

## **Greater freedoms and powers available to smaller local authorities in North America**

“If you don’t serve yourself you will be governed by lesser people” – Plato, ‘The Republic’ 360 BC.

The essential message for finance professionals working for smaller local authorities in the UK is that North American local authorities face many/most of the same challenges, only they are on a bigger scale!

The USA and Canada are confederations, within which the provinces in Canada and the states in the USA provide the legislative and directive control to the local authorities. In the USA there are 3,000 counties, 20,000 municipalities (cities) and 16,500 towns, villages and townships!

One of the counties presenting at the conference was Oakland County, in the state of Michigan: 910 sq miles, 1.2m residents, 62 cities, villages and townships, 6 county-wide elected officials, and 25 elected commissioners. The presenter said:

- the State-Local Partnership is waning
- there is a constant tension between “no new taxes” and increasing operating costs
- there is a substantial erosion of local governments’ fiscal health
- people perceive local government to be redundant
- citizens are not engaged.

Some of the more significant characteristics of US city and town ‘governments’ were:

- they are responsible for a far wider range of statutory and non-statutory functions than their UK equivalent
- there is far less national direction/prescription (e.g. no national school curriculum)
- finance directors report very formally to their government and communities (using formats more like company reports)
- they have a wider range of opportunities to tax and charge for services – with sales taxes being the largest and most variable
- the links and overlaps between the state, the county and the city are extensive, both financially and operationally
- counties are generally very willing to lead on collaboration and allocate resources to county-wide ventures and actions.

An interesting observation made at the conference was that North American local authorities are constantly looking for “the tax that someone else pays” (e.g. resort taxes, car rental tax).

Does that sound familiar?

US local authorities are able to raise capital funds through bond issues for general revenue purposes or for specific capital projects. For projects

that generate additional business property taxes there are powers available to retain those taxes for up to 20 years, with the bond redemptions linked to that revenue.

It was surprising to find that 'cities' of less than 20,000 people are providing schools, policing, fire and rescue, health, recreation, waste disposal etc, which means that they have significant budgets and resource levels. However, their cost pressures and rising demands for services are leading towards much more collaboration and service-sharing. Interestingly, the emphasis is on doing 'much more for more', rather than 'the same for less'. The range of services and activities identified over and over again at the conference included direct services and most support services.

Oakland County operate a GIS Governance arrangement under which the County provides and pays for equipment, software and training services free to the local authorities in the county.

The finance directors of the North American local authorities we met and saw were, without exception, 'on the ball' in terms of their income streams. They know how much each stream is producing and are constantly seeking new ways of raising funds. Income is extremely important to them.

**David Wood**  
**Director of Resources**  
**Malvern Hills District Council**