

PA 9912b
Financial Management in Local Government

**Course Outline
Winter Term
2019**

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Office hours: By appointment before or after class. Any questions sent by email will be answered within approximately 12 hours, but probably not before 6:00 PM

OWL: Students should familiarize themselves with the course (PA9912b) content on the electronic Western course management system OWL. All assignments **MUST** be submitted to OWL.

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TIMETABLE & LOCATION

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

**January 25, 26;
February 22, 23;
Mar 29, 30**

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

COURSE OBJECTIVES

This course follows the textbook but will be supplemented with current materials dealing with government financial management.

The objective of the course is to give students an understanding of the basic elements of public sector financial management. It will demonstrate 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 both operational and policy decision making.

- ✓ How to understand and interpret financial information using
 - Basic accounting principles
 - Financial Statements

- ✓ The elements of sound financial management in local government
 - Resource allocation
 - Effective budget management
 - Management control systems
 - 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
 - Financial Considerations in Strategic Decisions

This course is not designed to train one to become an accountant! The primary goal is to give students the knowledge of how to work with finance professionals in the organization to the benefit of the organization and the inhabitants of the jurisdiction.

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.

INSTRUCTIONAL STYLE AND EXPECTATIONS

- The instructional style is interactive and participative. It will involve a blend of lecture, group discussion and some group work. *The individual participation grade focuses on the student's contribution to the learning of others.*
- It is expected that students will complete the assigned materials, **prior to each class** so that rewarding dialogue and knowledge transfer can occur as we discuss concepts and in-field applications.
- In-class use of laptops or 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)

Additional readings will 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 26) 3:00 – 3:30 p.m.	(15%)
Assignment #2: Asset Management Analysis group project, individual submissions (Feb 22).	(30%)
Assignment #3: Financial Analysis Presentation (March 29 &30). (Assignment 3 is a group presentation/assignment)	(25%)
Assignment #4: Financial Analysis written submission (April 6) (Assignment 4 is a group written assignment)	(15%)
Participation: Quality of learning of others (Participation in class)	(15%)

Note: All assignments should be submitted in WORD format to the course website via OWL, 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 26 (15%)

- The quiz will be administered at the end of class on January 27th.
- 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: An analysis of the impact on selected municipal services of Asset Management Planning for Municipal Infrastructure O.Reg 588/17

The task will be:

- To analyze the impact of *O.Reg 588/17 Asset Management Planning for Municipal Infrastructure* for two or more selected components of municipal infrastructure.
- Each group will choose two types of infrastructure assets.
- The individual student submissions are to indicate the data analysis and milestones at each step of the Regulation's timetable for a municipality to which all components of the Regulation apply
- The analysis needs to incorporate discussion of possible impacts to operating and capital budgeting
- Further details of the assignment will be discussed at the January 26 session
- Students should also read O. Reg 588/17 before January 26.
<https://www.ontario.ca/laws/regulation/r17588>
- **Submissions cannot not exceed 10 typewritten pages 11 font, double- spaced (although supporting exhibits, charts, graphs, tables can be attached).** Due February 22nd at 3:00 p.m.

Assignments # 3: Group Assignment – Complete a comprehensive Financial Management Analysis – March 29 & 30 (in class presentation) (25 %)

- The group will assume the role of an external agency, similar to a bond rating agency, assessing the financial health and prospects of a municipality for an investor.

- Municipalities will be pre-selected and data sources identified.
- More details on the assignment will be outlined in sessions 1 and 2.

Assignment # 4: Financial Management Analysis written by and submitted by each group including reflections from the in class feedback from March 29 & 30.

Due: April 6 (9:00 a.m.) (15 %)

- Maximum length: 15 pages – double spaced 11pt font (not including appendices or bibliography)

Participation: (15%)

- 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..
- 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 25, 26)

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 compared to plans over period?),
 - Changes in Financial Position
 - ... And don't forget the Notes to the Reader as they will describe some elements the numbers cannot.
- 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 26: In class multiple choice 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

Give a preliminary reading to:

<https://www.ontario.ca/laws/regulation/r17588>

WEEK 2: The Budgeting Context (February 22 - 23)

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?
- 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 Municipal Budget
- 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
- 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
- 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.
- Review Assignment # 2 (submit electronically to OWL format) **Due: Feb 22 at 3:00 p.m.- 30% of final grade**
- Review of Assignment # 3 (group assignment - in class presentation Saturday April 1) **Due: April 6 at 9:00 a.m. – 25% 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

Chapter 9: Managerial Control

WEEK 3: Implementation and Accountability Context (April 6,7)

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
- 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
- Presentations Financial Management Analysis Assignment #3

- Final review Assignment # 4 Group written submissions of Financial Management Analysis as presented in class on April 7. (submit electronically to OWL). **Due: April 6 at 3:00 p.m. 15% of final grade)**

Readings:

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