effective budget management monitoring and control
- Crucial relationship between Line Manager and Financial Advisor
- In-year versus plan management
- Discontinuities between budgets and ability to plan and execute
- Arriving at an adjusted budget
- Estimating Budget performance for the reporting period – management accounting
- The basis for Forecasting: Monitoring financial performance and variance analysis
- Reallocation and readjustment
- Confirming Control: Accountability and reporting
- Public Sector Accountability: What does Accountability Mean
- Accountability continuum
- Accountability in the financial management context: The relationship
- Impact of governance

- Final review Assignment # 3 expectations (submit electronically to OWL with a copy emailed to kcoulte7@uwo.ca in Word format. **Due: March 28 at 5:00 p.m. 35% of final grade)**

Readings:

Chapter 9: Managerial Control

Chapter 10: *Cash Management: In-year budget management and monitoring*

Chapter 10: Confirming Control: Accountability and Reporting

Appendix 1: The Budget Games People Play

Appendix 4: Internal Control Checklist

Appendix 6: The Cash Management Games People Play