

*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 2014
Updated: November 16, 2013

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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 17, 18; February 21, 22; March 28, 29

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

COURSE OBJECTIVES

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

This course is not designed to make turn you into an accountant! It assumes little or no previous formal training in financial management or accounting. 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.

Be aware however: 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 and group work. *Your contribution to the learning of others is a significant element of the course.*
- It is expected that students will complete the assigned readings, including any case studies, prior to each class so that we may then discuss concepts and 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. (Kingston, Canada, Queen's University, School of Policy Studies, 2007)

Gleeson-White, Jane. Double Entry: How the Merchants of Venice Creased Modern Finance. (New York, New York, W.W. Norton & Company Inc., 2012) (PDF provided)

Hambrook, Michael B. Case Study: The Financial Model. (Institute of Public Administration of Canada, 2011)

BMA Study, 2012

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: Financial Assignment (Due January 17) 3:00 p.m.	(15%)
Assignment #2: The Financial Model Analysis(Due March 8) 3:00 p.m.	(30%)
Assignment #3: Financial Management Analysis (Due April 13) 5:00 p.m.	(35%)
Participation: Quality of learning and learning of others	(20%)

Note: All assignments should be submitted in WORD format to kcoulte7@uwo.ca, 11 font - double-spaced by the date and time stated.

Assignment #1: Financial Assignment January 17 - 3:00 p.m. (15%)

- Students are given the choice between two articles to critically analyze in terms of financial systems.
- This assignment involves applying the knowledge gained from Week 1 readings and critical thinking.
- Students are expected to complete a brief analysis of the **financial issues** highlighted in the article. The submission should critically analyze the theory advanced in the article.
<http://www.thenewsherald.com/articles/2012/06/15/news/doc4fdb775deafe8358765285.txt>

<http://www.bloomberg.com/news/2011-11-09/alabama-s-jefferson-county-files-for-u-s-s-biggest-municipal-bankruptcy.html>
- Students are cautioned against providing a “summary” of the article.
- Submissions should not exceed 4 typewritten pages 11 font, doublespaced.

Assignment # 2: A programmatic Financial Model March 8- 3:00 p.m. (30%)

The task is:

- Highlight the primary issues (the environment) of the community and the overall impact of the budget. Analyze the strengths and the opportunities of the budget.
- Discuss the financial health of the organization
- Explain the major opportunities that are not being discussed through the case.
- Explain the strengths, weaknesses, opportunities and threats of the budget (SWOT Analysis)
- Be sure to discuss the various elements and defend your reasoning. Please ensure that you source your work.
- Students are encouraged to utilize ratios as part of their analysis – explain what the ratio is measuring and why it is important.
- Students can utilize the business case reviewed in class as a template.
- Submissions should not exceed 10 typewritten pages 11 font, double-spaced.
- Tables, Charts, Ratios should be reported in the form of an Appendix and properly referenced in the body of the analysis.

Assignment # 3: Financial Management Analysis, April 13 5:00 p.m. (35 %)

- Students will assume the role of the Commissioner/Director of Recreation of the Community. The analysis shall be in the form of a Management Report to the CAO on the financial risks and opportunities of the Memorandum of Understanding.
- At a minimum an analysis of the annual budget are to be considered as part of the analysis. Note: Students are cautioned against repeating the budget analysis of Assignment #2.
- 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
- Recommendations for the CAO that will ultimately be included in a report to the City Council consideration should be included.
- Maximum length: 15 pages – double spaced 11pt font (not including appendices or bibliography)
- Appendices of the financial statements and the consolidated budget **must** be included in each proposal.
- 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: Accounting Terms & Process (January 17, 18)

FRIDAY

- Introductions
 - Overview of the course: What is this course about? What is expected?
 - Explanation of Assignments
 - Defining Accounting & Accounting Cycle
 - Financial accounting and management accounting
 - Double sided entries: Debits & Credits (left/right)
 - Key terms: assets, liabilities, equity (cumulative surplus/deficit), net assets
 - Accrual accounting and non-cash transactions
 - **Review Globe & Mail financial analysis example (In class handout)**
 - PSAB and GAAP: common definitions and means to assess financial statements and their meaning.
- **Assignment #1 Due at 3:00 p.m. IN WORD FORMAT Friday January 17 at 3:00 (15%)**

SATURDAY

- Q&A
- The cycle, the debits and the credits, fundamentals of accrual accounting
Assets + Liabilities = Cumulative Surplus
- Financial Statements:
Balance Sheet/Statement of Financial position (Where are we as of today?)
Income statement/Statement of Operations (How did we do in achieving/delivering objectives?), Changes in Financial Position
... And don't forget the Notes! (they are the meat on the bones)
- Management discussion and analysis
- Relationship of Financial Statements to external reporting (audited statements) and internal (management statements)
 - ***In class review of 2012 City of Owen Sound Financial Statements***

Readings:

Graham, Andrew. Canadian Public-Sector Financial Management

Chapter 1: pages 12 -22,

Chapter 2: Public Sector Accounting Principles/Accrual Budgeting and Accounting

Chapter 3: Financial Statements

Chapter 4: *Accrual Accounting and Budgeting*

Gleeson-White, Jane. Double Entry: How the Merchants of Venice Created Modern Finance

Chapter 4: Pacioli's Landmark Bookkeeping Treatise of 1494

Chapter 5: Venetian Double Entry Goes Viral

Articles:

<http://www.thenewsherald.com/articles/2012/06/15/news/doc4fdb775deafe8358765285.txt>

<http://www.bloomberg.com/news/2011-11-09/alabama-s-jefferson-county-files-for-u-s-s-biggest-municipal-bankruptcy.html>

WEEK 2: Budgeting (Operational & Capital) and the process (February 21, 22)

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?
- Planning and the budgeting cycle
- Operational Budgets
- Capital Budgets
- Revenue and workload forecasts in budgets
- Cost analysis and forecasting
- Fixed and Variable Costs
 - *Labour Budget*
 - *Benefits Budget*
- *Materials Budget*

SATURDAY

- Q&A
- Objectives of financial and performance reporting

- Review of a Town Budget: City of Owen Sound

- **Case Study Exercise: The Financial Model**
 - Afternoon*
 - Role of Business cases: what are they, how do they work, how to do them
 - Budgeting in a period of deficits
 - Budget review options and experience: Programmatic versus Incremental
 - Program Review
 - Strategic Review
 - Reallocation within budgets
 - Setting budget reduction priorities
 - Shields, defenses, behaviours

- **Review Assignment # 2 (submit electronically to kcoulte7@uwo.ca in **Word format** by March 8 at 3:00 p.m.- 30% of final grade)**

Readings:

Chapter 5: Budgets Overview and Function

Chapter 6: The Budgetary Process

Chapter 7: Capital Planning & Budgeting

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

MMAH Budgeting: <http://www.mah.gov.on.ca/Page8393.aspx>

WEEK 3: Management Control and Accountability (March 28, 29)

FRIDAY

- Overview of Week 2: Q&A
- Review Assignment #2
- Review Assignment # 3 expectations (submit electronically to kcoulte7@uwo.ca in **Word format by April 13 at 5:00 p.m.** 35% of final grade)
- Managerial control – the concept
- Management control frameworks and control process
- Risk and risk management
- Control procedures and policies
- When things go wrong – critically assess article
- Public Sector Financial Management Context: who, what, why, roles.
- Relationships of the budget to Economic planning and policy.

SATURDAY

- Q&A
 - Defining budget management
 - Objectives of effective budget management monitoring and control
 - 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
 - Accountability continuum
 - Accountability in the financial management context
 - Impact of governance
- FYI: Public sector reports: annual reports, performance reports
- MPMP Schedules of FIR
 - Annual BMA Study
 - Development Charges Report
 - AMO Provincial Gas Tax
 - Development Securities
 - Trust Funds
 - Reserve Funds
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- Final review Assignment # 3 expectations (submit electronically to kcoulte7@uwo.ca in **Word format** by April 13 at 5:00 p.m. 35% of final grade)

Readings:

Chapter 8: Managerial Control

Chapter 9: *Cash Management: In-year budget management and monitoring*

Chapter 10: *Demonstrating Control Accountability and Reporting*