

*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 2012

Kelley Coulter, MPA, CGA
(519) 842-3620
E-mail: kcoulte7@uwo.ca

Office hours: By appointment before or after class; also, consultation by e-mail responses will occur in the evening hours.

TIMETABLE & LOCATION

Three weekends: Friday 3:00 – 6:30 PM and Saturday 9:00 AM – 4:30 PM.
January 20, 21; February 10, 11 (UWO Reading Week); March 23, 24

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:

- ✓ 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 everyone 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 informal 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)

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 January 22, 9:00 a.m. | (10%) |
| Assignment #2: Group Case Study – Business Case Analysis | (30%) |
| Assignment #3: Group Financial Management Analysis | (40%) |
| Participation: Quality of learning and learning of others | (20%) |

Assignment #1: Financial Assignment January 22, 9:00 a.m. (10%)

- Financial nomenclature – understanding the terms and how to use them
- This assignment involves applying the knowledge gained from Week 1 readings.
- Students are expected to complete a brief take home assignment (distributed January 21) which addresses basic elements of public sector accounting.
- Submissions should not exceed 3 typewritten pages.

Assignment # 2: Business Case Presentations February 11, 1:00 p.m. (30%)

- Each Team will review a business case presented in the context of the financial statements and budget planning cycle.

The task is:

- Highlight the process for reviewing business cases
- Discuss the financial health of the balance sheet – Can organization afford it?
- Develop criteria to apply in considering each submission – build the budget
- Be sure to discuss the various options
- Provide strategies for a 1%, and 5% budget reduction or reallocation.
- Each team will have 45 minutes for presentation and 15 minutes for Q&A

Assignment # 3: Financial Management Analysis, April 9, (midnight) (40 %)

- Due date: **April 9, 2012.**
- Groups to be assigned in week 1 class:
 - Teams will assume the role of the Commissioner/Director of Finance. Each team will submit a Management Report to the CAO on the financial position of the municipality.
 - At a minimum an analysis of the audited financial statements and annual budget are to be considered as part of the analysis.
 - The group is free to consider other materials.
 - Groups may use the same municipality that they considered for the second assignment.
 - Quantitative analysis should be included along with narrative for the reader.
 - Risks and Opportunities should be considered as part of the analysis
 - Recommendations for Council consideration should be included.
 - Maximum length: 15 pages – double spaced 12pt 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 or Excel format.
- Team leader will be responsible for ensuring the assignment is submitted in the appropriate format and layout with all appendices
- Each member of the group shall receive the same grade.

Participation: (20%)

- 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 important.

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 14 days following the due date.

Weekly Topic Schedule and Readings:

WEEK 1: Accounting Terms & Process (January 20, 21)

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
 - PSAB and GAAP: common definitions and means to assess financial statements and their meaning.
- Distribute Assignment # 1 Financial Terms – due Saturday January 21 at 9:00 a.m. (10%)

SATURDAY

- **Hand in Assignment #1 Financial Terms (10%)**
 - 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)
 - Financial Statement analysis – ratios.
 - Management discussion
 - Relationship of Financial Statements to external reporting (audited statements) and internal (management statements)
 - **Review example community Financial Statements & FIR**
- Hand out business cases for Assignment # 2- Team Business Case Analysis
Teams will be assigned in class – Teams elect their team leader
Discuss Assignment #2

Readings:

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*

Annual Financial Information Return: <http://www.mah.gov.on.ca/Page4868.aspx>

WEEK 2: Budgeting (Operational & Capital) and the process (February 10, 11)

FRIDAY

- Overview of Week 1 – Q&A
- Budgets? What they do and how they do it? Why do we budget? Where is policy in the scenario?
- Planning and the budgeting cycle
- Revenue and workload forecasts in budgets
- Capital versus Operating Budget
- Cost analysis and forecasting
- Fixed and Variable Costs

SATURDAY

- Q&A
- Objectives of financial and performance reporting
- Operational Budgets
- Capital Budgets
- 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
 - Program Review
 - Strategic Review
- Reallocation within budgets
- Setting budget reduction priorities
- Shields, defenses, behaviours

Readings:

Chapter 5: Budgets Overview and Function

Chapter 6: The Budgetary Process

Chapter 7: Capital Planning & Budgeting

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

- **Afternoon : Assignment # 2**
Business Case Group Presentations – Group Exercise 30%
 - Each Team will review a business case presented in the context of the financial statements and budget planning impact.

The task is:
 - Highlight the process used for reviewing and analyzing the business case.
 - Discuss the financial health of the balance sheet – Can the community afford it?
 - Develop and state criteria of the potential budget impact
 - Be sure to discuss the various options
 - Provide strategies for a 1%, and 5% budget reduction or reallocation
 - Each team will have 45 minutes for presentation and 15 minutes for Q&A
 - Each team should submit electronically (kcoulte7@uwo.ca) **no later than Friday February 10 at 9:00 a.m.** the outline of their presentation (word, excel or powerpoint please)
 - **Note:** Each team member will be assessed on their individual contributions to the presentation.

WEEK 3: Management Control and Accountability (March 23, 24)

FRIDAY

- Overview of Week 2: Q&A
- Managerial control – the concept
- Management control frameworks and control process
- Risk and risk management
- Control procedures and policies
- 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
- What is the budget management system? 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

Readings:

Chapter 8: Managerial Control

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

Chapter 10: *Demonstrating Control Accountability and Reporting*

Review of Assignment # 3