

Strategic Public Finance

The modules leading up to the Strategic stage develop students in a range of competences that are important to the roles of steward, enabler & innovator, and business partner. Development in relation to these roles is continued into the Strategic stage, but at this point the role of leader comes to the fore. The focus of the Strategic Public Finance (SPF) module is the strategic financial management issues facing those working in, managing and leading finance functions in the public services. The module focuses on financial management issues in the full range of public service organisations – those funded by taxation and those funded through other means – including national government departments and agencies, local government, health bodies, universities and other educational institutions, charities, mutual organisations and social enterprises.

The principles introduced in earlier modules, especially Management Accounting (MA), Financial Management (FM), Strategy and Policy Development (SPD) and Business and Change Management (BCM), are developed and applied from the perspective of public service organisations and specific not-for-profit models are introduced.

The module will cover the specific sources of finance available to public service organisations and the complexities of the environment in which public financial management work is undertaken. Issues involved in public service financial strategy development, financial planning and budgeting are identified and analysed. There is learning on specific strategic issues affecting public service organisations such as collaborative working, business partnering, business case preparation and evaluation and governance considerations. The module concludes by focusing on the issues associated with evaluating performance of public services.

Students will be required to apply to public service scenarios tools and techniques that were included in previous modules.

A	Sources of finance for public service organisations	30%
B	Financial planning and management for public services	35%
C	Delivering public services strategy	35%

Syllabus topics

Other information, including assessment

Prior knowledge: The module assumes knowledge from previous stages of the qualification, in particular the MA, FM, BCM and SPD modules.

Standards: N/A

Validity: 2022 examinations

Assessment: A 180 minute exam with 100 marks available consisting of: 4 essay questions of 10 marks each and 2 longer scenario questions worth 30 marks each. The pass mark is 50%.

Wider reading: Candidates must actively read around the subject while studying SPF. It is important to place in context the models, concepts and thinking that is covered in the SPF syllabus. Public financial management is an increasingly dynamic topic and students' understanding of it will be greatly enhanced by being aware of examples of strategic financial management practices and developments across the global public services. Knowledge of such examples are also likely to enrich answers to many exam questions.

Overall Aim	Learning outcome	Content
A Discuss and evaluate the specific sources of finance available to national governments including grants, taxes, aid and charging (30%)	A1 Discuss and analyse the mechanics associated with sources of government borrowing and explain the use of government taxation as a funding source	<ul style="list-style-type: none"> (i) Key terms in government borrowing and debt management (ii) Fiscal constraints in government debt (iii) Methods of government borrowing - treasury bills; government bonds; national savings and investment products; certificates of tax deposit (iv) Economic impact of different forms of government borrowing (v) Government taxation as a source of funding (vi) Explain the contribution and role of public sector spending within the context of national finances
	A2 Discuss the importance of international development aid in the public services	<ul style="list-style-type: none"> (i) International development frameworks (ii) International aid (iii) Non-financial aid and direct assistance (iv) Grants, loans and other forms of international development finance (v) Assessing the impact and effectiveness of aid (vi) Role of oversight bodies, such as the UK Independent Commission for Aid Impact (vii) Ethical issues related to international aid (viii) Public Expenditure and Financial Accountability framework
	A3 Discuss the role of central government formula grant and local taxation in the	<ul style="list-style-type: none"> (i) Central government public spending, incorporating formula and specific grants

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	financing of local public service provision	<ul style="list-style-type: none"> (ii) Local domestic and business taxes in the UK (iii) The gearing effect and its impact on local tax decision making (iv) Comparisons of local tax raising powers internationally (v) Control or influence over local tax levels by central government
	A4 Discuss and evaluate grant funding and other available sources of funding for public services	<ul style="list-style-type: none"> (i) Financial management implications of grant funding (ii) Other sources of funding
	A5 Discuss and evaluate the role of Public-Private Partnerships (PPPs) and in particular the private finance initiative (PFI) in funding large-scale construction projects, and calculate the public sector comparator	<ul style="list-style-type: none"> (i) Role of Public Private Partnerships (PPPs) in financing public service projects (ii) Principles of the PFI (iii) Advantages and disadvantages of PFI (iv) PFI and the public sector comparator (v) Potential investors (vi) Ensuring success – overcoming issues and obstacles (vii) Monitoring performance (viii) Role of the government in PFI projects (ix) Dealing with changing circumstances and project failure (x) Cases of privatisation

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	A6 Discuss and evaluate the issues involved in charging for public services	<ul style="list-style-type: none"> (i) Objectives of charging for public services (ii) Methods of charging for public services (iii) Desirable characteristics of public service charges (iv) Arguments for and against charging including stakeholder expectations (v) Charging for specific services provided by public service organisations
B Discuss, analyse and evaluate the issues surrounding financial planning and strategy development in the public services, and the role of finance manager in public sector organisations (35%)	B1 Discuss and analyse the environment in which financial management is practised within the public services	<ul style="list-style-type: none"> (i) Factors affecting public service financial strategy development - the role of government and stakeholders; issues of consultation, engagement, scrutiny and accountability (ii) Alignment of financial strategy with organisational objectives (iii) The role of auditors, inspectors and regulators (iv) Attitude to risk; risk diagnosis and management (v) Impact of austerity; organisational and service-level financial resilience (vi) Impact of fraud on financial strategy
	B2 Discuss examples of the legal, governance and ethical constraints or expectations impacting on finance professionals in public service settings Discuss and analyse the role and structure of the finance function for	<ul style="list-style-type: none"> (i) Impact of governance arrangements and legal requirements and how these vary across sectors (ii) Ethical considerations in relation to financial strategy (iii) <u>The importance of leadership and the role of the</u>

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	public services	<p>Chief Finance Officer</p> <p>(iv) Business partnering and the importance of organisational culture</p> <p>(v) Affordability and value for money of the finance function</p>
	B3 Discuss and analyse the specific issues associated with treasury management in public service organisations	<p>(i) Financing capital investment, the need to borrow and alternative methods of borrowing</p> <p>(ii) Attitudes to risk and return in the public services</p> <p>(iii) The use of financial instruments in the public services</p> <p>(iv) Organisational investment powers and other constraints</p> <p>(v) Statutory and regulatory frameworks</p> <p>(vi) Best practice guidance</p> <p>(vii) Ethical investment strategies</p> <p>(viii) Management of public services pension funds</p> <p>(ix) Impact of treasury management on strategic financial management</p>
	B4 Discuss the complexities of budgeting within a public service environment	<p>(i) Medium term expenditure frameworks</p> <p>(ii) Annual budgets and multi-year budgets</p> <p>(iii) Project budgets compared with 'business as usual' budgets</p> <p>(iv) Pooled budgets</p>

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		(v) Fund management and use of virement (vi) Forecasting in a public service environment (vii) Scenario planning – use of contingencies; reactive crisis management; responding to unexpected events
	B5 Discuss the implications for public service organisations of relying on volatile sources of funding and the strategies required	(i) Factors affecting funding levels – economic circumstances; achievement of targets; decisions by funding organisations; demographics (ii) Financial management implications of volatile funding sources (iii) Responses to volatile funding – long-term agreements; diversifying sources of income, managing risk (iv) Managing reserves
C Discuss, evaluate and apply practical tools and techniques that support strategy development and delivery of objectives for public service organisations. Including managing demand, effective business cases and appropriate performance management. (35%)	C1 Discuss the factors affecting strategy development in public services including responding to managing demand pressure	(i) Relevance of competitive advantage strategy frameworks (ii) Strategies to manage demand <ul style="list-style-type: none"> • Volatility of demand for services and related spending requirements • Practical strategies for managing demand and influencing behaviour • Invest-to-save and disinvestment strategies (iii) Media strategy and marketing of services

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	C2 Explain and apply the stages involved in developing a business case and distinguish between the types and content of different business cases	<ul style="list-style-type: none"> (i) The role of the business case for both spending plans and service reductions (ii) The business case development process (iii) Strategic Outline Plan (iv) Strategic Outline Case (v) Outline Business Case (vi) Full Business Case (vii) Reviewing business cases (viii) Interaction between business cases and Government Gateway reviews
	C3 Explain, evaluate and prepare the detailed sections of a business case	<ul style="list-style-type: none"> (i) Executive summary (ii) Strategic case (iii) Economic case including cost benefit analysis and weighted benefit scoring (iv) Financial case – interpretation and use of the UK Treasury Discount Rate; social time preference rate (v) Commercial case (vi) Management case (vii) Skills and resources (viii) Risk assessments
	C4 Discuss and evaluate suitable business models and vehicles for collaboration between organisations to achieve	<ul style="list-style-type: none"> (i) Objectives of collaboration and potential risks (ii) Governance arrangements and other practical

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	objectives	implications of collaboration (iii) Strategic alliances (iv) Shared services (v) Shared management teams (vi) Pooled budget arrangements (vii) Outsourcing and insourcing (viii) Joint ventures (ix) Mergers (ix) Role of mutual organisations and social enterprise organisations and options for collaboration in service provision
	C5 Discuss, evaluate and apply the tools and techniques used to measure performance in a public service environment	(i) Performance measures and performance indicators (ii) Behavioural aspects of setting budgets and measuring performance (iii) Leading and lagging indicators (iv) The 3 Es (v) Sustainability measures (vi) Benchmarking as a means of driving organisational improvement (vii) The balanced scorecard; the public service version (viii) Outputs versus outcomes – delivering and measuring public benefit, social outcomes and

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		<p>public value</p> <p>(ix) The use, and potential misuse, of performance measures in public service organisations; linkage to levels of funding</p> <p>(x) The use of variance analysis in public service performance management</p>
	<p>C6 Discuss, evaluate and apply the tools used to measure costs and benefits in a public service environment</p>	<p>(i) Unit costing – including typical public service activities and costing scenarios</p> <p>(ii) Costing services using Activity Based Costing</p> <p>(iii) Whole life costing</p>