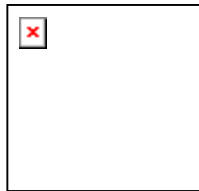




THE COUNCILLOR

AS

FINANCIER



Handbook 8

Training for Elected Leadership
Istanbul, 1996 - "THE CITY SUMMIT"

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FOREWORD

As shown by results of training needs assessments conducted by the United Nations Centre for Human Settlements (Habitat), training needs of local government elected officials (councillors), or of local politicians, appear among the most urgent world-wide and, at the same time, the least attended areas capacity-building for local development and municipal management.

In the last few years, a number of countries as varied as Nepal and Poland Uganda and Paraguay have embarked for the first time in several decades, and in so cases for the first time ever, on a process of electing their councillors and mayors. Training needs of local-government elected officials are also at the top of the agenda in established municipal democracies such as Ecuador, India, and the United States America.

To respond to these needs, the United Nations Centre for Human Settlements (Habitat) has developed and tested a series of training handbooks to assist councillors to represent the citizens, provide civic leadership and effectively work with central government and with the management, technical, and professional staff in local authorities and other local institutions. The handbooks cover policy an decision-making, communication, negotiation and leadership, attending, managing and conducting meetings, councillors' enabling and facilitating activities, financial management and other related needs.

This handbook, *The Councillor as Financier*, is one of the series of 12 and is intended for use primarily by trainers in national training institutions for local government or training units within local governments themselves. As an additional assistance for trainers using these handbooks, the United Nations Centre for Human Settlements (Habitat) has published a companion *Trainer's Guide for Training of Elected Officials* containing trainer's notes and information prepared exclusively for the benefit of these trainers in planning workshops for local elected officials based on the handbooks.

It is expected that this training handbook will contribute greatly to strengthening the capacity of local governments through the introduction of good leadership practices, one of the major objectives of the 1996 United Nations Conference on Human Settlements, Habitat II.

I wish to thank Dr. Fred Fisher and Mr. David W. Tees for preparing this and other handbooks in the series in collaboration with the staff of the United Nations Centre for Human Settlements (Habitat) Training Section within the Centre's training programmes supported by the Government of the Netherlands. I also wish to acknowledge the contribution of the trainers and local-government officials in Costa Rica, El Salvador, Kenya, Lithuania, Romania and Uganda who assisted in the field testing of these training materials.

Dr. Wally N'Dow
Assistant Secretary-General
United Nations Centre for Human Settlements (Habitat)



Straw hat worn by Chinese women in Yunnan Province

ABOUT THE HAT

The hat worn by the figure to the right and shown on the pages to come was selected to symbolize the councillor role featured in this handbook.

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HOW TO USE THIS HANDBOOK

This training handbook on THE COUNCILLOR AS FINANCIER, like other handbooks in the series, can be used in several ways.

Self-study

The essay that opens this handbook is intended for self-instruction. All you need is a quiet place to think, some time, and something to write with. For best results, we encourage you to write down your answers to the questions raised from time to time in the essay. The learning value of the information is multiplied many times for the reader who takes the time to do this.

Workshop training

The trainer's notes and exercise materials in this handbook are intended for use by experienced trainers in a training workshop for councillors from different local governments. We have included various types of learning activities and formats to provide trainers with considerable flexibility in adapting a workshop to the specific needs of participating councillors. It has been our intention in developing this handbook to encourage you to incorporate your own experiences as a trainer to heighten the learning value of these training materials for participating councillors.

As a trainer, you may decide to use the materials in the handbook in the exact order and manner presented. If you prefer, however, you may rearrange or modify materials as needed to meet the objectives of a particular training situation. You may choose to offer three hours of training by using key exercises and activities included in the handbook. Or you may take advantage of the many materials in the handbook supplemented by content of your own to extend the length of the programme to full day.

This handbook is one of 12 in a series for training in elected leadership. You might decide or be requested to provide a workshop that requires you to use more than one or all of these handbooks over a longer period of time. While each handbook can be used independently of the others, their use in sequence can provide a power unified learning experience for participating councillors.

Team training

These materials also can be used, preferably with the assistance of an experienced trainer/facilitator, to improve the performance of councillors who serve together on the same governing body. When training councillors who serve together, we believe the facilitator must be prepared to organize the training activities in this handbook in different ways. There may be occasions where you, as facilitator, will choose to add new activities depending on the situation and the characteristics of the group. We hope in situations like these you will view this handbook as a "tool kit" containing many optional training ideas to be mixed and matched, modified or abandoned, as suggested by the situation.

You have many options to choose from with these training handbooks. We hope you take full advantage of them.

PART I

ESSAY

The Councillor as Financier

Definition

The councillor, in the role of FINANCIER, makes decisions about raising, allocating, and expending public funds. ⁽¹⁾

Summary

This essay will take a top-down look at your councillor responsibilities in bringing leadership to the financial situation. Among those issues to be covered are the unique nature of the role of local-government financier, financial policies, and the evolution of inadequate public financial systems. Also covered are how to evaluate your financial condition, points of financial jeopardy, and troublesome topics such as capital investments and how to operate and maintain them.

Reflection

When I think of myself as a financier, in my responsibilities as a councillor, the following things come to mind:

1. _____
2. _____
3. _____

Concepts and ideas

Woodrow Wilson, in a discussion about public finances during the later part of the 19th century, said "The functions of government were simple because life itself was simple - there was no complex system of public revenues and public debts to puzzle financiers; there were, consequently, no financiers to be puzzled."

If we take Wilson at his word and do a little projection of his ideas, we can assume that there are some puzzled, maybe even confused, local-government financiers out there. Not in my city, of course, but maybe next door. This module is addressed to those councillors who serve "down the road," but you're welcome to sit in

First, a confession. This topic is very big, and we're finding it a little difficult to address in all its complexities. Since we want to increase our chances of saying something significant, and we hope useful, we will focus on a few issues that, we believe, are at the heart of your responsibilities as the community financier. But, before we begin, let's look briefly at some of the differences that distinguish local government financing from those of other enterprises, such as non-profit organizations or private businesses. Many of you may have financial experience in these other kinds of organizations. If you do, you should appreciate these differences even more. Here are a few that come to mind immediately:

1. There are never enough resources to meet the perceived and desired needs of the citizens.
2. The needs, preferences, and, not least of all, the ability of citizens to pay for services are very diverse.
3. To attempt to plan and evaluate each of these service needs in relation to every other is very difficult, maybe impossible.
4. Higher levels of government, to varying degrees, put both demands and constraints on the decisions you make at the local level, which for better or worse affect your freedom to decide what is best for your constituents.
5. Even though you have a firm grasp on the overall requirements of your community, it is often difficult to balance long-term community needs with short-term citizen demands, particularly during an election year.
6. There is neither time nor resources to research the costs and benefits of various alternatives to some of the more complex and costly programme demands.
7. Most difficult, perhaps, is the need to balance your own views about what needs to be done in your community with the views of your colleagues on council.

You cannot hang everything on one nail
--

- Russian proverb

All these factors make your role as financier one of the most challenging and probably one of the most frustrating. It is also your most important responsibility since it requires you and your colleagues to decide how local resources, in the public domain, are to be allocated and expended. While the role of financier involves a range of activities that need to be attended to throughout the year, it is the budget that consumes the most time and requires the greatest effort from councillors. In a series of Elected Official Handbooks, published in the United States by the International City Management Association, the authors call the budget process a council's "single most important activity of the year." The authors go on to say why this is true. ⁽²⁾

It is where all the elected officials who serve the local government must work together for a common outcome., it is where decisions are made as to which programmes are funded; it is where the working

policies of the local government are set forth; it is the management blueprint for department heads to use in providing services,, it is the standard for performance in future years,, and it communicates your goals and decisions to many groups, including your constituents, the business community, outside vendors, and credit rating agencies.

Budgeting: a flawed process

The process of budgeting leaves a lot to be desired, particularly in the public domain. Let us explain. It is often said that our government budgeting systems encourage public managers to waste money. Anyone who has been around city hall at the end of the fiscal year can attest to this. It is a time of much scurrying about as managers and bureaucrats frantically try to spend their allotments before the clock runs out.

Thomas Anton, in writing about the politics of state expenditures, made the following observations or, we should say, recommendations for the department head's consideration when getting ready for the new fiscal year (we suspect these "tongue in cheek" advisory notes will apply equally to your local government's way of financing things): ⁽³⁾

- Spend all your appropriation. Failure to use up an appropriation indicates that the full amount was unnecessary in the first place, which in turn implies that your budget should be cut next year.
- Never request a sum less than your current appropriation. It is easier to find ways to spend up to current appropriation levels than to explain why you want a reduction.
- Put top priority programmes into the basic budget. Legislators (councillors) seldom challenge programmes that appear to be part of existing operations.
- Make increases appear small, and describe them as though they grew out of existing operations.
- Give the mayor and city council something to cut. This enables them to "save" money and justify their claim to be promoting "economy" in government. Giving them something to cut also diverts their attention from the basic budget and its vital programmes.

These hints about how to waste taxpayer's money would be funny, we suspect, if they weren't so typical of the kind of behaviour that takes place in city halls around the world as budget time nears. The culprit is, more often than not, the line-item budgeting process. This approach to financial "management" was invented to control public managers and bureaucrats, to hem them in so they can't spend one shilling or rupee more than council approved for each item. Since it is also difficult to shift money around from one line-item account to another, to meet emergent and unexpected needs, the manager is constrained from making sound financial moves. The system that was created to prevent bad management has made good government impossible.

Other approaches to budgeting have been created but none of them seem to work very well. It may be helpful to comment, very briefly, on the systems that are most common. First, there is the programme budget. It allocates money to functions or activities, such as road maintenance, solid waste disposal and street cleaning, rather than specific items or costs. A programme budget is usually backed up by a line item budget (as most of these systems are) but it does show the functions for which funds will be spent. Two problems with this approach are: (a) the time it takes to plan and implement it, and (b) the absence of defined levels of service or "performance" to be achieved.

This last problem was presumably solved with the invention of the performance budget. This type of budget is patterned after the programme budget but goes one step further to show the relationship between money to be spent and services to be provided. Managers are required to define the outputs or workloads of their units (e.g., number of kilometres of streets to be swept and cost per kilometre). This is a difficult exercise, particularly when applying it to some of the staff and social service areas of operation.

Mission-driven budgeting: a new approach?

A new approach to local-government budgeting - mission-driven budgeting is getting attention in North America and Europe. This approach to budgeting allows managers to save what they don't spend in one year to pursue their missions in future years rather than to give the money back for reallocation. General fund accounts are set up by broad policy categories and fine item accounts eliminated, although most managers keep a copy of the line-item budget in their top desk drawer so they can keep track of their expenditures. ⁽⁴⁾

While it may not be possible to install such a system in your country any time soon, it may be of interest to some elected officials who are looking for better ways to do things. Incidentally, the city that first used this approach was in California. The city manager initiated it based on comments and recommendations made by his assistant finance director who had emigrated to the United States from the Philippines where he had been a banker. When a neighbouring city adopted the new approach, it was dubbed the Expenditure Control Budget.

City officials who have adopted this new approach to fiscal budgeting and management say its advantages are overwhelming. Here is a summary of the advantages reported by officials who are using the mission-driven approach:

- Give every employee an incentive to save money
- Free up resources to test new ideas
- Give managers the autonomy they need for changing circumstances
- Create a predictable environment
- Greatly simplify the budget process
- Save large sums of public monies on auditors and budget officers
- Free the local elected leadership to focus on the important issues

Hopefully, mission-driven budgeting will continue to gain acceptance in local Councils as governments around the world so we can begin to overcome the wasteful tyranny of the line-item approach. In the meantime, re-read the pointers that were listed earlier on how programme managers can “justify” their financial needs.

These should help you be alert to such practices by your own department heads. If, of course, you encourage such practices, then you may have to monitor your own behaviour.

Putting the budget into perspective

The single most important output of the financial management process is information - reliable information. Without reliable information, councillors can't make good decisions and managers can't manage efficiently and effectively. In order to get reliable information, the municipal organization needs to establish a number of data collection and analysis systems and procedures. These systems and procedures, when interconnected, form what some would call an integrated financial information system. At the heart of this system are programme and financial accounting and management analysis. Flowing into these nerve centres are a series of critical inputs, some continuous and others cyclical, based on the fiscal calendar of events. They can be broken into four distinct categories:

1. **Goals and objectives** - Encompassing reviews of community needs and past performance and the establishment of priorities;
2. **Planning and budgeting** - Including multi-year planning, revenue forecasting, and budget preparation and adoption;
3. **Reporting and monitoring** - Comparing planned and actual spending, monitoring departmental and programme performance, and taking corrective action, where warranted; and
4. **Evaluation** - Carrying out financial and performance audits and programme evaluations.

The first and fourth categories are covered under two other councillor roles: (a) the policy-maker, who is concerned with the tasks defined in the goals and objectives phase, and (b) the overseer, who focuses on monitoring and evaluation responsibilities. Rather than concern ourselves with these tasks at this time, we refer you to other handbooks in the series.

Two nagging concerns

Within the planning and budgeting phase of the integrated financial information system are two issues that seem to affect many local governments, particularly those in developing countries. They are: (a) capital investment/multi-year planning and (b) the real costs of operation and maintenance (more often than not, maintenance is either deferred or ignored).

Capital investment planning. Capital investment planning and programming, in many countries, is not always tied to a community's priorities. We remember seeing a large new stadium in a South Asian city that was desperately in need of roads, drainage, water systems, and other basic facilities required to make life easier for its citizens. When we asked how often the stadium was used, the answer was "Oh, three, maybe four times a year." These "white elephants" are not restricted to any particular region of the world. Every country has them. Unfortunately, they divert scarce resources from the real

needs of the- community. Before we go any further, it might be useful to describe what a capital investment is. Very simply, it is a expenditure of funds for a community improvement that:

1. Is relatively expensive;
2. Doesn't occur annually;
3. Will last a long time;
4. Results in a fixed asset; and
5. Results in the recurrent costs of operations and maintenance.

Capital investment planning should begin with an inventory of existing public facilities and an assessment of their condition. This inventory should include a description of the asset, its location, age and condition, maintenance and operating costs, and the estimated cost and dates for rehabilitation or replacement. The inventory is a good place to begin the capital planning process because it backs us off from the immediate "wish list" approach to capital programming. And, it should establish whether or not the current physical plant is in need of upgrading or extensive rehabilitation before taking in new projects.

If your local government has the technical staff, they should be asked to prepare individual project requests using a standard form that will assure you have uniform data and information for establishing priorities and making final decisions. Citizen advisory committees are sometimes used to propose projects and, of course, you and other councillors may have projects to recommend.

In each of these cases, you will want to develop comparable data to the extent you can. For example, each project request should be accompanied by a description of the project, its location, the purpose and justification for the project, and who will benefit. The request should explain how the needs for the project are currently being met and contain a detailed cost breakdown including both operating and maintenance costs projected over the life of the project. The project request should also show its relationship to other projects (does it, for example, provide access to other capital investments), conformity to the master development plan and other plans, and recommended methods of financing the investment.

While this kind of information and data may seem difficult to come by, it is critical to your ability to make sound decisions around these long-term, high-cost investments. Few local governments have the resources to undertake all the possible capital projects that are needed within the community. Relying on such soft approaches to capital budgeting, as who can shout the loudest and longest in favor of his or her pet project, isn't adequate.

Once you are into the final stages of decision-making on your capital budget, it's time to stop and ask the following questions one more time:

1. Can we afford this investment?
2. Will it serve the people with the greatest need?
3. Does the project have widespread community support?
4. Will the benefits, over time, outweigh the costs?
5. Will we be able to operate and maintain the project after it is complete?
6. Could others, perhaps the private sector, be persuaded to undertake the investment so we can allocate our scarce resources to other needed projects?
7. Is the project justifiable, given all of our community's needs and concerns?
8. Will it improve the financial condition of our local government and the community?
9. Does it fit into our overall physical development plan?
10. Is it compatible with other major investments the community has made, or is making?
11. If we don't fund and carry out the project, can we live with the consequences?

Reflection

How does your council go about making decisions on capital investments? Think about the last two or three major capital projects that your local government undertook. Were they really needed (e.g., are they meeting critical needs in your community)? Are they financially sound (e.g., do the benefits justify the costs, can you afford it now that its built)? Does the government have the resources, both technical and financial, to maintain the project? If the project came up today for council approval, would you vote for it?

Operations and maintenance. The other issue raised earlier (along with capital investments) was the cost of operating and maintaining equipment and capital investments. Let's rephrase that statement to read the attitude of most councillors when it comes to funding the maintenance and operation of equipment and facilities. Maybe that's a bit harsh, but maintenance, or the lack of it, is one of those topics that drives the level of discussion to higher decibels when brought up at meetings of outsiders concerned about the ability of local governments to manage in a businesslike manner.

Case in point

1. Several years ago a major hotel in Africa burned to the ground because the city fire department didn't have one piece of equipment that could make it to the scene. One fire truck did get out of the station but broke down on the way to the fire. The rest were inoperative because of the lack of maintenance.
2. An agricultural training centre was funded by one of the major bilateral development agencies and opened its doors for business. It involved several attractive buildings that were equipped to accommodate a staff of about 20 professional and support personnel. It was in a location that could benefit from its operation. Eleven years later on a project-appraisal mission for another agency, one of the authors had an opportunity to visit the centre. The director and his staff were still waiting to get an increase in operating funds so they could launch their first programme.
3. The major newspaper in one country carried a story announcing that the President of South Asia had officiated at the opening of a new "state-of-the art" water plant in a major secondary city not far from the capital. Three weeks later, the same paper had a front page story reporting that the plant had to be closed down until spare parts and technical assistance could be obtained from the donor country.

You've all heard similar stories, and we can only hope that your community has not been so unfortunate.

Random thoughts on operations and maintenance

The operation and maintenance (O&M) of equipment and infrastructure investments in many countries around the world have not won much praise from either citizens or outsiders. Let's look at some of the factors that contribute to the dismal record of non-achievement in these areas of local-government performance.

It is difficult to get spare parts for many of the mechanical devices that are used in many of these O& M endeavours. The time to address this problem is in the planning of new projects. If this is seen as a future problem in the O&-M of a capital investment, then the investment may be in jeopardy. Don't put into operation something you can't keep in operation.

Your local government doesn't have the skills to operate and maintain many new investments. This is not an insurmountable problem, but it takes some forward planning to eliminate the problem before it happens. If the equipment is donor given, make adequate training in both the operation and maintenance of the equipment a given before you invite the Minister of Local Government to your community to consummate the transaction. We witnessed one such event when several million dollars of large, sophisticated road equipment was turned over to a district government. That was the good news. The bad news? The donor provided only three days of training to cover both the operation and maintenance of the equipment. The training was delivered mostly through lectures. It's not the best way to learn hands-on skills.

Councils are reluctant to allocate the necessary funds for O&M so these critical functions don't get done in many local authorities. Some cynics say the reason you don't fund O&M is because there are fewer opportunities for graft and corruption. We don't accept this rationale, and we hope you don't either. We're more inclined to believe that most

councillors simply don't appreciate or understand the enormous costs involved in not funding O&M adequately. Effective maintenance can be the most cost-effective investments you make in your government's efforts to serve the community. The lack of maintenance can be very expensive

Reflections

Because O&M functions are so important to effective governance, we suggest you stop for a few moments and reflect on your government's policies regarding them. What are your most serious maintenance problems? Streets? Plant equipment (e.g., water and sewer facilities)? Vehicles? Public buildings? What are the consequences of these circumstances? If the O&M performance is sub-standard, what can you do about it?

Financial Policies

Has your council ever adopted policies to guide your financial decision-making and to provide direction to those who are responsible for financial management? We suspect you have but they are probably scattered through a dozen documents or practices without any formal recognition or organizational memory to assure their continuation if you have a change in key personnel. (See the handbook on The Councillor as Policy-maker for more on the "policy" phenomena.) Often financial policies make their way into grant applications, loan agreements comprehensive plans and administrative practices but usually they haven't been articulated so that everyone knows where the organization stands on various aspects of financial management and community fiscal conditioning.

There are some real advantages to establishing financial policies: (a) They can contribute to the credibility of, and public confidence in, the local government. This is particularly important as you work with prospective investors. (b) They can provide the "big picture" regarding your government's position on fiscal matters. (c) They can improve the government's fiscal stability and provide a consistent pattern to be followed in planning major programmes, capital investments, and services.

The first step in moving in the direction of a more complete set of financial policies is to pull together all the documentation that now exists on your local government's financial systems. Work with the department heads and other officers and officials to get their input on what is either needed or desirable from their perspectives. Check with the Ministry of Local Government to see if other cities have adopted such legislation. Such a request may lead to an offer of technical assistance, perhaps out of shock that some local government is actually taking such initiative. Get community input as well. Once you have drafted some documents, or document, circulate them among various resource people for feedback and suggestions. Finally, adopt them and share them with other local governments in your country so they can take advantage of your wisdom and initiative.

Policies about what?

Basically, there are seven areas of fiscal operation where policies can help bring uniformity to your financial transactions and reduce some of the uncertainties about your financial future. These areas are:

- Operating budgets;
- Capital investment/improvement budgets;
- Debt;
- Revenues;
- Reserves;
- Investment practices; and
- Accounting, auditing and financial reporting. ⁽⁵⁾

The following are examples of two areas of fiscal operations that might be included in a financial policy (e.g., capital improvement budget policies and revenue policies). Those included in this handbook come from a *Handbook on Financial Performance Goals*, published by the International City Management Association in 1980 as part of a larger project aimed at helping municipal officials and officers learn more about how to evaluate the financial condition of their governmental organizations. ⁽⁶⁾

What is your financial conditions?

Broadly defined, your financial condition is the ability of the municipality to pay its own way on a continuing basis. More specifically, it is your ability to: (a) maintain service levels, (b) weather economic disruptions, and, (c) meet the demands of economic growth, decline, and change. According to the International City Management Association report, there are several financial condition factors you need to monitor to keep on top of your local government's fiscal well-being. We want to look at some of these factors in some depth as a way of helping you take the financial pulse of your municipality. First, some potential revenue problems.

Revenue indicators

1. Is your revenue base deteriorating? Have revenues per capita been decreasing over time?
2. Are there internal procedures or legislative policies in place that are adversely affecting your revenue yields? (For example, do you have an "unwritten policy") of granting unrealistic and favourable tax assessment breaks to the rich and influential in your community? Is an increasing percentage of your revenue earmarked for specific uses?)
3. Is your municipality overly dependent on outside sources of income (e.g., grants from the national government, donor assistance)?
4. If you have a property tax, are you experiencing a decline in revenue from this source? Have the property assessments been updated recently to reflect current market values?
5. Is the amount of unpaid taxes unusually high or increasing?
6. Has your government been dependent on one-time revenue sources, such as loans, intergovernmental transfers, or use of reserves?
7. Are user fees declining in relation to related expenditures (e.g., are market revenues going down while the costs of operating and maintaining the markets are increasing)?
8. Have your local government's fees and charges for service been adjusted to reflect such factors as inflation and increasing costs of operation?
9. Is the demographic or economic nature of your community changing in such a way that it will adversely affect your ability to raise revenue in the near future (e.g., increasing numbers of older citizens in relation to the rest of the population, loss of industrial jobs)?
10. Are you experiencing revenue shortfalls that indicate a deterioration in your government's financial condition?

Expenditure indicators

The other major financial category of events that needs your attention as a councillor, is expenditures. Ideally, your municipality should not have an expenditure growth rate that exceeds its revenue growth rate. Since expenditures have a way of "sneaking up on organizations," your diligence is particularly important. Some of the things to look for are:

1. Is your government experiencing an increase in expenditures per capita that exceeds your revenue increase per capita? If so, can you pinpoint the area of cost increase? New programmes or services? Old ones or new? A particular department? Capital vs. operating? An across-the-board expenditure, such as salaries? In other words, you need to be specific!
2. Have you experienced an increase in the number of employees per capita?
3. Is personnel productivity declining?
4. Do you have "ghost workers" on the payroll? (For those of you who may not know about this phenomenon, some municipalities have sizeable numbers of people on their payrolls who never show up for work, are on more than one department's payroll, or died a few years back and still collect a paycheck; well, you get the picture.) One city in Africa eliminated over 1200 employees out of a work force of about 3000 by doing a good job of "ghost-busting."

5. Are fixed, or "mandatory," costs increasing as a percentage of net operating expenditures (e.g., debt service, pension benefits, long-term lease agreements)?
6. Are fringe-benefit costs increasing as a percentage of salaries and wages? Some systems, for example, allow employees to accumulate years of unused leave time which puts a burden on future councils.
7. Do you have ineffective budget controls that allow expenditures to creep up without any one being aware or that allow over-expenditures in certain categories to go unchecked?
8. Is your local government ignoring its responsibilities for maintenance? If so, this could have serious future consequences, both in terms of costs and quality of service

Other indicators of trouble

1. Do you balance your budget on a current basis?
2. Do you maintain reserves for emergencies?
3. Does your municipality have enough cash flow to pay its bills on time?
4. If your local government has established parastatals or enterprises to operate certain services (such as water or sewerage facilities), are they running deficits? Remember, many of these operations have a reputation for mismanagement.

Just because they aren't under your council's direct control doesn't mean they can't get mud all over your municipal escutcheon!

Is there financial jeopardy in your future?

Many of the problems we've outlined could jeopardize the financial future of your local government if left unattended too long. When this happens, there is a tendency to seek solutions that don't solve the problem (overcome your fiscal ills) but rather exacerbate the problem for those councillors who follow in your footsteps. Let's briefly look at some of the actions that can take your local government from the fiscal frying pan into the fire. ⁽⁷⁾

1. Are you continuing to use reserves built up in previous years to balance the budget? (We know, some of you are saying, "We should be so lucky!")
2. Do you find the council in a situation where it has to continually borrow money to meet expenditures or to juggle funds from one account to another to cover current bills?
3. Are you consistently deferring maintenance costs and such long-term obligations as pension liabilities?
4. Are you selling community assets to meet current costs?
5. Finally, it's always possible to find a clever accountant who can manipulate your "books" to make the budget appear balanced. This can be done in a number of ways, including such manoeuvres as postponing current obligations to future budgets and accruing revenues from the next fiscal year into the present. Unfortunately, these gimmicks do nothing to solve the underlying problems.

As we said in the beginning, this area of expertise, or role accomplishment, is complex and expansive. Given this, we may have veered off the path you thought we were going to take you down. If you'll allow us to come to our own defence, we believe it's important for you and your colleagues on councils to understand the "big picture" when it comes to financial matters.

A few pointers on reading financial statements

Before we close this discussion about your role as financier, we want to make a few comments on how to read a financial statement. In years of working with elected officials, we have noticed that many of you have a tendency to PANIC when you are handed a statement that is mostly filled with numbers. We can sympathize because we get a little intimidated with

such things as well. Here are some clues about how to decrease the anxiety factor when you receive the monthly or quarterly financial statement with the council agenda for your next meeting.

Concentrate initially on a few of the BIG indicators of the financial healthiness of your local authority. Are overall revenues meeting the projections made at budget time? To understand this part of the picture, you will need periodic projections of the revenue flow into your local coffers. Why? Because some revenue sources are unevenly collected during the budget period. For example, achieving 50 per cent of the total projected annual revenue by the end of the second quarter may be misleading if the total amount of a major source was due to be collected during the first half of the year.

The same goes for tracking expenditures. Are they being maintained within the limits set by the total annual budget, and are they in keeping with the monthly projections made by your staff? If not, it's time to ask some pointed questions to specific staff members who are accountable for managing the finances for your authority.

Look at the revenue sources. Are some so small that it costs more to collect them than they generate in revenue. This is not an unusual experience. If you have such unproductive revenue sources either eliminate them or increase their potential, it's possible.

The same is true of expenditures. Do you have expenses that seem to be unusually high in relation to all others for no apparent reason? If so, it's time to ask an explanation from those who are responsible for them.

Apply Pareto's Rule. Simply put, Pareto said that, in general, 80 per cent of revenue (or expenditures) come from 20 per cent of the sources (categories). Because this tends to be the case, it is generally more efficient and effective to focus on the 20 per cent of revenue sources that are generating 80 per cent of your funds, if you want to raise more revenue or to cut the 20 per cent cost categories that are consuming 80 per cent of your budget.

Another financial indicator to review is cash flow. Is the cash flow sufficient to cover ongoing expenditures? If not, what can you do about it? Can you slow down expenditures by postponing certain costs or speed up those revenue sources that may have such flexibility? For example, can business license fees be collected earlier in the year?

Just as important about cash flow is the potential for periodic or ongoing surpluses. If your local government is generating a cash-flow surplus, are you investing it in approved sources? If not, do it! Investing idle funds is an easy source of revenue.

After you have looked at the "big ticket" items, it is time to focus on some of the more obvious sources of financial understanding. Are there wide swings in the income or expenses being experienced in specific categories. For example, have market-fee revenues dropped rapidly in the past month or quarter? If so, and there seems to be no acceptable reason for this, find out why. The same is true of expenditures. For example, has the cost of fuel jumped unexpectedly in recent months? If it has, find out why.

You might want to look for revenue sources and expenditure categories that aren't found in the financial statement. For example, if no funds are allocated for maintenance of streets and drains, you may want to find out why. This is best done at budget time, but such questions are appropriate at anytime of the year when you wear the hat of the financier.

Key points

- Being a public financier is complex, demanding, and important work.
- The line-item approach to budgeting, that most local governments use assures reasonable accountability and good management.
- The search for a better way of budgeting has not been very fruitful. There is some hope in the latest round of budgeteering design - something called mission-driven budgeting.
- The councillor, in the financier role, needs an integrated financial information system that can provide information and data at all stages of policy-making, implementation, monitoring, and evaluation.
- Capital investment planning and facilities and equipment maintenance remain two of the darkest moments in the life of most local governments. They need to be given more attention as councillors perform the financier role.

- Local-government council should consider adopting financial policies both to guide their own deliberations and to set standards and operating guidelines for their officers.
- The financial condition of your municipality depends on many factors and attention to those concerning revenues and expenditures need your highest priority.
- There are a number of risky short-cuts that can place your financial future in jeopardy. We don't recommend any of them.

References

- ⁽¹⁾ Some of the individuals who initially reviewed these materials had concern about the use of the term "financier." It sounds, well, too business-oriented fit the public focus of this councillor role. However, in discussing other terms we were unable to come up with an acceptable alternative. For example: "budgeteer" is too limiting; "financial manager" is more descriptive of the treasurer's responsibilities; "resource planner" is too encompassing; and other we considered didn't quite convey the true essence of this important role either. Given the labeling struggle, we decided to return to financier. And, Webster's Dictionary helped in the decision. According to this source, the use the word financier dates from the year 1618 and means "one who specialize raising and expending public funds."
- ⁽²⁾ Valente, Maureen, "Budgeting," ch. 6, *Elected Officials Handbooks, Setting Policies for Internal Management* (3rd ed.), No. 4 (Washington, D.C., International City Management Association, 1988) p. 42.
- ⁽³⁾ Anton, Thomas J., *The Politics of state Expenditures in Illinois* (Urban, IL, University of Illinois Press, 1966), pp. 49-52.
- ⁽⁴⁾ This approach to public budgeting is described in detail in Osborne, David and Gaebler, Ted, *Reinventing Government.. How the Entrepreneurial Spirit Transforming the Public Sector* (Reading, MA, Addison-Wesley, 1992), pp. 3-4.
- ⁽⁵⁾ Godsey, Maureen W., *Financial Performance Goals: A Guide for Setting Long range Policies*, Handbook No. 4 (Washington, D.C., International City Management Association, 1980), p. 5.
- ⁽⁶⁾ Groves, Sanford M., *Evaluating Financial Condition: An Executive Overview for Local Government*, Handbook No. 1 (Washington, D.C., International City Management Association, 1980), pp. 11-19.
- ⁽⁷⁾ Godsey, Maureen W., *Financial jeopardy!. Policies and Practices That Can Financial Health*, Handbook No. 3 (Washington, D.C., International City Management Association, 1980), pp. 5-10.

PART II

WORKSHOP

The Councillor as Financier

OVERVIEW

Purpose

This workshop is to acquaint participants with the role of councillors in the process of financing local government with special emphasis on budgeting and long-range financial planning. Councillors who complete the workshop will be able to identify some common revenue and expenditure indicators and use them to evaluate the financial condition of the municipalities they serve.

Contents

A brief description of each learning activity is shown below with an approximation of the amount of time required. If you wish to change the order, to omit something, or to add training material of your own, feel free to do so.

8.1 Warm-up exercise: the idea exchange

Participants write some creative ideas for raising and saving money for the cities and report them for display on newsprint and discussion. (30 - 45 minutes)

8.2 Experience sharing: who does what?

Participants use a handout to indicate which officials in their authorities responsible for each of 20 to 24 financial planning and management tasks. (75 minutes)

8.3 Trainer presentation

Brief presentation on the councillor as financier. Draw on the essay that opens this training handbook and your own experience to review the annual budgeting process, the importance of thinking "long-range" about capital investments and financing infrastructure. Discuss the budget as financial policy and how councillors can prepare themselves to take the financial temperature of their communities. (30 minutes)

8.4 Case study: unintentional tax assessment policy

Participants read a case situation involving the inequitable adjustment of property values for tax purposes and discuss the implications of the underlying but unstated financial policy for the financial well-being of the community. (90 minutes)

8.5 Exercise: evaluating financial condition

Participants use a list of financial problems common to local authorities to assess the condition of their own local authorities on scales of urgency and importance and discuss what might be done to solve the problems identified. (90 - 120 minutes)

8.6 Exercise: analysing financial statements

Participants use specimen financial statements to identify inconsistencies in revenue and expenditure patterns and to speculate on the probable cause for these inconsistencies. (60 - 75 minutes)

8.7 Skill transfer exercise

Ask councillors to reflect privately and then to share with others what they intend to do after the workshop with what they have learned about financial planning and management at the workshop. Encourage personal commitments to change. (30 - 45 minutes)

8.1 Warm-up Exercise: THE IDEA EXCHANGE

Time required: 30-45 minutes

Objective

This exercise is to help participants generate ideas for raising revenue and lowering expenditures and to encourage interaction among participants.

Process

Explain to participants that they will be drawing on their experience as councillors to generate as many ideas as they can for raising revenue for local government services and lowering costs to provide services using an idea generation method called *The Nominal Group Technique (NGT)*.

To begin, write two questions on newsprint in large letters clearly visible to all participants:

1. What is one thing my local government could do to raise more revenue?

2. What is one thing my local government could do to cut cost?

Ask participants to answer the questions by writing down their ideas. Ask participants, in turn, to report. List their ideas for raising revenue on one side of a sheet of newsprint and their ideas for cutting cost on the other side.

When the two lists are complete, initiate a discussion by asking participants several questions:

1. Who gained at least one useful idea today?
2. Did someone else's idea spark a related idea in your mind?
3. What are the implications of this exercise for you and members of your council?

Notes on the nominal group technique

The nominal group technique (NGT) is an alternative to brainstorming that uses idea generation, group discussion and systematic voting to help a group choose a preferred solution or course of action. The process begins when the leader has written a concise statement of the problem to be solved on a chartpad (begins the statement with the words, "How to and proceeds in more or less the following manner.

Step 1

After reading the problem statement, the leader asks participants to write as many ideas as they can as possible solutions to the problem. Participants are asked to work silently and independently.

Step 2

In round-robin fashion, participants are asked to answer from their lists while the leader records them verbatim on the chartpad. This process continues until all participant ideas have been reported and recorded.

Step 3

When there are no more ideas to report, participants are asked to discuss each of the ideas to ensure each idea is understood. The emphasis at this step is clarification of meaning and not debate about feasibility.

Step 4

Participants are asked individually to select five ideas of the chartpad that they like best and to write each of them on a card, one idea per card. The leader then tallies the vote and reports the result (highest ranked ideas).

Unlike brainstorming where participants interact with one another from the start, NGT lets participants work in the presence of one another in a structured manner but to write their ideas independently rather than talk about them. As a result, NGT groups have been found to outperform interactive groups in the quality of the ideas produced. This seems to be because participants of NGT groups are less subject to being inhibited by one another and less prone to make premature judgements.

8.2 Experience Sharing: WHO DOES WHAT?

Time required: 75 minutes

Purpose

This exercise is to help participants observe the extent to which their organizations share common patterns of responsibility for financial planning and management. One value of this exercise is to make councillors aware of what they are supposed to be doing in the finance area and what they should expect others to be doing. Have participants complete this exercise before presenting them with any concept information since the exercise is meant to draw on their own experience rather than to suggest a right or wrong structure.

Process

Prepare in advance a *Finance Responsibility Chart* as shown below. You are welcome to change task descriptions or official titles as necessary to fit local circumstances.

Give a copy of the chart to participants. Ask them to read each task statement and to identify the official who performs that task in their city. Ask them to indicate the choice by placing an "X" in the box opposite the task and under the responsible official. Ask participants to continue working on the chart until each task has been marked with an "x" to designate the performing official. Stress that each participant's responses should reflect *who is responsible* for performing each task, not *who should be responsible*.

Before this session, draw a large-scale version of the chart on newsprint. When participants have completed their individual charts, ask for a show of hands on each responsible official for task one. Record the result on the newsprint version of the chart. Continue until all data for each task are recorded. Discuss the results using the following or other questions:

1. How are the results similar to or different from what you had expected?
2. In what way is the overall pattern different from the way responsibilities are assigned for financial planning and management in your organization?
3. What are the implications of this exercise for your council role as financier

As time permits, you might suggest to participants that they return to their charts to identify:

1. Which tasks they are involved in that they should not be, and
2. Which tasks they are not involved in that they should be.

FINANCE RESPONSIBILITY CHART

- 1 = Elected Councillor
 2 = Chief Administrative Officer, e.g., Town Clerk)
 3 = Treasurer
 4 = Auditor
 5 = Department Heads
 6 = Other
 7 = Don't Know

TASKS	1	2	3	4	5	6	7
1. Prepare financial statements, schedules, and reports.	☐	☐	☐	☐	☐	☐	☐
2. Keep general accounting records.	☐	☐	☐	☐	☐	☐	☐
3. Compile the annual budget document.	☐	☐	☐	☐	☐	☐	☐
4. Prepare periodic budget performance reports.	☐	☐	☐	☐	☐	☐	☐
5. Prepare weekly/monthly time sheets.	☐	☐	☐	☐	☐	☐	☐
6. Maintain an inventory of local authority property.	☐	☐	☐	☐	☐	☐	☐
7. Collect all monies due to the local authority.	☐	☐	☐	☐	☐	☐	☐
8. Authorize a reserve fund for capital replacement	☐	☐	☐	☐	☐	☐	☐
9. Evaluate and report on the local authority's financial condition.	☐	☐	☐	☐	☐	☐	☐
10. Select the form of budgeting to be used by the local authority.	☐	☐	☐	☐	☐	☐	☐
11. Invest available local authority funds.	☐	☐	☐	☐	☐	☐	☐
12. Approve spending limits or reduce services.	☐	☐	☐	☐	☐	☐	☐
13. Prepare and distribute the annual financial report.	☐	☐	☐	☐	☐	☐	☐
14. Approve the annual budget, tax rate, and fee structure.	☐	☐	☐	☐	☐	☐	☐
15. Prepare annual revenue and expenditure estimates.	☐	☐	☐	☐	☐	☐	☐
16. Authorize the issuance of long-term debt.	☐	☐	☐	☐	☐	☐	☐
17. Determine worthwhile investments of capital funds.	☐	☐	☐	☐	☐	☐	☐
18. Determine whether financial operations are proper.	☐	☐	☐	☐	☐	☐	☐
19. Authorize payment for approved purchases.	☐	☐	☐	☐	☐	☐	☐
20. Adjust programmes to meet budget constraints.	☐	☐	☐	☐	☐	☐	☐
21. Monitor budget performance on a routine basis.	☐	☐	☐	☐	☐	☐	☐

22. Prepare budget request forms.							
23. Handle disputes on tax appeals.	☐	☐	☐	☐	☐	☐	☐

8.3 TRAINER PRESENTATION

Time required: 30 minutes

Objective

This presentation is to provide participants with ideas and perspectives on the financier role and a conceptual foundation they can use for the individual and group exercises included in this workshop.

Process

Prepare the presentation based on information from the preceding essay on the financier role. Most especially, review the annual budgeting process and the importance of thinking "long-range" about capital investments and financing infrastructure. Discuss the budget as financial policy and how councillors can prepare themselves to take the financial temperature of their own communities.

Outlined information on note cards may help you cover the information systematically and stay on schedule. Ask questions from time to time during the presentation as a check on participant comprehension and to hold their attention. Augment the presentation with visual aids including pre-printed newsprint sheets and overhead transparencies as a further aid to comprehension.

8.4 Case Study: UNINTENTIONAL TAX ASSESSMENT POLICY

Time required: 90 minutes

Purpose

As discussed in an earlier training handbook, policy is a statement of government capability and intent designed to serve as a foundation for new programmes and services. Normally, policy is deliberate, purposeful, and planned. However, policy can be unintentional, the result of council oversight or neglect. As this case will show, an unintentional policy that gives preferential treatment to one group over others can, over time, impair a city's ability to pay for needed services.

Process

Provide each participant with a copy of a case called *Unintentional Tax Assessment Policy in Choumohani*. Ask participants to read the case. When participants have read the case, divide them into four or five small groups. Ask each group to answer the three questions that follow the case and report back with its answers in about 40 minutes.

When small groups have reported back, ask each group how it answered each of the three questions. Encourage a general discussion and comparison of The points of view.

UNINTENTIONAL TAX ASSESSMENT POLICY IN CHOUMOHANI

Sree Gobinda owns a mustard oil refinery which operates on 2.2 acres of prime land located in the centre of Choumohani. The refinery characterizes the vibrancy of Choumohani's business community which has benefited for some time from a stable economy and currency (taka). Further, it offers a valuable glimpse into the way opportunities can be lost or given away in the process of deciding how public programmes and services will be financed.

The Situation

Sree Gobinda drove a very hard bargain when he appeared before the assessment review board to protest the value put on his property, by Choumohani's Municipal Assessment Office. The assessor put a worth of TK 142,000 on the property and the review board dropped it to TK 10,000, about seven per cent of the original assessment. The new (six years later) assessment just completed on the property by the assessment office, but not yet challenged and reviewed, is TK 231,000.

Another smaller mustard seed refinery, located not far from Sree Gobinda's, has an assessed value of TK 5000, about 12 per cent of the proposed assessed value. Its new assessed value is being proposed at TK 93,000.

The review board appears to have no standard format for setting property values for tax purposes even on the same kind of structures. As a result, this potentially valuable source of revenue for the municipal council and its administration is being bargained away in the review process. The assessment records, however, provide an open window to examine the decision-making process at work in Choumohani. Shown below is a more detailed look at the consequences of the assessment process.

The property assessment process seems to be handled professionally by the assessor's office. However, it is turned into a sham when it reaches the review board. The board consists of four members, a chairperson, one council member, a lawyer and an engineer. The board worked for nearly two months, full-time, hearing appeals from property owners. According to the assessor, most property owners, particularly the wealthy ones, sought adjustments. The following examples, taken from the assessor's records, indicate the varied degrees of success the property owners experienced in their dealings with the review board. None of the properties included in the example were improved during the assessment period.

Type of Structure	1st Year		6th Year
	Proposed assessment	Revised assessment	Proposed
(All values are in taka)			
Large mustard oil refinery	142,000	10,000	231,000
Smaller mustard oil refinery	41,000	5,000	93,000
Small retail shop	265	265	819
Medium-sized sawmill	22,000	5,000	46,880
Stationary store	670	540	2,025
Multi-storey commercial building	16,300	8,000	88,000
Residential (big business owner)	55,000	8,500	237,216
Residential (small shop owner)	1,299	650	4,875

Questions

- What policy or policies are implied in the method used by assessment review board members to adjust property values? In answering this question, consider the following five assumptions that assessment review board members seem to be making.
 - The value placed on a piece of property by its owner is more important than the assessor's professional valuation.
 - Property owners who protest are entitled to an adjustment in the assessed value of their property.
 - There is no need to change the value of a property unless there is a protest from its owner.
 - Large property owners mean more to the community and should be given larger proportional adjustments than small owners.
 - Large property owners are powerful members of the community and cannot be asked to accept "no" for an answer.
- What opportunity has been lost or given away as a result of this implied policy and what are the implications for financing public programmes and services in Choumohani?
- If you were a member of the Choumohani Council, what would you do to remedy this situation?

8.5 Exercise: EVALUATING FINANCIAL CONDITION

Time required: 90-120 minutes

Purpose

A principal concern of any governing body is the financial ability of its local government to maintain existing service levels, face local economic disruptions, and withstand the pressures of growth and decline. The responsible council is acquainted with and uses proven methods for evaluating its financial condition.

This exercise is to give workshop participants an opportunity to practise evaluating the financial condition of their own local governments and recognizing problems related to expenditures and revenues. Participants also will have an opportunity to share suggestions for solving the problems identified.

Process

Provide workshop participants with a checklist for analysing a city's revenue structure and expenditure profile. The following checklist consists of common revenue and expenditure problems and a scale for identifying the relative urgency and importance of each problem. Ask participants to read the instructions and complete the checklist.

When participants have completed their checklists and calculated a total score for each problem assigned a rating, ask them to answer the following questions about the problem with the highest score (or problems, if there is a tie for the highest score).

Questions

1. Why is this an urgent/important revenue problem for your local government? (An answer a participant might give to this question might be that the income generated from users of a new recreation complex is not enough to cover the cost to keep the facility open.)
2. Why is this an urgent/important expenditure problem for your local government. (An answer might be that grants received to build a new sewer plant have produced an unaffordable operations and maintenance cost burden.)

CHECKLIST FOR ANALYSING THE FINANCIAL CODITION OF YOUR ORGANIZATION

Instructions

The following checklist contains eight problem statements about revenue structure and eight problem statements about expenditure profiles. The checklist is meant to assist you in identify problems often found in organizations like yours.

To use the checklist, read each of the problem statements. If you believe the statement does not reflect a problem that exists in your organization, check the 'no' block and move on to the next problem statement. On the other hand, if you believe the statement does reject a problem that exists in your organization. check the 'yes' block. Then, select a number from one to five that rejects how urgent (need to act quickly to respond to a perceived crisis or emergency) you feel it is that action be taken to correct the problem. When you have done this, do the same thing to indicate how important (long-term consequences for the health and well-being of your organization) you feel it is that action be taken to correct the problem. Multiply the resulting numbers and enter the sum in the space to the far right of the problem statement. Move on to the next problem statement, repeating the process until you have responded to all 16 statements in the checklist.

	Is it a problem?	If "yes," is the problem: Urgent? x Important? =									
Revenue problems		1									
1. Deterioration in the revenue base.	☐ Yes ☐ No ☐ Unknown	2	2	3	4	5	1	2	3	4	5
		Low				High	Low			High	
		-----	x	-----			-----	x	-----		
2. Internal procedures or policies adversely affect revenue.	☐ Yes ☐ No ☐ Unknown	1	2	3	4	5	1	2	3	4	5
		Low				High	Low			High	
		-----	x	-----			-----	x	-----		

3. External procedures or policies adversely affect revenue.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
4. Over dependence on obsolete or external revenue sources.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
5. User fees are not covering the cost of services.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
6. Loss of a major revenue source.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
7. Downturn in the local economy.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
8. Ineffective revenue forecasting methods.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
<i>Expenditure problems</i>			
9. Unexpected rise in expenditures compared with revenue.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
10. Unexpected increase in recurrent costs.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
11. Ineffective budgetary controls.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
12. Decline in employee productivity.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
13. Excessive growth in programmes creating future expenditure liabilities.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
14. Unanticipated expenditures due to natural disaster.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
15. Loss of expenditure flexibility due to rising recurring costs.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----
16. Sudden increases in future debt service.	☐ Yes ☐ No ☐ Unknown	1 2 3 4 5 Low High ----- x -----	1 2 3 4 5 Low High ----- x -----

When participants have completed these tasks which pinpoint their highest-rated revenue and expenditure problems, divide them into small groups of three participants each. Explain that each group is to select the highest-rated problem from the list of one member of their group and discuss what might be done to solve it. (Note: Brainstorming is a useful technique for quickly generating many ideas to solve a problem.)

Explain to participants in the small groups that they are to work on each of their highest-rated problems until all three have been discussed. Then they are to repeat the process, looking at the second highest rated problem for each group and then on to the third highest rated as time permits. Remind groups to budget their time so that there is sufficient opportunity to discuss each of the problems. Give participants about one hour for this activity.

After an hour, reconvene participants for a discussion of the usefulness of this exercise and the checklist as a way of evaluating the financial condition of their own organizations. If time permits, invite participants from some of the small groups to report on noteworthy solutions discovered during their problem-solving activities.

8.6 Exercise: ANALYSING FINANCIAL STATEMENTS

Time required: 60 –75 minutes

Purpose

This exercise is to give participants experience analysing a local authority's financial statement.

Process

Divide the participants into several small groups. Provide the members of each small group with a financial statement for a local authority (shown on the next page). It contains (a) actual revenues and expenditures from last year's financial experience, (b) budgeted revenues and expenditures for the current year, and (c) the experience in each category over the first two quarters.

Ask members of each small group to study the statement and identify any inconsistencies in revenue and expenditure patterns. Ask each group, further, to speculate on the probable cause for these inconsistencies. Give each small group about 45 minutes to complete the task. At the end of this period, reconvene the groups and ask each group to report on its findings. Discussion.

ANNUAL FINANCIAL STATEMENT

A. Revenue (in pounds)				
Department	Actual revenue last year	Budgeted revenue this year	Actual revenue 1 st quarter +	Actual revenue 2 nd quarter +
Markets	191,200	175,868	50,300	27,900
Bus Park	26,144	50,000	24,300	26,900
Slaughterhouse	17,365	25,200	6,200	6,950
Refuse collect/disposal	51,727	90,000	22,350	5,850
Water service	638,280	700,000	175,250	173,390
Housing rents	201,243	220,000	40,292	53,256
Housing development*	753,000	312,000	312,000	0
Brewery licenses	1,200	1,200	900	350
Blacksmith shops	25	50	10	0
Bone dealers	5	10	0	0
Lodging permits	2,100	1,850	500	350
Totals	1,882,289	1,576,178	632,102	294,946
* Denotes an externally-funded project			+ This year	
B. Expenditures (in pounds)				
Type of expenditure	Actual expenditures last year	Budgeted expenditures this year	Actual expenditures 1 st quarter +	Actual expenditures 2 nd quarter +
Salaries/wages	2,268,592	2,936,000	734,000	1,545,396
Petrol, oil, tires	15,000	15,078	6,626	3,753
Printing & ads	4,146	4,800	1,360	2,493
Postage & tele.	10,130	10,325	2,335	4,937
Councillor expense & allowances	11,221	22,000	4,300	21,929
Vehicle repair & maintenance	7,331	5,200	1,397	3,967
Building repair & maintenance	3,096	1,090	217	389
Electric & water	10,500	11,300	2,860	5,730
Totals	2,330,016	3,005,793	753,096	1,588,594
			+ This year	

8.7 SKILL TRANSFER EXERCISE

Time required: 30-45 minutes

Objective

This exercise is to help participants transfer the learning experiences of the workshop into their real-world activities as elected officials. The focus of this exercise is on raising expectations, engaging in realistic planning, and making personal commitments. Most of the work is done on a personal basis with some interpersonal sharing.

Between knowing and doing there is a wide chasm

It is generally agreed that the purpose of training is to improve the way people do things by showing them a better way. In fact, the success of a training experience can be measured by the amount of personal growth and change that takes place both during training and after the training is over.

Training rarely has the impact on workshop participants that trainers hope it will have, particularly after an exposure of only a few hours. The exhilaration of the moment fades quickly when the trainee is confronted with old work habits and the resistance of work associates who have not shared the training experience.

On the other hand, commitments to learning and change made at the close of a workshop can help participants overcome learning resistance in themselves and in the work environment. A trainer can help learners make a successful transition from the world of learning to the world of doing through a few simple planning exercises. Think about it this way. The time taken to encourage transfer could be the difference between a brief exposure to some interesting ideas and a life-changing experience.

Process

Spend at least half an hour at the end of the workshop to focus the attention of participants on important learnings and encourage them to continue experimenting with these learnings in their council activities. Begin by giving participants about 15 minutes to work independently on a simple learning transfer questionnaire.

When participants have completed the questionnaire, ask them to share quickly with the group two or three things they intend to do differently in their council roles as financiers to close the workshop.

A LEARNING TRANSFER QUESTIONNAIRE

Take a few minutes to reflect on the role of the financier, the new ideas you encountered in this workshop, and how you feel about them. Then, in the space below, write a sentence or two to describe something interesting you have learned about yourself during this workshop.

Based on what you have learned about yourself and the many possibilities for change presented by this workshop, what two or three things do you intend to do differently in your council role as financier?

1.

2.

3.

Finally, what obstacles in yourself or in your work environment do you expect to experience during your efforts to implement these changes? What will you do to remove or minimize these obstacles?

Obstacle

- 1.
- 2.
- 3.

Action to remove the obstacle

- 1.
- 2.
- 3.

If you can learn it, you can do it.
