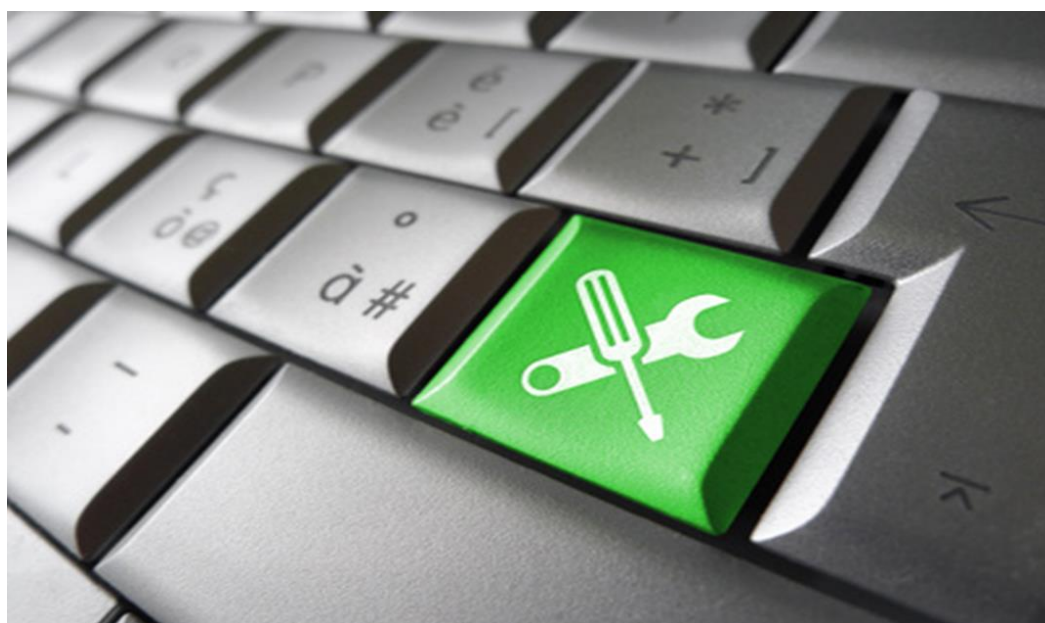


# ***LOCAL FINANCE BENCHMARKING (LFB) TOOLKIT***



***PROCEDURES AND INDICATORS FOR BEST PRACTICES IN  
LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY  
MANAGEMENT***

***ADAPTATION FOR THE LOCAL COUNCILS OF THE  
PROVINCE OF BIZKAIA***

*December 2014*

## PRESENTATION OF THE DOCUMENT

The tool provided by the *Centre of Expertise for Local Government Reform* of the Council of Europe and known as the “*Local Finance Benchmarking Toolkit*” (hereinafter, *LFB Toolkit*) seeks to detect and establish best practices in local financing.

This tool identifies an extensive number of representative *activities/indicators* regarding those best practices, and structures them according to a series of *strategic lines (core areas), sections and headings*, relating to:

- ✓ *Benchmarking of local government financial resources*
- ✓ *Benchmarking of local government budgetary and financial management.*

At the same time, the aforementioned activities and indicators also seek to meet the recommendations of the *Committee of Ministers* of the Member States of that *Council*, regarding the requirements or characteristics for best practices in local financing. The documents in which these recommendations are set out are called: *REC(2005)*, (covering financial resources) and *REC(2004)* (covering budgetary and financial management).

Our work has consisted of adapting the best practice indicators and procedures contained in the *LFB Toolkit* to the municipal reality of the province of Bizkaia, both regarding how the system affects financial resources and the very budgetary and financial management of the local councils.

As the result of the courses of action implemented, we have described in this document the selection process used for the aforementioned best practice procedures and indicators, which once introduced and implemented, should be assessed in order to verify the degree of attainment of the objectives pursued for each of them. The proposed appraisal system is detailed below in this presentation (*see the following chapter “Appraisal System of the Courses of Action Implemented”*).

In any event, the criteria used for the final approach of the series of selected procedures and indicators were as follows:

- The document is arranged in **5 sections**, in line with the classification set out in the *LFB Toolkit*, and, basically, respecting the classification of *strategic line, section and heading* in which that tool is structured.
- The number of indicators contained in the *LFB Toolkit* have been significantly reduced and we have rejected all those that did not contribute relevant information, those that were repetitive and, logically, those that were not applicable, either as they were contrary to the applicable legislation or as they were not in line with the reality of the running of local councils in Bizkaia.

## **LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS**

### **PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT**

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- The activity concept has been adapted and made extensible to the "procedure" one and the best practice status therefore requires that the inspected entity to have applied it effectively and in a verifiable manner.
- Apart from the connection with the headings of the *LFB Toolkit*, the procedures and indicators are characterised using another series of criteria (*see breakdown and justification in "Other Characteristics" within the "Descriptive Tables"*).

Once the work had been completed, we identified a total of **80 procedures and indicators of best practices in local financing**, whose *datasheets or descriptive tables*, arranged by *section and allocated number*, are include below in this document.

The list of *sections*, their relationship with the *strategic line* of the *LFB Toolkit* with which they basically, tally, along with the number of procedures and indicators included in each of them, can be summarised as follows:

<b>Section</b>	<b>LFB Toolkit Strategic Line</b>	<b>No.</b>
<b>I. Resources Policies</b>	<b>Financial resources benchmarking:</b> <i>Core Area 1    General principles of local fiscal policies</i>	7
<b>II. Taxes and Charges</b>	<b>Financial resources benchmarking:</b> <i>Core Area 2    Local taxation</i> <i>Core Area 3    Charges, prices and sundry revenue</i>	24
<b>III. Equity and investment financing</b>	<b>Financial resources benchmarking:</b> <i>Core Area 4    Financing from the capital budget</i> <i>Core Area 5    Local equity</i>	13
<b>IV. Budgetary Planning</b>	<b>Budgetary and financial management benchmarking:</b> <i>Core Area 1    Solvent resources and budgetary planning</i>	21
<b>V. Budgetary Implementation , Monitoring and Auditing</b>	<b>Budgetary and financial management benchmarking:</b> <i>Core Area 2    Special regulations regarding budgetary adjustments and implementation</i> <i>Core Area 3    Special auditing, monitoring activities</i>	15

**Descriptive Tables**

As regards each of the **selected 80 procedures and indicators**, they are set out in *datasheets* containing the following information and characteristics:

**1. Title:**

It explains the objective pursued by implementing or setting up the procedure or indicator of the best practice in local financing.

**2. Description:**

It explains in detail the nature and scope of the course of actions that should be carried out by the entity for the comprehensive and correct implementation of the best practice. These courses of action have to be considered as a guide to achieve the set objectives. During the appraisal process, their degree of compliance shall be checked and, above all, the extent to which the results obtained are in line with those objectives. Should the authority attain the objectives pursued by implementing alternative courses of action, the appraisal should be carried out according to the same criteria, but examining the measures effectively deployed.

In any event, the criteria that will be considered during the appraisal process have been included in those procedures and indicators where so required in order to facilitate the attainment of the selected best practices.

**3. Documentation:**

It indicates the list of documents of the inspected authority that should be analysed in the process to appraise the best practice shown by the procedure or indicator.

**4. Other characteristics:**

Apart from the criteria established in the *LFB Toolkit*, the procedures and indicators can be characterised according to other criteria. The grouping of the results of the best practices appraisal according to those other criteria will enable additional conclusions to be obtained regarding the endeavours of the authority when implementing this system to improve the financial management, while making some results of the appraisal of the courses of action more objective and representative.

Specifically, the procedures and indicators can also be grouped according to the following criteria:

<b>Criterion</b>	<b>Concept</b>	<b>Grouping by criterion (*)</b>														
<b>Timeline</b>	The time during the year when the courses of action should be implemented are identified for each of them.	<table border="0"> <tr> <td>Beginning of the legislature</td> <td>1</td> </tr> <tr> <td>All year</td> <td>29</td> </tr> <tr> <td>March-April</td> <td>1.5</td> </tr> <tr> <td>May-July</td> <td>2</td> </tr> <tr> <td>June-July</td> <td>2</td> </tr> <tr> <td>September-December</td> <td>22</td> </tr> <tr> <td>December</td> <td>22.5</td> </tr> </table>	Beginning of the legislature	1	All year	29	March-April	1.5	May-July	2	June-July	2	September-December	22	December	22.5
Beginning of the legislature	1															
All year	29															
March-April	1.5															
May-July	2															
June-July	2															
September-December	22															
December	22.5															
<b>Priority approach</b>	Apart from being a local financing best practice, each procedure or indicator has differentiating characteristics in terms of different approaches	<table border="0"> <tr> <td>Transparency / Participation</td> <td>13</td> </tr> <tr> <td>Social justice / Equal treatment</td> <td>7</td> </tr> </table>	Transparency / Participation	13	Social justice / Equal treatment	7										
Transparency / Participation	13															
Social justice / Equal treatment	7															

<b>Criterion</b>	<b>Concept</b>	<b>Grouping by criterion (*)</b>
	to which they are directly related. The breakdown of the appraisal results grouped by each of those approaches will help the entity to establish more efficient improvement plans to attain these best practises.	Organisational / Jurisdictional 7 True and fair view 10 Efficient management 22 Gender 2 Training 2 Stability / Sustainability 17
<b>Category</b>	This criterion has been established to improve the results of the appraisal system of the measures implemented. The appraisal of the best practice requires the procedure or indicator to be rated once different checking techniques have been applied. The checks shall be focused on noting to what extent each of them meet different pre-defined <i>appraisal factors</i> (see next chapter). However, the form in which the points allocated to those factors have to be distributed will depend on the category to which the selected milestones belong.	Procedure that means compliance of legislation 17 Procedure with improvements to regulated aspects 49.5 Indicator 13.5
<b>Relevance</b>	Establishing these criteria also seeks to improve the results of the assessment of municipal courses of action. Given that all the procedures and indicators defined are not going to have the same weight in the joint and final appraisal of the best practices of the authority in the area of local financing, they will be allocated a different score depending on their relevance (see next chapter).	High 10 Medium 60 Low 10

(\*) Decimals when adding up the scores for the procedures occur when some of them include several measures with different criteria.

**5. LFB Toolkit:**

Indication of the *Benchmarking* document, either in the case of *financial resources or budgetary and financial management*, along with the code and content of the relevant heading or headings under which the procedure or indicator comes under.

**6. REC(2005) or REC(2004):**

Number and content of the recommendation (or recommendations) prepared by the *Committee of Ministers* of the Council of Europe with which the procedure or indicator is related.

## APPRAISAL SYSTEM OF THE COURSES OF ACTION IMPLEMENTED



The procedure and indicators representing best practices in local financing resulting from this adaptation of the *LFB Toolkit* (which are attached in the following chapter of this document), once introduced and implemented by the local councils, should be assessed annually in order to be able to certify the implementation of those best practices or, above all, in order to be able to establish a continuous improvement plan for municipal courses of action in this area.

The degree of adjustment of the courses of actions implemented with the objectives pursued by the aforementioned series of selected procedures and indicators can be checked and quantified. As a final outcome of the appraisal process, a **global rating** will be obtained and which shows the level of efficiency of the authority when implementing best practices in financial resources and in financial and budgetary management.

This chapter describes the mechanisms of the proposed appraisal system for that purpose.

### **Initial considerations**

In principal, a system could be put forward that awards a score between 0 and 10 to record the level of attainment of the objective pursued by each procedure or indicator, without any greater indications or directives to specify the rating within such a broad interval, in terms of the benchmark in the opinion of the appraiser. Yet that opinion should be backed by the result provided by the verification techniques applied to check the correct and complete implementation of the courses of action required in each of them.

However, in our opinion, this *simple* system has, at least, the following **weak points**:

1. It considers that all procedures and indicators have the same importance in terms of the final score. That is, that the *benefits* arising from achieving the pursued objectives, or the *detriments* should they not be achieved, would affect the authority in the same way. However, that is not the case, as can be seen just by carefully reading the content of the selection made and compare the importance or *relevance* of some of the proposed procedures or indicators.

2. As no type of benchmark or guideline is established for the appraisal, there is the risk of the opinion being highly subjective regarding whether or not the pursued objectives have effectively been achieved, which, in practice, will hinder the comparison on a like-for-like basis of the results obtained by the authority in different years or in terms of the scores awarded by other authorities. The appraisal should therefore be conducted by different people.
3. In this system, the points would be distributed identically in each of the procedures or indicators. All the milestones shall receive the same score, assuming that the same level of attainment of the pursued objectives is observed. In other words, that complying with a procedure arising from a legal imperative shall receive the same *prize* (or *punishment* should that not occur or being achieved deficiently) as complying with a procedure that exceeds the legislation requirements. This form of scoring would not encourage procedures to be implemented in this last *category*.

Consequently, our proposal set out below to appraise the system of best practices procedures and indicators in local financing, is different to the one considered to be *simple* and which has been designed to avoid any weaknesses detected as far as possible.

#### **Best practices appraisal mechanism**

The rationale and characteristics of the system proposed to appraise these best practices can be summarised as follows:

- ✓ The procedures and indicators are weighted.
- ✓ Using *assessment factors* reduces the subjectivity in the appraisal process.
- ✓ The distribution of the rating points between the different *factors* depends on the *category* of the procedure or indicator.

#### **1. The procedures and indicators are weighted-**

As was explained in “*Descriptive Tables*” in the previous chapter, each procedure or indicator is identified according to the relevance it is deemed to have, which results in three groups: Those considered to be of *High Relevance*, those of *Medium Relevance* and those of *Low Relevance*.

Each one of the procedures and indicators belonging to a same *relevance* group is allocated the same amount of possible points, which will be different to those allocated to the rest of the group. The greater this characteristic is, the greater the amount of points allocated. Thus, for example, the final score will be improved as it can be seen that a greater number of procedures and indicators with greater *relevance* are being deployed.

The points allocated to each group are:

- Procedure or indicator with **High** relevance:  
In the event of a satisfactory appraisal of the measures implemented in a procedure or to calculate an indicator with this *relevance*, the authority shall receive a total of **15 points**.
- Procedure or indicator with **Medium** relevance:  
If the appraisal were as satisfactory, the total score that a procedure or indicator of this *relevance* could receive would be **10 points**.
- Procedure or indicator with **Low** relevance:  
For each one of the procedures or indicators of this type, the maximum score that it could achieve is **5 points**.

In summary, according to the procedures and indicators identified in this way in each *section*, we can calculate the total possible points that any authority could obtain, in the event that the result of the appraisal were completely satisfactory. That calculation would be as follows:

<b>Section</b>	<b>No. of procedures / indicators with relevance</b>			<b>Total procedures / indicators</b>	<b>Total points</b>
	<b>High</b>	<b>Medium</b>	<b>Low</b>		
<b>I. Resources Policies</b>	0	7	0	7	<b>70</b>
<b>II. Taxes and Charges</b>	1	16	7	24	<b>210</b>
<b>III. Equity and investment financing</b>	1	9	3	13	<b>120</b>
<b>IV. Budgetary Planning</b>	7	14	0	21	<b>245</b>
<b>V. Budgetary Implementation , Monitoring and Control</b>	1	14	0	15	<b>155</b>
<b>Total</b>	<b>10</b>	<b>60</b>	<b>10</b>	<b>80</b>	<b>800</b>

In short, adapting the *LFB Toolkit* to Bizkaia local councils to carry out best practices in local financing means introducing and implementing **80 procedures and indicators**, whose completely satisfactory appraisal would allow the authority to obtain a maximum score of **800 points**.



## **2. Using assessment factors reduces subjectivity in the appraisal process.**

In order to reduce the subjective burden in the appraisal, we propose identifying the following criteria that, in the form of *assessment factors*, will enable the scores assigned to each of the procedures or indicators examined as far as possible.

In case of their being non-existent or inapplicable -

First of all, the authority should check whether or not the procedure or indicator is applicable. Regardless of its level of formalisation, should it not exist or it is not applicable and that the authority cannot show that the objectives pursued are achieved by alternative measures or that, alternatively, no relationship can be established between the results that the milestone to be assessed can offer and the purpose of the strategy and/or recommendations of the *LFB Toolkit* with which it can be directly associated, the appraisal will be null and void.

In the case of the procedure or indicator being fully or partially implemented-

On the contrary, should the procedure or indicator, in one way or another, be ongoing, the results available shall be assessed in accordance with the *assessment factors* specified below.

Note that the way of recording the appraisals in each of the *assessment factors* is by means of indicating the percentages of the allocated points that tally with each of the described situations and not by means of setting absolute numbers. This makes sense, as, as has been explained in *Rationale 1* above, the points allocated to each of the milestones to be assessed depend on their *relevance*. At the end of the process, once the percentages resulting from appraising the *assessment factors*, the total of the points allocated will provide the final score in each procedure or indicator.

### **Assessment factors:**

#### **a) Checking the appropriate and full implementation of the procedure defined or of the indicator calculated:**

The first goal of the assessment of this *factor a)* will be to identify the results obtained with the implementation of the procedure in one of those three bands:

*Excellent:* It requires the checking of the full and correct implementation or calculation (or of practically all of it) of the assessed procedure or indicator.

*It enables a rating to be obtained of between 40/60% of the total points that have been allocated according to its relevance (Rationale 1). Establishing the % in that interval depends on its category (Rationale 3).*

*Satisfactory:* It implies sufficient checking of the courses of action taken by authority as far as the assessed procedure or indicator are concerned, and the checking of the partial achievement of the objectives or purposes for which it was defined. In any event, after the check has been carried out, we will have to be able to conclude that, even in the case that the procedure has been fully and correctly implemented, the partial results obtained will continue to be valid.

*The rating accounts for between 10/49% of the total points that have been allocated according to its relevance (again, the establishing of the % depends on the category of the procedure or indicator).*

*Insufficient:* After the assessment performed, the results obtained with the implementation of the procedure or the calculating of the indicator of any of the above two bands cannot be identified.

*It only allows a rating of up to 19% of the total points that have been allocated according to its relevance (establishing the % according to its category).*

Regardless of the assessment obtained in the remaining *factors b) and c)*, the final score of the procedure or indicator:

- Cannot be higher than 60/70% of the points that have been allocated according to its *relevance* (establishing the interval depending on the *category*), when the results identified in relation to checking its correct or full implementation have been merely *satisfactory*.
- It cannot be higher than 30/40% of the aforementioned points, if the results obtained in its checked come in the *insufficient* band.

***b) Degree to which the defined procedure or calculated indicator is embraced by the political or technical manager and its degree of formalisation in the municipal regulations:***

This *factor* aims to observe, apart from the degree of formalisation of the procedure established for the procedure or indicator being assessed, the level of involvement of the governing bodies of the authority in its definition, approval and implementation.

The rating of a greater or lower score will be directly related to the results arising from said observation and it can be contemplated how its implementation is the result of:

- The well-intentioned action of municipal staff, without any governing body having approved it.
- The existence of a written procedure, approved by the Mayor, Governing Board or Plenary meeting, with it appearing included in the rules to implement the budget, in the municipal organic rules or in other equivalent documents.

*It allows a rating of up to 20% of the total points that have been allocated according to its relevance (with the interval being established according to its category).*

**c) Adequacy of the evidence provided by the authority as proof of the effective implementation of the procedure or indicator:**

This last *factor* seeks to examine another series of aspects that seek to assess the sufficient status of the avenues offered by the authority insofar as they affect the courses of action taken to attain the best practices. It would therefore be necessary to analyse, for example:

- The quantity and quality of the support documentation obtained and which is proof of the implementation of the procedure or the calculating of the indicator.
- The degree of accessibility to this information.
- The reasonableness of the time required for it to be available (whether it is information that can be obtained immediately, or which needs additional time to be prepared or re-worked, or which, on the contrary, is produced with a delay and without any reason being given for the lateness).

*It is a rating of up to 40% of the total points that have been allocated according to their relevance (and as in the other cases, with the interval being established according to the category).*

**3. The distribution of the rating points between the “assessment factors” depends on the category of the procedure or indicator.**

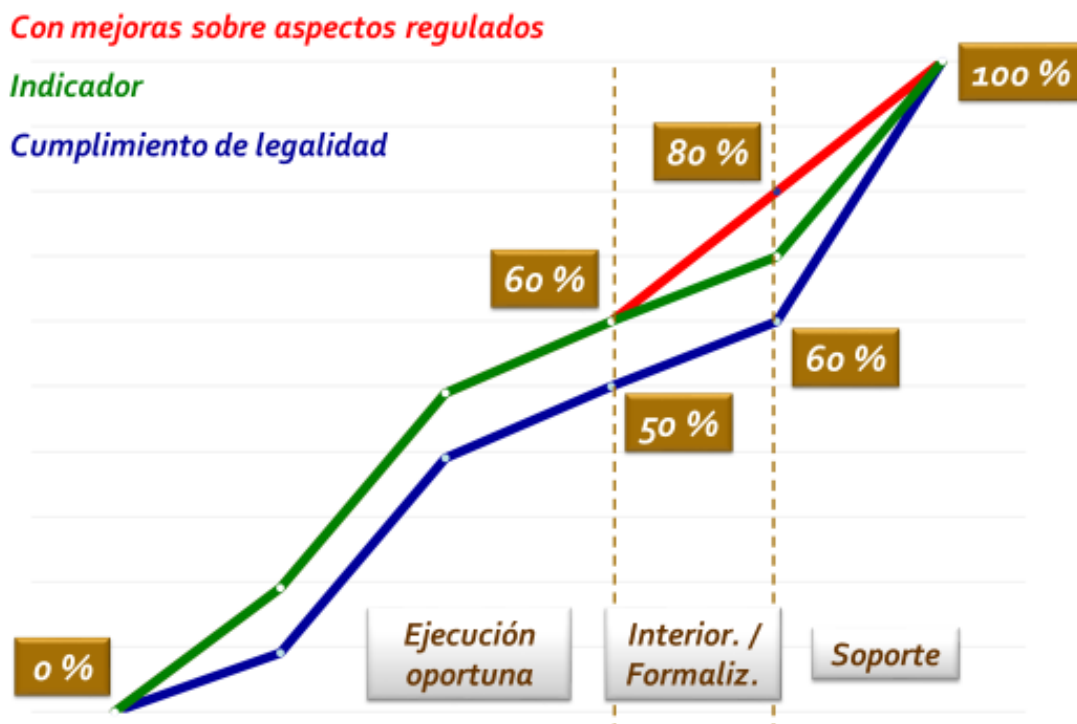
Each one of the procedures or indicators to be assessed should distribute the points allocated according to their *relevance* (15, 10 or 5 points – *Rationale 1*) between the different *assessment factors* (checking the correct and full implementation, degree to which it has been embraced and formalised, and adequacy of the evidence provided – *Rationale 2*).

However, this distribution should not be carried out identically for all the selected procedure and indicators, but rather it should consider the different *categories* into which they have been divided and which are as follows:

- Procedures that means compliance of legislation
- Procedure with improvements to regulated aspects
- Indicators

The objective of establishing these differences in the way of distributing the allocated points is that of positively discriminating the attainment of *excellent* or *satisfactory* levels in the implementation of the procedures that exceed the requirements of the legislation, with regards to the procedures whose implementation is legally required. Those courses of action are understood to require additional motivation to be implemented.

The graphic representation of the distribution of 100% of the points allocated to each of the selected procedures and indicators, taking into consideration of the aforementioned *categories*, would be as follows:



In accordance with the aforementioned objective for the different distribution between the *assessment factors* of the points allocated to each procedure or indicator according to its category, the graph shows how:

- The ratings allocated to those that mean compliance with the law as a result of the opportunity and integrity of its levels of implementation are always lower than the others, while the ratings associated to the adequacy of the documentary proof are higher.
- The assessment of the degree of embracing and formalisation in the indicators and in the procedure that mean compliance with the law, are barely assessed as the significance of this *assessment factor* would be lower, either due to it being the calculation of a ratio or a magnitude, or as it is a course of action that is mandatory.
- On the contrary, it is in the last of the *factors* considered (where the adequacy of the evidence provided is assessed) where the *categories* given in the previous script take on a greater role.

**Table summarising the appraisal system**

In keeping with the above comments, the table below summarises the set of criteria established in the appraisal system of the best practices in local financing described in detail, and distributes the points allocated to each procedure or indicator selected in each of the *assessment factors* envisaged and for each of the *categories* considered:

Category	Opportunity and integrity of the implementation (*)			Degree of embracing / formalisation	Adequacy of evidence provided	Total % of points allocated (**)	Total points (***)
	Insufficient	Satisfactory	Excellent				
Procedure with improvements to regulated aspects	0 to 19%	20 to 49%	50 to 60%	0 to 20%	0 to 20%	0 to 100%	
Indicator (ratio / magnitude)	0 to 19%	20 to 49%	50 to 60%	0 to 10%	0 to 30%	0 to 100%	
Procedures that mean compliance of legislation	0 to 9%	10 to 39%	40 to 50%	0 to 10%	0 to 40%	0 to 100%	

(\*) The appraisal of this assessment factor requires a percentage to be introduced in one of the three bands considered for each category. With the band and category in question, the establishing of the rating within the interval will depend on the specific characteristics observed when checking the best practices.

(\*\*) The percentages of this column are obtained as a sum of the percentages introduced as the result of the rating performed in each of the assessment factors.

(\*\*\*) This column will register the product between the sum of the previous column by the total points allocated to each procedure and indicator according to its relevance (High, 15; Medium, 10; Low, 5).



**LIST OF**

**PROCEDURES AND INDICATORS OF BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT**

<i>Section</i>	<i>Procedure/Indicator interval</i>	<i>Page</i>
<b>I. Resources Policies</b>	<i>No. 1 to 7</i>	<b>14</b>
<b>II. Taxes and Charges</b>	<i>No. 8 to 31</i>	<b>26</b>
<b>III. Equity and investment financing</b>	<i>No. 32 to 44</i>	<b>59</b>
<b>IV. Budgetary Planning</b>	<i>No. 45 to 65</i>	<b>75</b>
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## **SECTION 1**

### **RESOURCES POLICIES**

#### **CONTENTS**

<b>No.</b>	<b><i>Title of the procedure / indicator</i></b>	<b><i>Page</i></b>
1	The Plenary meeting of the local authority approves the local revenue policies	15
2	The local authority maximises revenue obtained from levying exclusive local taxes and user charges	17
3	The variations in the charges and fees do not discriminate against certain taxpayer categories over others.	19
4	The local authority has and uses a mechanised information system to raise and collect its revenue from exclusive local taxes and user charges.	20
5	In addition to the functions cited in the above procedure, the internal audit techniques applied by the authority in this area guarantee efficient management of those financial resources.	21
6	Relevance of the levels of bank direct debits of the municipal censuses	23
7	The local authority has and applies a training plan that ensures the ongoing skills-building of the technical staff in charge of managing those financial resources	24

**NUMBER 1**

<b>Title</b>	<b>The Plenary meeting of the local authority approves the local revenue policies</b>
<b>Description</b>	<p><u>The Plenary meeting of the local authority approves the ordinances regulating exclusive local taxes and user charges:</u></p> <p>The Plenary meeting of the local authority approves any draft tax ordinance regulating those taxes, fees and special charges, and any ordinance regulating those user charges that, according to the applicable legislation, are revenue of local authority treasuries, along with the proposals to amend them.</p> <p>These ordinances, by means of which, the local authority adapts the legislation, without contravening it, to its internal organisation and operating system, are instruments that establish, regulate and maintain the municipal taxes and user charges.</p> <p>The appraisal of this best practice shall also consider its characteristics envisaged in the documents cited and including aspects such as:</p> <ul style="list-style-type: none"> <li>- Determining the taxable event, taxable people, exemptions, discounts and rebates, tax bases and net tax bases, rate of taxation, tax liability, tax payable and tax refund, accrual and taxation period.</li> <li>- The payment and tax return systems.</li> <li>- The dates they are approved and on which they come into force.</li> </ul> <p>Should the Plenary meeting have delegated the approval of certain user charges, either to the Governing Board or to the governing bodies of the autonomous entities, the objective considered in this heading shall be taken to have been reached provided that the express delegation had been adopted beforehand and can be verified.</p> <p><u>The Plenary meeting of the local authority exercises the powers granted by basic legislation to establish borrowing:</u></p> <p>The Plenary meeting of the local authority authorises treasury and loan operations or granting collateral, which exceeds the levels envisaged in the applicable legislation. Furthermore, it authorises all the treasury and borrowing operations, along with standing collateral for its autonomous bodies, entities or publicly-owned companies.</p> <p>Nonetheless, should some or any of those operations have been authorised by any other governing body of the aforementioned entities, the objective envisaged herein shall be considered to have been met provided that there is express delegation of the Plenary meeting prior to the exercising of this power, and that it can be verified.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Agreements delegating powers</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other</b>	<b>Timeline:</b> September-December / All year



## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

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#### NUMBER 1

<b>Title</b>	<b>The Plenary meeting of the local authority approves the local revenue policies</b>
<b>characteristics</b>	<b>Priority approach:</b> Organisational / Jurisdictional <b>Category:</b> Legal compliance <b>Relevance:</b> Medium
<b>LFB Toolkit</b>	<b>Financial resources benchmarking:</b> <i>1.1.1. Local revenue policies should be approved by elected authorities</i>
<b>REC(2005)</b>	<i>1. Major decisions such as establishment of taxation rates, charges payable users for the services provided and recourse to loans should be taken by the elected deliberative body (council or assembly) at a plenary meeting and not delegated to the executive, to a committee or other subordinate to the elected deliberative body.</i>

**NUMBER 2**

<b>Title</b>	<b>The local authority maximises the revenue obtained from levying exclusive local taxes and public prices</b>
<b>Description</b>	<p><u>The local authority obtains revenue from levying all the exclusive local taxes and user charges contemplated in local tax legislation.</u></p> <p>The local authority, pursuant to its regulations and legislation, levies the following taxes:</p> <ul style="list-style-type: none"> <li>- Property tax.</li> <li>- Business tax.</li> <li>- Motor vehicle tax.</li> <li>- Tax on constructions, infrastructures and works.</li> <li>- Tax on the increase in value of urban land.</li> </ul> <p>In addition, and subject to the aforementioned legislation, it establishes and levies the following for all the cases that occur or take place in the municipality:</p> <ul style="list-style-type: none"> <li>- Fees, both in the cases of private use or special use of the local public domain, and service provision or the carrying out of local administrative formalities.</li> <li>- Special charges.</li> <li>- User charges, in the cases of providing services or carrying out municipal administrative formalities that are not fees</li> </ul> <p>As regards the fees, special fees and user charges, the local authority does not adopt the agreement to establish any new revenue in the form of fees, special charges or user charges in the case where the annual expenditure arising from their management (administration work regarding informing, settling and collecting receipts and tax assessment notices, etc.) exceeds the revenue provisions in the same period.</p> <p>The objective of this heading shall be considered to have been met to a greater or lesser degree according to the relationship between the taxable events imposed and those non-imposed (number and relevance).</p> <p><u>The approved charges and fees consider the permitted maximum values:</u></p> <p>The local authority sets the charges and fees, according to the following criteria.</p> <ul style="list-style-type: none"> <li>- For taxes: The approved rate is the maximum permitted in the relevant provincial legislation regulating local taxes.</li> <li>- For fees: The prices applied are in line with the value on the market of the utility arising from the private use or special use of the goods in question are not in the public domain, or to the total of the foreseeable or real cost of the service or activity in question.</li> <li>- For special charges. The tax base consists of 90% of the cost for the local authority to carry out the works and to establish or expand the service.</li> <li>- For user charges: The amount set is never less than the cost of the service provided or the activity carried out.</li> </ul> <p>Decisions are only adopted to set the charges and fees according to other criteria for public interest, cultural, welfare or social reasons that are appropriately justified and published.</p>

## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

#### NUMBER 2

<b>Title</b>	<b>The local authority maximises the revenue obtained from levying exclusive local taxes and public prices</b>
	The appraisal of this heading shall consider how the charges and fees fixed are in line with the aforementioned listed criteria, along with the reasons given and justified for their non application, as applicable. In any event, the number and relevance of the exclusive local taxes and user charges in this regards shall be taken into account.
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>1.1.3 The proportion of local revenue from taxation of revenue and owning companies and people should be balanced.</i></p> <p><i>Other related headings: 2.1.4., 3.1.1., 3.1.2.</i></p>
<b>REC(2005)</b>	<p><i>Heading 1.1.3. No recommendation.</i></p> <p><b>Other recommendations:</b></p> <p><b>12.</b> <i>Local authorities should avoid introducing too many taxes, as this inevitably increases administration and is liable to increase the cost of collection, grounds for litigation, etc.</i></p> <p><b>26.</b> <i>As a rule, the charges should not exceed the cost of the services and the local authority should not seek to make a paper profit from the provision public services.</i></p> <p><b>27.</b> <i>The charges applied should not reduce demand excessively, particularly in the case of important public services.</i></p>

**NUMBER 3**

<b>Title</b>	<b>The variations in the charges and fees do not discriminate against certain taxpayer categories over others.</b>
<b>Description</b>	<p>As a result of the increased charges and fees for the different categories on taxpayers, there should be no differences between the tax pressures borne by different categories that cannot be justified.</p> <p>The objective of this best practice shall be deemed to have been met insofar that no taxpayer category is discriminated due to a greater tax pressure or that, should a difference be seen between the different tax pressures, the justification provided for those differences, is appropriate.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary Meeting Minutes</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>1.1.4 The increases in the rate of taxes on companies shall not be greater than the increases in the tax rate on individuals.</i></p>
<b>REC(2005)</b>	<i>No recommendation.</i>

## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

#### NUMBER 4

<b>Title</b>	<b>The local authority has and uses a mechanised information system to raise and collect its revenue from exclusive local taxes and user charges.</b>
<b>Description</b>	<p>The local authority has a mechanised information system to raise and collect the amounts in the form of taxes, fees, special fees and user charges.</p> <p>The appraisal of this best practice shall consider the inclusion of features such as the following in that mechanised information system, along with their effective use:</p> <ul style="list-style-type: none"> <li>- Entering in the system the taxpayer data that enable, according to the effective fulfilment of the taxable event, the receipts or tax assessment notice to be prepared which, once the statement of objections is closed, will result in the start of the budgetary collection right occurring automatically and, in any event, without delay.</li> <li>- It is linked to the mechanised accounting information and collection management systems, so that the recording of the charge sheets and data results in relevant amounts and cancellations, along with their collections and rebates, being entered in the budget and in the general accounting system.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Information on the mechanised management system of the division.</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>1.4.1 Improve management efficiency by using ICTs</p>
<b>REC(2005)</b>	<p>6. Local authorities should use information technologies to improve managerial efficiency (collecting and processing of information, preparation of decisions, follow-up decisions). Priority should be given to “real-time”, open, evolutive systems that are, where possible, interoperable with the authority’s other systems and with systems established centrally or as a result of horizontal cooperation. Opportunities for remote payment by electronic means should be increased.</p>

**NUMBER 5**

<p><b>Title</b></p>	<p><b>In addition to the functions cited in the above procedure, the internal audit techniques applied by the authority in this area guarantee efficient management of those financial resources.</b></p>
<p><b>Description</b></p>	<p>The aim of this best practice shall be taken to have been fulfilled insofar as that, it can be seen that the following, among the procedures to reinforce the internal audit of the courses of action of the municipal department or departments tasked with assessing and collecting the taxes, fees, special fees and user charges, have been introduced and effectively implemented:</p> <ul style="list-style-type: none"> <li>- Comparing the information on registrations, modifications and removals during the financial year in the different tax censuses (for example, in the one for the property tax, for water and sewage, for waste collection, etc), with what is recorded in those other censuses that could have been affected as the result of those variations, in order to verify their correct and comprehensive updating.</li> <li>- Checking the prompt transfer of the amounts pending collection at the end of the voluntary payment period, of the the enforced collection period, and the comprehensive and correct implementation of the relevant data reporting (in the voluntary period) and charge sheets (in the enforcement period).</li> <li>- The receipts and tax assessment notices in the possession of the collection unit are inventoried at the end of the budgetary year. The total amounts pending collection, classified by concept and year, are reconciled with the results offered for that same information and at that period end by the mechanised collection management and accounting information systems.</li> <li>- The technicians in charge of carrying out those procedures to strengthen the internal audit of the area are to record the work carried out and the results obtained. Those audit procedures are to be performed annually.</li> <li>- Should, as a result of those measures, it be necessary to make entries in the accounting system, the data should be recorded, along with the budget affected and the quantification of the budgetary result of the year and of the treasury surplus for overheads of the total adjustments carried out.</li> </ul>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Internal audit procedures</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<p><b>LFB Toolkit</b></p>	<p><b>Financial resources benchmarking:</b></p> <p>1.4.1 Improve management efficiency by using ICTs</p> <p>Other related headings: 2.2.5., 2.5.2.</p>

## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

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#### NUMBER 5

<b>Title</b>	<b>In addition to the functions cited in the above procedure, the internal audit techniques applied by the authority in this area guarantee efficient management of those financial resources.</b>
<b>REC(2005)</b>	<p><i>6. Local authorities should use information technologies to improve managerial efficiency (collecting and processing of information, preparation of decisions, follow-up decisions). Priority should be given to “real-time”, open, evolutive systems that are, where possible, interoperable with the authority’s other systems and with systems established centrally or as a result of horizontal cooperation. Opportunities for remote payment by electronic means should be increased.</i></p> <p><i>19. Information on the tax base should be regularly updated and founded on factors that do not lend themselves to contestation. Cooperation between local authority departments should be arranged in order to obtain the necessary information (police, registry of births, marriages and deaths, etc). Cooperation with the higher authorities may enable local authorities to obtain the information needed to establish the tax base.</i></p>

**NUMBER 6**

<b>Title</b>	<b>Relevance of the levels of bank direct debits of the municipal censuses</b>
<b>Description</b>	<p>Comparative performance for the last four years of the percentage of bank direct debits for each of the taxes, fees and user charges whose tax assessment involves a census being approved.</p> <p>Comparing those levels of bank direct debits with those offered by other municipalities of the province with similar populations, with the average bank direct debit levels of the municipalities of the same supramunicipal district and with the measure calculated for the province as a whole.</p> <p>The appraisal of this indicator shall positively consider having bank direct debit levels of the municipal censuses higher than those for the other municipalities or demonstrating an upward trend in the four-year period being studied (or remaining steady in the case of highly significant percentages calculated).</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Information related to other municipalities of the province.</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>1.4.1 Improve management efficiency by using ICTs</i></p> <p><i>Other related heading: 2.1.2.</i></p>
<b>REC(2005)</b>	<p><b>6.</b> <i>Local authorities should use information technologies to improve managerial efficiency (collecting and processing of information, preparation of decisions, follow-up decisions). Priority should be given to “real-time”, open, evolutive systems that are, where possible, interoperable with the authority’s other systems and with systems established centrally or as a result of horizontal cooperation. Opportunities for remote payment by electronic means should be increased.</i></p> <p><b>9.</b> <i>The basic principles for determining local taxation should be fairness (taxation should be commensurate with each taxpayer’s ability to pay) and efficiency (a high yield and a low collection cost).</i></p>



**LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS**

**PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT**

**NUMBER 7**

<b>Title</b>	<b>The local authority has and applies a training plan that ensures the ongoing skills-building of the technical staff in charge of managing those financial resources</b>
<b>Description</b>	<p>The local authority has and develops a continuous training plan aimed at technical staff in the municipal departments tasked with assessing and collecting the taxes, fees, special taxes and public sector charges. The plan also includes training actions aimed at councillors and management staff.</p> <p>That plan aims to ensure professional skills-building and the ongoing refreshing of the technical skills of that group.</p> <p>The local authority has records that identify the specific nature of the training given, the target municipal staff, the annual (and individual) schedule requirements incurred and the associated cost.</p> <p>The appraisal of this best practice shall consider, along with the effective implementation of the planned actions, the appropriateness of the nature and intensity of the training given with regard to aspects such as:</p> <ul style="list-style-type: none"> <li>- Mastering the legislation regulating the resources of the local tax authorities, particularly that referring to exclusive local taxes and those received as user charges (basically, municipal and provincial legislation).</li> <li>- Knowledge of and handling the mechanised management information systems to assess and collect the aforementioned taxes and user charges.</li> <li>- Familiarisation with the other mechanised or manual management procedures implemented in the department, including those that may have set up in order to reinforce the internal audit.</li> <li>- Training on aspects related to this area, such as impact on the accounting of the tax assessment, cancellation, collection and rebate operations of the exclusive local taxes and user charges.</li> <li>- The ongoing updating all that knowledge, particularly, what could affect amendments to the tax legislation.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Training Plan</li> <li>▪ Report on the training actions carried out</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Training</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>1.5.1. Interdisciplinary training is necessary for all municipal staff.</i></p> <p><i>Other related heading: 1.5.2.</i></p>

**NUMBER 7**

<b>Title</b>	<b>The local authority has and applies a training plan that ensures the ongoing skills-building of the technical staff in charge of managing those financial resources</b>
<b>REC(2005)</b>	<p><i>7. Local authorities should make sure to provide their staff with the various forms of training they are likely to need (legal, financial, fiscal, organisational, etc.) and regularly update key technical skills.</i></p> <p><i>8. Local authorities should set up systems to enhance the professionalism and ethics of staff dealing with financial and, in particular, fiscal matters. They are invited to take note of the best practices pinpointed by the CDLR in the Public Ethics at Local Level Handbook, adopted at the Conference on Ethical Standards in the Public Sector. Noordwijkerhout (31 March - 1 April 2004).</i></p>



## **SECTION II**

### **TAXES AND CHARGES**

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## **SECTION II**

### **TAXES AND CHARGES**

#### **CONTENTS (II)**

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**NUMBER 8**

<b>Title</b>	<b>Cutting tax liability is justified on charitable or social grounds.</b>
<b>Description</b>	The tax ordinances regulating the exclusive local taxes and those regulating the user charges levied by the local entity, contemplate the application of exemptions and rebates to the tax liability on charitable or social grounds, with those status being taken in a broad sense and, above all, for reasons of public interest. The taxable people should provide the authority with proof that they meet the requirements in order to benefit from the relevant rebates.
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.1.1. The local taxes should be based on the equity principle (ability to pay)</p>
<b>REC(2005)</b>	9. The basic principles for determining local taxation should be fairness (taxation should be commensurate with each taxpayer's ability to pay) and efficiency (a high yield and a low collection cost).

**NUMBER 9**

<b>Title</b>	<b>The local authority maximises the yield of the tax collection and revenue management</b>
<b>Description</b>	<p><u>Relevance of the revenue from the exclusive local taxes and user charges collected:</u></p> <p>Comparative trend for the four last years of the percentage that the amounts collected represent out of the total of the amounts charged during the financial year as exclusive local taxes and user charges during that year and for those same concepts.</p> <p>Evaluation of effective tax rates (ratio between collections and bases).</p> <p>This calculation includes all those amounts charged by the local authority itself, as well as by autonomous bodies, entities and publicly-owned companies coming under the authority.</p> <p>The appraisal of this indicator shall positively assess an upward trend being seen in the ratio between the amounts collected and those charged for those concepts in the four-year period of the comparison (or remaining steady in the case of highly significant calculated collection percentages)</p> <p><u>Relevance of the direct cost of managing the tax assessment and collecting of the exclusive local taxes and user charges.</u></p> <p>Comparative performance for the last four years of the percentage that the recognised liabilities (for <i>staff expenses</i> and <i>purchase of current assets and services</i>) represent out of the total of the amounts collected as exclusive local taxes and user charges, during that year in the revenue and collection department or departments of all the entities included in the general budget of the local authority.</p> <p>The appraisal of this indicator shall positively assess a downward trend being seen in the ratio between the aforementioned liabilities and the amounts collected for those concepts in the four-year period of the comparison (or remaining steady in the case of calculated percentages that are sufficiently lowered)</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Information on the mechanised management system of the division.</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.1.2. Local taxes should generate high public revenues.</p> <p>Other related heading: 2.5.1.</p>

**NUMBER 9**

<b>Title</b>	<b>The local authority maximises the yield of the tax collection and revenue management</b>
<b>REC(2005)</b>	<p><i>9. The basic principles for determining local taxation should be fairness (taxation should be commensurate with each taxpayer's ability to pay) and efficiency (a high yield and a low collection cost).</i></p> <p><i>25. Local authorities should carry out audits at regular intervals for each tax directly levied by the authority. Such audits should:</i></p> <ul style="list-style-type: none"><li><i>- compare collection costs (and changes in such costs) with the proceeds from the tax;</i></li><li><i>- indicate whether, for example, all taxpayers have been identified and whether they all pay the tax;</i></li><li><i>- assess the incentive and discouraging role of any taxes that have such an objective.</i></li></ul> <p>.</p>

**NUMBER 10**

<b>Title</b>	<b>The local authority <i>annually</i> approves or amends the ordinances regulating exclusive local taxes and user charges</b>
<b>Description</b>	Annually, once the fiscal policy debate has taken place and after considering the opinions or contributions of the general public on the objectives pursued by that policy, the Plenary meeting of the local authority submits for approval the precise agreements for establishing or amending the tax ordinances regulating the exclusive local taxes, along with the ordinances regulating the user charges affected.
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Agreements delegating powers</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Organisational / Jurisdictional</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.1.3. The real value of the collection of property tax should be maintained by means of efficient tax administration and regular increases in the tax rates.</i></p>
<b>REC(2005)</b>	No recommendation.



**NUMBER 11**

<b>Title</b>	<b>Relevance of the financial resources obtained by property related taxes</b>
<b>Description</b>	<p>Comparative performance for the four last years of the total amounts charged in the year for the Property Tax (IBI) and Motor Vehicle Tax (IVTM), in relation to the total amounts charged as exclusive local taxes and user taxes.</p> <p>The appraisal of this indicator shall positively consider an upward trend being seen in the total amounts charged by the taxes in question in the four-year period of the comparison, along with the percentages that they represent of the amounts for those concepts (or remaining steady in the case of percentages that are sufficiently high).</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.1.3. The real value of the collection of property tax should be maintained by means of efficient tax administration and regular increases in the tax rates.</i></p>
<b>REC(2005)</b>	<p>No recommendation.</p>

**NUMBER 12**

<p><b>Title</b></p>	<p><b>Changes in the rates and amounts of the exclusive local taxes and user charges are justified and are duly published with understandable and appropriate explanations.</b></p>
<p><b>Description</b></p>	<p>The annual percentage variation of the pricing and rates of the taxes, fees, special charges and user charges levied, which do not tally with the year-on-year changes in the Consumer Price Index or of any other objective macro-economic indicator (year-on-year variation in the Gross Domestic Product, etc.) are justified. The information provided (and duly published through the service portal of the local authority) is sufficient to understand the reasons for adopting those measures.</p> <p>In the case of fees and user charges, the explanation refers to the substantial changes to the amount or the value of the different concepts that regulate the setting of the relevant tax liabilities or amounts.</p> <p>The appraisal of this best practice shall also consider the adequacy of the information supplied through the service portal to achieve the purpose contemplated by the procedure.</p>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>• Local authority and provincial tax legislation.</li> <li>• Ordinances regulating exclusive local taxes and user charges</li> <li>• Plenary meeting Minutes</li> <li>• Service portal information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<p><b>LFB Toolkit</b></p>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.1.6. The amendments to the tax framework should be carried out in a timely manner</i></p> <p><i>Other related heading: 3.1.1.</i></p>
<p><b>REC(2005)</b></p>	<p><b>14.</b> <i>Untimely changes in the local tax framework that could cause excessive disruption to economic operators or households should be avoided.</i></p> <p><b>26.</b> <i>As a rule, charges should not exceed the cost of services and the local authority should not seek to make a paper profit from the provision of public services.</i></p>

**NUMBER 13**

<b>Title</b>	<b>The tax rates or amounts to be paid by the taxpayers are determined by applying objective criteria.</b>
<b>Description</b>	<p>Both as regards the identification of the taxable event and of the taxable person (person subject to tax) in the tax ordinances regulating the charges and the ordinances regulating the user charges, and when calculating the tax liability or amount for each of the different groups of taxpayers, the appraisal of this best practice shall consider the effective and appropriate application of criteria such as the ones set out below:</p> <ul style="list-style-type: none"> <li>- The wording of those contents in the ordinance is clear, brief and concise.</li> <li>- The need to differentiate between groups of taxpayers is based on objective grounds making it possible to establish different levels of private or special use of the local public domain or of rendering services or carrying out administrative activities under local jurisdiction.</li> <li>- The application of different tax liabilities and amounts to the different groups of taxpayers is based on the aforementioned objective grounds.</li> <li>- In the same way, the application of different tax liabilities and amounts to the taxpayers belonging to a single group is also based on objective grounds.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.2.1 Local tax bands should be fair and simple</i></p>
<b>REC(2005)</b>	<p><b>18. In the case of exclusive local taxes, the authorities should pay particular attention:</b></p> <ul style="list-style-type: none"> <li>- to ensuring that tax bands are both simple and fair;</li> <li>- to the quality of the drafting of tax regulations, particularly in small municipalities;</li> <li>- to tax avoidance and evasion mechanisms that may be prompted by local regulations.</li> </ul>

**NUMBER 14**

<p><b>Title</b></p>	<p><b>The extent to which the taxpayer uses the public resources prevails in the objective criteria used to establish the tax rates or amounts to be paid as fees and user charges.</b></p>
<p><b>Description</b></p>	<p>As specifically regards the fees and user charges for providing public services or for carrying out administrative activities of local jurisdiction, the appraisal of this best practice shall consider whether the following aspects are included among the criteria applied to establish the calculation of the tax liability or amount:</p> <ul style="list-style-type: none"> <li>- In those services or activities where, on objective grounds, it is not possible to identify the level of use, on an individual basis, of the public resources made by each of the taxpayers, the tax liability or amount is made up of a set amount.</li> <li>- In those other cases where, likewise on objective grounds, it is possible to establish the level of individual use by the taxpayer of the aforementioned public resources, the tax liability or amount is, partially or totally, made up of a variable amount.</li> <li>- In this latter situation, the final amount of the tax liability or amount is proportional to the degree of use made of the public resources. However, that proportionality is not respected in the justified cases where the local authority seeks to avoid abuse or irresponsible use of the resources made available to the taxpayers.</li> <li>- In this situation, the tax liability or amount may also be the result of a fixed amount being added to the variable amount. The grounds for its requirement are in response to service maintenance and availability criteria, regardless of its use. The criterion of the total revenue estimated for its annual collection does not exceed 25% of the total cost of the service or activity in that period is adopted to determine the charge on an individual basis, based on objective criteria.</li> </ul>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>▪ Local authority and provincial tax legislation.</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<p><b>LFB Toolkit</b></p>	<p><b>Financial resources benchmarking:</b></p> <p>2.2.2. Local taxation should be based on stable tax bases</p> <p>Other related heading: 3.1.1.</p>
<p><b>REC(2005)</b></p>	<p>20. The bulk of local taxation should rest on a relatively stable tax base.</p> <p>26. As a rule, charges should not exceed the cost of services and the local authority should not seek to make a paper profit from the provision of public services.</p>

**NUMBER 15**

<b>Title</b>	<b>The organisation of the collection service is established once the ability of the local authority to do so efficiently has been considered.</b>
<b>Description</b>	<p>As regards the organisation of managing the collection of taxes, fees, special fees and user charges:</p> <ul style="list-style-type: none"> <li>- The local authority assumes those courses of action, both in the voluntary and enforcement channels, to ensure it has an appropriate organisation and sufficient material and personal resources in place to comply with the objectives assigned to that service.</li> <li>- The local authority only assumes those courses of action in the voluntary channel. As regards the enforcement of tax debts, this is outsourced (subcontracted to a company) or a cooperation agreement has been signed with the Provincial Council for that entity to undertake those activities.</li> <li>- The Provincial Council, as the result of the cooperation agreement in place, assumes the full collection management.</li> </ul> <p>The objective of this best practice shall be taken to have been met when the service organisation that is finally adopted is the most efficient and adequate one for the local authority once any alternatives have been assessed and provided that this analysis process and the results obtained can be verified.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Organisation Manual / Organisational Structure</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Cooperation agreements with other entities</li> <li>▪ Contracting entered into related to the area</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Organisational / Jurisdictional</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.2.3 Tax avoidance and evasion should be prevented</i></p>
<b>REC(2005)</b>	<p><b>18. In the case of exclusive local taxes, the authorities should pay particular attention:</b></p> <ul style="list-style-type: none"> <li>- to ensuring that tax bands are both simple and fair;</li> <li>- to the quality of the drafting of tax regulations, particularly in small municipalities;</li> <li>- to tax avoidance and evasion mechanisms that may be prompted by local regulations.</li> </ul>

**NUMBER 16**

<b>Title</b>	<b>The local authority manages to minimise the defaulting on the amounts due.</b>
<b>Description</b>	<p><u>Relevance of collection during the voluntary payment period of the municipal censuses:</u></p> <p>Comparative trend for the last four years of the collection percentage during the voluntary payment period for each of the taxes, fees and user charges whose tax assessment involves a census being approved.</p> <p>The appraisal of this indicator shall positively assess an upward trend being seen in the ratio between the amounts collected in the voluntary period and those assessed for those concepts in the four-year period of the comparison (or remaining steady in the case of highly significant calculated collection percentages).</p> <p><u>Relevance of the cancellations of exclusive local taxes and user charges.</u></p> <p>Comparative trend for the four last years of the percentage that the cancelled amounts during the financial year for exclusive local taxes and user charges represent out of the total of the amounts assessed during that period for those same budgetary revenue concepts.</p> <p>The appraisal of this indicator shall positively assess an upward trend being seen in the ratio between the amounts cancelled and those assessed for those concepts in the four-year period of the comparison (or remaining steady in the case of highly significant calculated collection percentages)</p> <p><u>Relevance of the amounts that are difficult or impossible to collect:</u></p> <p>Comparative trend for the last four financial years:</p> <ul style="list-style-type: none"> <li>- Of the total amounts that are difficult or impossible to collect estimated in the settlement of the budget for the financial year, broken down by chapters of the economic classification of the revenue.</li> <li>- Of the percentage of amounts that are difficult or impossible to collect as exclusive local taxes and user charges represent out of the total of the amounts assessed during that period for those same budgetary revenue concepts.</li> </ul> <p>The appraisal of this indicator shall positively assess an upward trend being seen in the ratio between the amounts that are difficult or impossible to collect, and in the relation between those amounts and those assessed for those concepts in the four-year period of the comparison (or remaining steady in the case of not very significant calculated volumes and percentages).</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p>

**NUMBER 16**

<b>Title</b>	<b>The local authority manages to minimise the defaulting on the amounts due.</b>
<b>characteristics</b>	<b>Category:</b> Indicator <b>Relevance:</b> Medium
<b>LFB Toolkit</b>	<b>Financial resources benchmarking:</b> 2.2.3 Tax avoidance and evasion should be prevented Other related heading: 2.2.4.
<b>REC(2005)</b>	<b>18. In the case of exclusive local taxes, the authorities should pay particular attention:</b> - to ensuring that tax bands are both simple and fair; - to the quality of the drafting of tax regulations, particularly in small municipalities; - to tax avoidance and evasion mechanisms that may be prompted by local regulations.

**NUMBER 17**

<b>Title</b>	<b>The local authority has a tax inspection plan in place to improve the efficiency of the collection management and carries out the programmed actions.</b>
<b>Description</b>	<p>The local authority has and annually implements a plan of tax inspections that, by means of the different scheduled tax audits, and as regards the set of municipal exclusive local taxes and user charges, has set the following goals:</p> <ul style="list-style-type: none"> <li>- To contribute to increasing the collection levels of that revenue, either by unearthing hidden tax debt or by detecting taxable events incorrectly reflected in the municipal censuses.</li> <li>- To guarantee compliance of the legislation, thus ensuring that appeals and claims do not flourish against the measures.</li> <li>- To obtain information on the activities and areas of the municipality where there is, presumably, a greater level of concealment.</li> <li>- To proceed in a unified way towards a single taxpayer, so that the inspection procedure involving the latter regulates the whole of his tax situation.</li> </ul> <p>The appraisal of this best practice shall consider the nature and scope of the planned courses of action, along with checking their effective implementation.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Tax inspection plan</li> <li>▪ Report on the inspections carried out</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.2.4 The quality of the tax adjustment should be improved</p>
<b>REC(2005)</b>	<p><b>18. In the case of exclusive local taxes, the authorities should pay particular attention:</b></p> <ul style="list-style-type: none"> <li>- to ensuring that tax bands are both simple and fair;</li> <li>- to the quality of the drafting of tax regulations, particularly in small municipalities;</li> <li>- to tax avoidance and evasion mechanisms that may be prompted by local regulations.</li> </ul>



**NUMBER 18**

<b>Title</b>	<b>Revenue collected as the result of implementing the tax inspection plan.</b>
<b>Description</b>	<p>Comparative trend for the last four years of the total of higher revenue raised as exclusive local taxes and user charges, as the result of implementing tax audits included in the tax inspection plan.</p> <p>The appraisal of this indicator shall positively assess an upward trend being seen in the volume of that higher revenue raised in the four-year period of the comparison (or remaining steady in the case of highly significant calculated collection percentages)</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Tax inspection plan</li> <li>▪ Report on the inspections carried out</li> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.2.4 The quality of the tax adjustment should be improved</p>
<b>REC(2005)</b>	<p><b>18. In the case of exclusive local taxes, the authorities should pay particular attention:</b></p> <ul style="list-style-type: none"> <li>- to ensuring that tax bands are both simple and fair;</li> <li>- to the quality of the drafting of tax regulations, particularly in small municipalities;</li> <li>- to tax avoidance and evasion mechanisms that may be prompted by local regulations.</li> </ul>

## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

#### NUMBER 19

<b>Title</b>	<b>The local authority cooperates with other authorities in updating the key tax information.</b>
<b>Description</b>	<p>The local authority works with other private and public entities in order to keep the relevant information for the municipal tax authorities current. For example: Provincial Tax Offices, Trade and Land Registries, Cadastral Registry, Records of the Traffic General Directorate, Notaries public, etc.</p> <p>This cooperation that may be formalised by signing the relevant agreements, is materialised by means of facilitating mutually requested information, reciprocally providing assistance and immediately communicating any events with an impact on taxation that emerge as the result of the audits and investigations of the respective inspection services.</p> <p>The tax information is updated at least annually.</p>
<b>Documentation</b>	<ul style="list-style-type: none"><li>• Cooperation agreements or conventions with other entities</li><li>• Internal audit, objection, management and intervention reports</li></ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.2.5. The tax base information should be updated and based on the legality of the available sources.</p>
<b>REC(2005)</b>	<p>19. Information on the tax base should be regularly updated and founded on factors that do not lend themselves to contestation. Cooperation between local authority departments should be arranged in order to obtain the necessary information (police, registry of births, marriages and deaths, etc). Cooperation with the higher authorities may enable local authorities to obtain the information needed to establish the tax base.</p>

**NUMBER 20**

<b>Title</b>	<b>Relevance of the disputes lodged by taxpayers .</b>
<b>Description</b>	<p><u>Appeals and claims against exclusive local taxes and user charges lodged by taxpayers</u></p> <p>=</p> <p>Comparative trend for the last four years of the number of appeals and claims filed by taxpayers during the year against documents and proceedings to apply the exclusive local taxes and user charges levied by the set of entities integrated in the general budget of the local authority. Breakdown of that number among those where the ruling is in favour of the local authority, against or pending resolution at the date of preparing this statistic.</p> <p>The appraisal of this indicator shall positively assess a downward trend being seen in the total number of the aforementioned appeals and claims filed, with a rise being seen in the number where the ruling finds for the local authority in the four-year period of the comparison (or sustained trends in the case that the volume of appeals is not very significant and the number of those finding in favour of the authority is relevant).</p> <p><u>Administrative appeals against exclusive local taxes and user charged filed by the taxpayers-</u></p> <p>Comparative trend for the last four years of the number of administrative appeals and claims filed by taxpayers during the years against documents and proceedings to apply the exclusive local taxes and user charges levied by the set of entities integrated in the general budget of the local authority. Breakdown of that number among those where the ruling is in favour of the local authority, against or pending resolution at the date of preparing this statistic.</p> <p>The appraisal of this indicator shall positively assess a downward trend being seen in the total number of the aforementioned administrative appeals and claims filed, with a rise being seen in the number where the ruling finds for the local authority in the four-year period of the comparison (or sustained trends in the case that the volume of appeals is not very significant and the number of those finding in favour of the authority is relevant).</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ List of appeals and claims filed by the taxpayers</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.2.5. The reserves should be kept on one side for disputes</p>

## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

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#### NUMBER 20

<b>Title</b>	<b>Relevance of the disputes lodged by taxpayers .</b>
	<i>Other related heading: 2.4.5.</i>
<b>REC(2005)</b>	<b>24.</b> <i>Given the delays involved in court proceedings and the uncertainty surrounding such proceedings, it is desirable that litigation be reduced to a minimum. It is therefore recommended that every effort be made to limit it: laws and regulations should be clear, with few exemptions and special cases; it should be easy to obtain information; social situations in which easy payment terms are desirable should be identified, etc. Tax documents should mention the deadline for lodging a complaint, the method of doing so and the time-limit within which a decision should be taken and the possibility of appeal. Budgetary reserves should, where appropriate, be set aside to take account of trends in litigation.</i>

**LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS**

**PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT**

**NUMBER 21**

<b>Title</b>	<b>Estimates made and costs incurred as the result of the appeals and claims filed by taxpayers.</b>
<b>Description</b>	<p>Comparative trend for the four last years of the total of initial appropriations, modifications and liabilities recognised in the year as legal services for the own staff or freelancers contracted to solve or defend the resources and claims filed by the taxpayers during that period against the documents and proceedings to apply the exclusive local taxes and user charges levied by the set of entities integrated in the general budget of the local authority.</p> <p>The appraisal of this indicator shall positively consider a downward trend being seen in the amounts earmarked for initial appropriations, modifications and liabilities recognised for those concepts in the four-year period of the comparison (or sustained trends in the case that the volume of appeals is not very significant and the number of those finding in favour of the authority is relevant).</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ List of appeals and claims filed by the taxpayers</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.2.5. The reserves should be kept on one side for disputes</i></p> <p><i>Other related heading: 2.4.5.</i></p>
<b>REC(2005)</b>	<p><b>24.</b> <i>Given the delays involved in court proceedings and the uncertainty surrounding such proceedings, it is desirable that litigation be reduced to a minimum. It is therefore recommended that every effort be made to limit it: laws and regulations should be clear, with few exemptions and special cases; it should be easy to obtain information; social situations in which easy payment terms are desirable should be identified, etc. Tax documents should mention the deadline for lodging a complaint, the method of doing so and the time-limit within which a decision should be taken and the possibility of appeal. Budgetary reserves should, where appropriate, be set aside to take account of trends in litigation.</i></p>

**NUMBER 22**

<b>Title</b>	<b>The general public is aware of the tax ordinances and receives information on the basic aspects of tax collection and revenue management..</b>
<b>Description</b>	<p><u>The general public is aware of the ordinances regulating exclusive local taxes and user charges definitively adopted, which are published with appropriate and understandable explanations:</u></p> <p>The tax ordinances regulating the taxes, charges and special charges and the ordinances regulating user charges that have been definitively approved by the Plenary meeting of the local authority are published in full on the service portal of the local authority in order to facilitate the access of the general public to this documentation.</p> <p>Along with this documentation, the economic and technical reports (including the intervention ones related to those ordinances), which support the grounds for establishing and modifying the exclusive local taxes and user charges levied, are published. These documents can be downloaded in formats that are user friendly and make them easy to handle.</p> <p>The appraisal of this best practice shall also consider the adequacy of the information supplied through the service portal to achieve the envisaged purpose.</p> <p><u>The local authority informs the general public on the basic aspects of tax collection and revenue management:</u></p> <p>The local authority, even by using the postal service, or using its service portal, to provide the general public with sufficient information on the characteristics of its tax collection and revenue management.</p> <p>The information provided includes, at least, the tax liabilities recognised regarding the general public, the quality commitment it acquires, the taxpayer's calendar and the means of payment or systems.</p> <p>The appraisal of this heading shall also consider the adequacy of the information supplied through the service portal of the local authority or by any other means to achieve the envisaged purpose.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Accounting information</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>

## LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS

### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

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#### NUMBER 22

<b>Title</b>	<b>The general public is aware of the tax ordinances and receives information on the basic aspects of tax collection and revenue management..</b>
<b>LFB Toolkit:</b>	<b>Financial resources benchmarking:</b>  2.3.1. Local tax policy should be designed in an open and transparent way  2.3.2. The information and explanation of the local taxes and of the tax ordinances should be made public.
<b>REC(2005)</b>	<b>10.</b> When they establish the level of local taxes, local authorities should do so as openly as possible, so that their decisions are clear to the public. Measures ensuring the transparency of fiscal decisions should include publishing (in paper and electronic version), posting up and possibly disseminating all draft fiscal decisions, the documents needed to understand them and the decisions actually taken.  <b>15.</b> The local authority should provide the public with information and explanations concerning any taxes in addition to tax levied by a higher authority. If they are exclusive taxes, it is up to the municipality to draw up its fiscal regulations and bring them to the attention of the public.  <b>17.</b> The means used to inform the public about local taxation should take account of specific local features: electronic publication, posters, direct mailing, telephone service, etc. Certain methods of prior consultation may also be useful, as may public meetings after the council has adopted regulations.

**NUMBER 23**

<b>Title</b>	<b>The general public is aware of the results of the tax collection and revenue management.</b>
<b>Description</b>	<p>Every quarter, the local authority publishes information on the service portal on the implementation during the year of the revenue in the concept of taxes, fees, special fees and user charges.</p> <p>All this information can be downloaded in formats that are user friendly and make them easy to handle.</p> <p>The appraisal of this best practices shall consider the adequacy and appropriateness of the information supplied through the service portal regarding the purpose envisaged by the procedure and which could contain different data such as:</p> <ul style="list-style-type: none"> <li>- Date presented for collection, amount approved and end date of the voluntary payment period of each of the tax censuses.</li> <li>- Revenue statement broken down by the budgetary heading, and which shows for each of the revenue concepts, their current status at the period end of the quarter which is being reported or for the period since the start of the year.</li> <li>- Details of the current status by concept: initial provision, modifications, final provision, recognised and cancelled liabilities, collections and rebates and amount of the budgetary amounts pending collection.</li> <li>- Details of assessed revenue and real cost of each of the main service provisions and administrative activities performed, which are financed by a fee or user charge.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Information on the mechanised accounting and management system of the division.</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.3.3. Public information on the use of the local tax revenue should be full and understandable.</i></p>
<b>REC(2005)</b>	<p><b>16. Local authorities should provide the public with comprehensive, readable information about the use made of tax revenues by the authority.</b></p>



**NUMBER 24**

<b>Title</b>	<b>The tax collection management of the tax censuses leads to financial resources being available and the distribution of the tax burden on the taxpayer throughout the financial year.</b>
<b>Description</b>	<p>The collection procedures established by the local authority have been designed to reduce liquidity problems and, at the same time, to distribute the tax burden on the taxpayer throughout the year.</p> <p>Those procedure can include from “à la carte payment” systems to other where the dates that the approved censuses are presented for collection are distributed during the financial year, and avoiding, as far as possible, that two or more voluntary payment deadlines coincide in a single month.</p> <p>The appraisal of this best practice shall consider the nature and scope of the effectively established associated procedures.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Procedures or systems established to organise the collection process.</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.4.1. The appropriate management of the tax censuses and good time management of the collection should sustain a steady cash-flow.</i></p>
<b>REC(2005)</b>	<p><b>21. Registration and collection of local taxes right at the start of the financial year enable the municipality to have financial resources at its disposal earlier in the year and therefore to improve its cash flow. Steps should be taken to avoid delays that could lead to subsequent adjustments obliging taxpayers to pay, in the course of the same year, tax due in respect of several years. A system for following up unpaid taxes should be set up, both to protect the interests of the community and to take account of social situations.</b></p>

**NUMBER 25**

<b>Title</b>	<b>The local authority improves the interaction with the taxpayer.</b>
<b>Description</b>	<p><u>The local authority makes it easier for the taxpayer to comply with the administrative formalities relating to their tax obligations:</u></p> <p>The taxpayer has in place and applies different procedures that make it easier for the taxpayer to comply with their obligations regarding the effective and full compliances of the taxes, fees, special fees and user charges pursuant to the applicable legislation.</p> <p>Therefore, the tax office of the local authority, and to accredit any of the circumstances that are used to determine the tax debt or amount to be paid by the taxpayer, does not require any documentation (personal, equity or tax) to be produced that is not already in the possession of the local authority.</p> <p>In order to meet this requirement, the tax office of the local authority has procedures in place to obtain the permission of the taxpayer to access that documentation in the possession of other authorities.</p> <p>The appraisal of this best practice shall assess if, apart from the existence and effective application of the aforementioned procedures, the local authority has agreements or conventions established with public authorities of the same or different sphere with an identical purpose, in relation to the documentation of the taxpayer handed in to these other authorities or institutions.</p> <p><u>The local authority has deployed courses of action aimed at streamlining the payment of tax debts.</u></p> <p>The local authority makes it easier for the taxpayer to pay tax debts or amounts related to taxes, fees, special fees and user charges pursuant to applicable legislation.</p> <p>The appraisal of this best practice shall consider the nature and scope of the courses of action effectively deployed by the tax office of the local authority related to that purpose, and which could consider aspects such as:</p> <ul style="list-style-type: none"> <li>- Actively encouraging payment the tax receipts and assessment notices by direct debit.</li> <li>- Keeping collection restricted accounts at the leading banking and financial institutions of the town.</li> <li>- Having a “payment gateway” on the service portal to pay exclusive local taxes and user charges.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Procedures or systems established to organise the collection process.</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other</b>	<b>Timeline:</b> All year

**NUMBER 25**

<b>Title</b>	<b>The local authority improves the interaction with the taxpayer.</b>
<b>characteristics</b>	<p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.4.2. Tax administration should be simple, with few formalities and the minimum administrative effort by the taxpayer</p> <p>2.4.4. Easy payment systems</p> <p>Other related heading: 1.4.1.</p>
<b>REC(2005)</b>	<p>6. Local authorities should use information technologies to improve managerial efficiency (collection and processing of information, preparation of decisions, follow-up to decisions). Priority should be given to “real-time”, open, evolutive systems that are, where possible, interoperable with the authority's other systems and with systems established centrally or as a result of horizontal co-operation. Opportunities for payment by electronic means at a distance should be increased.</p> <p>22. Local taxes should require the least possible effort and the fewest possible formalities on the part of taxpayers, so that they do not inadvertently evade tax. Local taxation should not be based on taxpayers' prior tax returns.</p> <p>23. Payment demands should allow taxpayers to check the accuracy of the information on which the amount of tax payable is based: tax base, rate, any exemptions, etc. The procedure to be followed for lodging a complaint should also be clearly mentioned, as should the procedure for requesting easy payment terms in the case of a sizeable tax.</p>

**NUMBER 26**

<b>Title</b>	<b>In each tax assessment notice or receipt, the taxpayer has sufficient information on the exclusive local taxes or user charges levied.</b>
<b>Description</b>	<p>The <i>tax assessment notice or receipt</i> document determines the tax liability or the amount required from the taxpayer and is the materialisation of the tax assessment notice (and recognition) of the budgetary collection right of the local authority.</p> <p>The appraisal of this best practice shall consider the characteristics envisaged in those documents and including aspects such as:</p> <ul style="list-style-type: none"> <li>- Assessed tax concept or user price and legislation regulating it.</li> <li>- Authority or body that issues the tax assessment notice.</li> <li>- Identification of the taxable person.</li> <li>- Tax period and accrual.</li> <li>- Elements determining the tax debt or amount: tax base and net tax base, tax rate, tax liability, tax payable and tax difference (stating the exemptions, rebates, deductions, payments on account, etc. that have been taken into account).</li> <li>- As applicable: Information on the payment in instalments and/or deferment of the debt.</li> <li>- The remedies that can be exercised, the body to which they have to be filed and the time period to do so.</li> <li>- The place, time and form in which the debt should be paid.</li> <li>- Consequences of late payments or failure to pay.</li> <li>- The provisional or definitive nature of the assessment conducted.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ <i>Tax assessment notice or receipt</i> document</li> <li>▪ Procedures or systems established to organise the collection process.</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.4.3. <i>The payment notices (tax assessment notices) should provide information on the accrued taxes</i></p>
<b>REC(2005)</b>	<p><b>23.</b> <i>Payment demands should allow taxpayers to check the accuracy of the information on which the amount of tax payable is based: tax base, rate, any exemptions, etc. The procedure to be followed for lodging a complaint should also be clearly mentioned, as should the procedure for requesting easy payment terms in the case of a sizeable tax.</i></p>

**NUMBER 27**

<b>Title</b>	<b>The general public are aware of the procedure to appeal the municipal action related to exclusive local taxes and user charges, which are published with understandable and appropriate explanations.</b>
<b>Description</b>	<p>The local authority publishes the procedure on its service portal that, in line with the applicable legislation, streamlines the process for the taxpayer requesting the review of the applicable documents and proceedings regarding exclusive local taxes and user charges.</p> <p>In addition, standard forms are provided to submit appeals and claims in formats that are downloadable and which streamline the process.</p> <p>The appraisal of this best practice shall consider the adequacy and extent of the information provided through the service portal as regards filing appeals for reconsideration or administrative-economic claims, and which should contain details such as the following, related to the different taxes and user charges levied by the local authority:</p> <ul style="list-style-type: none"> <li>- Body with which they have to be filed.</li> <li>- Time period to file them.</li> <li>- Time period and way of notifying their resolution.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Procedures or systems established to organise the collection process.</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>2.4.5. The claim proceedings should be clear</i></p>
<b>REC(2005)</b>	<p><b>23.</b> <i>Payment demands should allow taxpayers to check the accuracy of the information on which the amount of tax payable is based: tax base, rate, any exemptions, etc. The procedure to be followed for lodging a complaint should also be clearly mentioned, as should the procedure for requesting easy payment terms in the case of a sizeable tax.</i></p> <p><b>24.</b> <i>Given the delays involved in court proceedings and the uncertainty surrounding such proceedings, it is desirable that litigation be reduced to a minimum. It is therefore recommended that every effort be made to limit it: laws and regulations should be clear, with few exemptions and special cases; it should be easy to obtain information; social situations in which easy payment terms are desirable should be identified, etc. Tax documents should mention the deadline for lodging a complaint, the method of doing so and the time-limit within which a decision should be taken and the possibility of appeal. Budgetary reserves should, where appropriate, be set aside to take account of trends in litigation.</i></p>

**LFB TOOLKIT: ADAPTATION FOR BIZKAIA LOCAL COUNCILS**

**PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT**

**NUMBER 28**

<b>Title</b>	<b>The local authority is aware of the cost of managing the settlement and collecting of the exclusive local taxes and user charges.</b>
<b>Description</b>	The revenue and collection departments of the local authority have an analytical system to control the costs incurred as <i>staff costs</i> and <i>purchase of ordinary goods and services</i> . This system allows the management cost (supervisory tasks and implementation of administering the information, tax assessment and collecting receipts and assessments, etc.) to be calculated for those expenditure costs, and for each of the exclusive local taxes and user charges collected.
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Analytical system to control the costs of the area.</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p>2.5.1. Comparison of the collection costs of the tax revenue</p>
<b>REC(2005)</b>	<p>25. Local authorities should carry out audits at regular intervals for each tax directly levied by the authority. Such audits should:</p> <ul style="list-style-type: none"> <li>- compare collection costs (and changes in such costs) with the proceeds from the tax;</li> <li>- indicate whether, for example, all taxpayers have been identified and whether they all pay the tax;</li> <li>- assess the incentive and discouraging role of any taxes that have such an objective.</li> </ul>

**NUMBER 29**

<b>Title</b>	<b>The local authority is aware of the real or foreseeable cost of the services or activities for which there is a fee or user charge to be paid.</b>
<b>Description</b>	<p><u>The local authority has reviewed and updated economic-technical reports-</u></p> <p>The local authority prepares economic-technical reports that highlight the real or foreseeable cost of providing a service or performing an administrative activity coming under the local jurisdiction, provided that they are funded (totally or partially) by a fee or by a user charge.</p> <p>The set of criteria and hypothesis adopted, along with the scores allocated to the different cost factors in the aforementioned reports, are kept up to date. That updating is performed at least annually.</p> <p>The reports prepared or updated are reviewed by the Audit Department or by experts independent to the authority that rule on the reasonability of the results obtained in them.</p> <p><u>The foreseeable or real cost takes into consideration the cost factors in full-</u></p> <p>The foreseeable or real cost of providing a service or performing an administrative activity coming under the local jurisdiction is determined by applying an analytical formula that quantifies the amount of all the cost factors used and which, previously, requires the adherence to different criteria and hypotheses.</p> <p>The appraisal of this heading shall consider the reasonability and integrity of the criteria and hypotheses adopted to determine the aforementioned foreseeable or real costs and which could be related to aspects such as:</p> <ul style="list-style-type: none"> <li>- Identifying and assessing the direct spending factors, basically, budgetary ones, which can impact the provision of that service or performing that activity (material and human resources needed).</li> <li>- Identifying and appraising the fixed assets related to them, along with the setting of their depreciation percentages, according to the years of useful life allocated to that set of assets.</li> <li>- Estimating the set of financial costs that may be associated to the financing of the municipal amenities and facilities affected by the provision of the service or performing of the activity.</li> <li>- Identifying as appraising the set of structure and indirect costs, basically, also budgetary, that may be charged to the service provided or administrative activity performed.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Economic-technical reports</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Efficient management</p>

**NUMBER 29**

<b>Title</b>	<b>The local authority is aware of the real or foreseeable cost of the services or activities for which there is a fee or user charge to be paid.</b>
	<b>Category:</b> Improvements to regulated aspects <b>Relevance:</b> High
<b>LFB Toolkit:</b>	<b>Financial resources benchmarking:</b> <i>3.1.1. The amount of the charges should not exceed the cost of the service.</i>
<b>REC(2005)</b>	<b>26.</b> <i>As a rule, charges should not exceed the cost of services and the local authority should not seek to make a paper profit from the provision of public services.</i>



**NUMBER 30**

<b>Title</b>	<b>The local authority checks the adjustment of the tax and pricing policies, along with that of tax cuts for the objectives of the fiscal policy.</b>
<b>Description</b>	<p>Every year, the local authority reviews:</p> <ul style="list-style-type: none"> <li>- The established pricing policy, checking that it is linked to the fiscal policy and budgetary objectives considered in the approved budget.</li> <li>- The policy regarding exemptions, reductions, rebates, deductions, and other tax benefits applied to the users and beneficiaries of the services provided or of the activities performed and financed (totally or partially) by a fee or by a user charge. That policy seeks to guarantee access to the public services of the most disadvantaged sections of the population.</li> </ul> <p>The purpose of the review conducted is to check compliance of those objectives, which can be performed by means of applying techniques such as:</p> <ul style="list-style-type: none"> <li>- Reports requested for that purpose from the technical managers of the municipal department or area directly responsible for providing the services or performing the activities.</li> <li>- Analysis of surveys conducted with the users requiring their opinion.</li> <li>- The assessment of the extent to making use of the aforementioned tax benefits.</li> <li>- Foreseeing the impact of changes to that policy on the current level of use of the services provided or activities performed.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Fiscal policy objectives and reports from departmental managers</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Information on the mechanised accounting and management system of the division.</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p>3.1.2. <i>The charges/prices should not excessively lower demand for the services</i></p> <p>Other related heading: 3.1.4.</p>
<b>REC(2005)</b>	<p>27. <i>The charges applied should not reduce demand excessively, particularly in the case of important public services.</i></p> <p>29. <i>Local authorities should make sure that access to essential services is preserved for the most disadvantaged sections of the population.</i></p>

**NUMBER 31**

<b>Title</b>	<b>Relevance of the tax benefits and level of effectiveness of the social policy objectives.</b>
<b>Description</b>	<p>Comparative trend for the last four financial years of the relation between the information and variables cited below for each of the main service provisions and administrative activities performed, which are financed by a fee or by a user charge:</p> <ul style="list-style-type: none"> <li>- Percentage variations in the charges and fees.</li> <li>- Level of use of the services provided or activities performed, both by the taxpayers affected by any of the tax benefits, and by the others.</li> <li>- Social policy pursued in each of the services rendered and activities.</li> <li>- Quantification of those tax benefits.</li> <li>- Budgetary coverage of the deficit that means the relevant cutting of revenue.</li> </ul> <p>The appraisal of those indicators shall consider the adequacy, coherence and justification of the explanations obtained in relation to the trend of those variables in the four-year period for which the comparison is performed.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Fiscal policy objectives and reports from departmental managers</li> <li>▪ Ordinances regulating exclusive local taxes and user charges</li> <li>▪ Information on the mechanised management system of the division.</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>3.1.4. Access to the essential services should be guaranteed to the disadvantaged communities.</p>
<b>REC(2005)</b>	<p>29. Local authorities should make sure that access to essential services is preserved for the most disadvantaged sections of the population.</p>



### SECTION III

## EQUITY AND INVESTMENT FINANCING

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**NUMBER 32**

<b>Title</b>	<b>The financing of the capital operation costs respects the limits and criteria imposed by the applicable legislation</b>
<b>Description</b>	<p>The <i>real investments</i>, the <i>capital transfers</i> and the <i>financial assets</i> of the local authority are financed using revenue from capital operations (<i>disposal of real investments</i> and <i>other revenue from urban planning initiatives, capital transfers and financial assets and liabilities</i>), even if they are not definitive. The resulting deficit is financed with <i>net savings</i> or with the surplus from the previous year (<i>cash surplus for overheads</i>).</p> <p>Without prejudice to the situations where it is necessary to resort to the <i>cash surplus for expenses with earmarked financing</i> to finance some of those costs. The local authority's system to monitor and control the costs with earmarked financing pinpoints the investment projects and the amounts of financing that can be used against that resource.</p> <p><i>Net saving</i> is considered the difference between the revenue from routine operations (<i>direct taxes, indirect taxes, charges and other revenue, routine transfers and equity revenue</i>) and the costs for routine operations (<i>staff costs, purchase of ordinary goods and services, financial costs and routine transfers</i>) increased by the depreciation of financial liabilities.</p> <p><i>Net saving</i> therefore does not include the recognised liabilities arising from credit amendments that have been financed by the <i>cash surplus</i>.</p> <p>The revenue from capital operations does not finance costs from routine operations nor the depreciation of the financial assets.</p> <p>These criteria are met in each and every one of the entities included in the general budget of the local authority, both in the approval and the settlement o the budget.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial and state legislation on budgetary stability</li> <li>▪ Provincial local treasury and budgetary legislation</li> <li>▪ Dossier on the general budget and on the budget settlement</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.2. <i>The capital expenses are financed using different sources of local revenue</i></p> <p><i>Other related heading: 3.1.5.</i></p>
<b>REC(2005)</b>	<p><i>Heading 4.1.2. No recommendation.</i></p>

**NUMBER 32**

<b>Title</b>	<b>The financing of the capital operation costs respects the limits and criteria imposed by the applicable legislation</b>
	<b>Other recommendations:</b> <b>31. Exceptional revenue should only be used to finance capital expenditure and the reimbursement of debt.</b>

**NUMBER 33**

<b>Title</b>	<b>The local authority monitors and controls the costs with financing in question, calculating the impact of deviation in financing that may occur in the budget settlement.</b>
<b>Description</b>	<p>The local authority has a procedure in place to monitor and control the <i>costs with earmarked financing</i> which allows the authority, at the end of the budgetary year, to calculate the <i>financing deviations</i> that occur in each of those costs.</p> <p>Thus, the local authority calculates in the settlement in each of the budgets to which the costs are earmarked, any financing deviations that occur as the result of lags, regardless of their origin, in the envisaged timing to implement the spending and the revenue that finances them.</p> <p>The established control and monitoring procedure offers the following information for each of the costs with earmarked financing:</p> <ul style="list-style-type: none"> <li>- The total revenue settled.</li> <li>- The total projected revenue to be settled, including the revenue commitments in future years.</li> <li>- The total liabilities recognised.</li> <li>- The total projected costs to be recognised, including the multiannual costs committed for future years.</li> <li>- The funding ratio.</li> </ul> <p>Using this information, and for each of those spending projects, the authority establishes in the settlement of the budget for the year the amounts of:</p> <ul style="list-style-type: none"> <li>- The positive financing deviations at year end</li> <li>- The negative and positive financing deviations charged to the year.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial Budgetary Legislation.</li> <li>▪ Dossier on the general budget and on the budget settlement</li> <li>▪ Control of projects of spending with earmarked financing</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.2. The capital expenses are financed using different sources of local revenue</p>
<b>REC(2005)</b>	No recommendation.

**NUMBER 34**

<b>Title</b>	<b>The financing of the liabilities arising from the debt occurs in accordance with the limits and criteria imposed by the applicable legislation</b>
<b>Description</b>	<p>The <i>financial costs</i> and the depreciation of the <i>financial liabilities</i> of the local authority are financed with gross savings.</p> <p>Gross savings is considered to be the difference between the revenue from routine operations (<i>direct taxes, indirect taxes, charges and other revenue, routine transfers and equity revenue</i>) and the so-called <i>operating costs</i> (<i>staff costs, purchase of ordinary goods and services, financial costs and routine transfers</i>).</p> <p><i>Gross savings</i> therefore does not include the recognised liabilities arising from credit amendments that have been financed by the <i>cash surplus</i>.</p> <p>These criteria are met in each and every one of the entities included in the general budget of the local authority, both in the approval and the settlement o the budget.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial local treasury and budgetary legislation</li> <li>▪ Dossier on the general budget and on the budget settlement</li> <li>▪ Debt inventory</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.3. <i>The cost of servicing the debt will be covered by the estimated current surplus.</i></p> <p><i>Other related heading: 3.1.5.</i></p>
<b>REC(2005)</b>	<p><i>Heading 4.1.3. No recommendation.</i></p> <p><b>Other recommendations:</b></p> <p><b>31.</b> <i>Exceptional revenue should only be used to finance capital expenditure and the reimbursement of debt.</i></p>

**NUMBER 35**

<b>Title</b>	<b>The agreed short-term borrowing bridges the gap between cash inflows and outflows</b>
<b>Description</b>	<p>The local authority justifies the need to arrange a short-term credit operation, by identifying the causes bridging the gap between cash inflows and outflows.</p> <p>Should the credit operation be approved by the Mayor, this information is sent to the Plenary meeting of the local authority for their information. On the contrary, when the latter is the body responsible for the agreement, it will have the information to be studied prior to it being submitted for approval.</p> <p>The information provided (and duly published through the service portal of the local authority) is sufficient to understand the reasons for adopting that measure.</p> <p>Along with these documents, the reports prepared by the Comptroller regarding this borrowing will also be published.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial local treasury and budgetary legislation</li> <li>▪ Plenary Minutes and arrangement agreements</li> <li>▪ Debt inventory and contracts signed</li> <li>▪ Accounting information</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>4.1.4. Short-term loan operations finance cash-flow imbalances within the budgetary year.</i></p>
<b>REC(2005)</b>	<i>No recommendation.</i>



**NUMBER 36**

<b>Title</b>	<b>Agreed liquidity operations</b>
<b>Description</b>	<p>List of short-term loan operations agreed in the last four years, indicating the following information for each of them:</p> <ul style="list-style-type: none"> <li>- Lender bank.</li> <li>- Date agreed.</li> <li>- Principal.</li> <li>- Governing authority responsible for arranging them.</li> <li>- Settlement date.</li> <li>- Financial costs paid, for any concept.</li> </ul> <p>The appraisal of those indicators, which can be used to monitor the times of arranging and settling the cash-flow operations, shall positively consider if this type of operations is adjusted to effectively bridging the gap between cash inflows and outflows.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Plenary Minutes and arrangement agreements</li> <li>• Debt inventory and contracts signed</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>4.1.4. Short-term loan operations finance cash-flow imbalances within the budgetary year.</i></p>
<b>REC(2005)</b>	<p><i>No recommendation.</i></p>

**NUMBER 37**

<b>Title</b>	<b>The general public are aware of the most important aspects related to municipal debt.</b>
<b>Description</b>	<p>The local authority, through its service portal, keeps up-to-date the ratios, magnitudes and commitments required by the applicable legislation as regards the system to authorise long-term borrowing.</p> <p>Along with this information, the reports prepared by the Comptroller regarding this borrowing will also be published.</p> <p>This information should be updated at least quarterly.</p> <p>The appraisal of this best practice shall also consider the adequacy of the information supplied through the service portal to achieve the purpose contemplated by the procedure, and can refer to aspects such as:</p> <ul style="list-style-type: none"> <li>- Entities included in the general budget of the local authority subject to the authorisation system.</li> <li>- Debt limits or public debt targets that, pursuant to the criteria established by the Provincial Council, will be required of the authority on the date on which they are supplying this information.</li> <li>- Current status of the authority with respect to that system: Whether or not authorisation is required to agree on what type of operations and why.</li> <li>- Ratios and magnitudes (individual or consolidated): Net savings, total volume of the live capital of the long- and short-term current borrowing (extra-budgetary and budgetary operations), surety and other collateral granted, settled current revenue, ratio between these two last magnitudes, surplus / non financial deficit (to compare to what is included in the consolidation scenarios), annual financial burden arising from the sum of the agreed operations (annual amortisation and interests in budgetary operations).</li> <li>- Financial restructuring plans or budgetary consolidation scenarios, which are in force.</li> <li>- Characteristics of the operations requiring the authorisation of the competent bodies of the Provincial Council, pending solving.</li> <li>- Requests for authorisation to enter into this type of operations which have been rejected in the last four years and their grounds.</li> <li>- Characteristics of the operations regarding which the competent bodies of the Provincial Council have been asked to issue a non-binding report prior to entering into the operations. Reports sent.</li> <li>- Characteristics of the operations entered into in the last four years without need for authorisation and their justification.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial local treasury and budgetary legislation</li> <li>▪ Plenary Minutes and arrangement agreements</li> <li>▪ Debt inventory and contracts signed</li> <li>▪ Financial restructuring plans or budgetary consolidation scenarios in force.</li> <li>▪ Communications (authorisations, etc.) send and received from the financial supervisory body.</li> <li>▪ Accounting information</li> </ul>

**NUMBER 37**

<b>Title</b>	<b>The general public are aware of the most important aspects related to municipal debt.</b>
	<ul style="list-style-type: none"> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.5. The debt complies with the limits set by the national legislation</p> <p>Other related heading: 5.1.4.</p>
<b>REC(2005)</b>	No recommendation.

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**NUMBER 38**

<b>Title</b>	<b>Relevance of the municipal debt</b>
<b>Description</b>	<p>Comparative trend for the last four years, and referring to the year end of each of them, of the relation between the total volume of live capital of the short- and long-term current borrowing and the revenue from settled current operations.</p> <p>The appraisal of this indicator shall positively consider a downward trend being seen in the volume of debt and in the relation between that and that type of revenue in the four-year period of the comparison (or sustained trends in the case that the calculated level of debt is not very significant). In any event, the positive appraisal shall require the authority to maintain its level of debt under the debt target established by the Provincial Council.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial local treasury and budgetary legislation</li> <li>▪ Debt inventory and contracts signed</li> <li>▪ Communications (authorisations, etc.) send and received from the financial supervisory body.</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.5. The debt complies with the limits set by the national legislation</p>
<b>REC(2005)</b>	<p>No recommendation.</p>

**NUMBER 39**

<b>Title</b>	<b>The local authority keeps an inventory of assets and entitlements</b>
<b>Description</b>	<p>The local authority has an up-to-date inventory of assets and entitlements. The inventory includes the following:</p> <ul style="list-style-type: none"> <li>- The assets and entitlements that belong to all the entities included in the general budget of the local authority, whose balance by heading coincides with those reflected in the relevant headings of the balance sheet at year end.</li> <li>- All the transferred or assigned assets, along with those that have been received as a transfer or assignment. In the same way as in the above paragraph, the balances of those headings of the inventory coincide with the relevant headings of the balance sheet at year end. In addition, the full list of assets received as assignments coincide with that of the assigned assets.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Assets and entitlements inventory</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>5.1.1 The local authorities keep and inventory of their assets and debts</p> <p>Other related headings: 5.1.2., 5.1.3.</p>
<b>REC(2005)</b>	No recommendation.

**NUMBER 40**

<b>Title</b>	<b>The procedures applied by the local authority to register the transactions that affect its fixed assets ensure that they appear in full and accurately on the balance sheet.</b>
<b>Description</b>	<p>The objective of this best practice shall be taken to have met insofar as it can be seen that the ones, among the internal audit procedures of the local authority, have been introduced and effectively implemented and which, as regards the accounting of its fixed assets, allow the following to be guaranteed:</p> <ul style="list-style-type: none"> <li>- The appropriateness of the records of the additions and disposals of the fixed assets (regardless of whether those movements are budgetary or extrabudgetary).</li> <li>- The reasonableness of the assigned value and that of the depreciations, corrections for value impairment or reversals applied to those assets and entitlements,</li> <li>- And that they appear correctly classified in the relevant headings of the balance sheet at year end.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Internal audit procedures of the area</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>5.1.1 The local authorities keep and inventory of their assets and debts</p> <p>Other related headings: 5.1.2., 5.1.3.</p>
<b>REC(2005)</b>	No recommendation.

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#### NUMBER 41

<b>Title</b>	<b>The local authority keeps an inventory of the agreed debt</b>
<b>Description</b>	<p>The local authority has an up-to-date inventory of the long- and short-term current borrowing, whose balances by headings coincide with those reflected in the relevant headings of the balance sheet at year end.</p> <p>In addition, that inventory should include the surety and collateral granted and other contingent liabilities.</p> <p>The appraisal of this best practice shall consider the adequacy of the information contained in that inventory to achieve the purpose envisaged.</p>
<b>Documentation</b>	<ul style="list-style-type: none"><li>▪ Debt inventory and contracts signed</li><li>▪ Accounting information</li><li>▪ Internal audit, objection, management and intervention reports</li></ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Low</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>5.1.1 The local authorities keep an inventory of their assets and debts</p>
<b>REC(2005)</b>	No recommendation.

**NUMBER 42**

<b>Title</b>	<b>The equity and budgetary accounting information systems of the local authority are reconciled.</b>
<b>Description</b>	<p>As the result of the reconciliation processes between the equity and budgetary accounting systems, the local authority checks the coincidences between both systems and calculates the differences between both, justifying whether they are due to the correct application of the accounting recognition or entry criteria for each of them or by facilitating the explanations deemed appropriate.</p> <p>The objective of this best practice shall be deemed to have been met insofar as the authority has in place and applies those procedures and provided that the results of the reconciliation performed can be verified.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Procedures to perform the reconciliation between both accounting systems</li> <li>• Results obtained from the reconciliation</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>5.1.1 The local authorities keep and inventory of their assets and debts</p>
<b>REC(2005)</b>	No recommendation.



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**NUMBER 43**

<b>Title</b>	<b>The Plenary meeting of the local authority oversees the disposal of the most significant municipally-owned assets and entitlements.</b>
<b>Description</b>	<p>The Plenary meeting of the local authority exercises its powers to disposal of the municipally-owned assets and entitlements, in accordance with the limits established in the procurement rules. Furthermore, it authorises all the operations of these characteristics, regardless of their amount, in the autonomous bodies, entities or publicly-owned companies answering to it.</p> <p>Nonetheless, should some or any of those disposals have delegated in another governing body, the objective envisaged herein shall be considered to have been met provided that there is express delegation of the Plenary meeting prior to the exercising of this power, and that it can be verified.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Plenary meeting Meetings and Disposal agreements</li> <li>• Agreements delegating powers</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>5.1.2. <i>The organisation methods and management rules of the assets are transparent.</i></p> <p><i>Other related headings: 5.1.3.</i></p>
<b>REC(2005)</b>	<i>No recommendation.</i>

**NUMBER 44**

<b>Title</b>	<b>The general public are aware of the position of the local authority as regards the financial sustainability and budgetary stability, in keeping with the limits and criteria establish by the Provincial Council.</b>
<b>Description</b>	<p>The local authority, through its service portal, keeps information permanently updated on the level of compliance of the public debt and budgetary stability targets and of the spending rules.</p> <p>The appraisal of this best practice shall also consider the adequacy of the information supplied through the service portal to achieve the purpose contemplated by the procedure, and can refer to aspects such as:</p> <ul style="list-style-type: none"> <li>- Report by the Comptroller assessing compliance of the stability target, of the spending rules and of the debt limits, referring to the following, depending at the point of the year in question:             <ul style="list-style-type: none"> <li>- The budgets for the following year.</li> <li>- The approved budgets.</li> <li>- The settled budgets.</li> </ul> </li> <li>- Financial-economic plans to correct non-fulfilment of the budgetary stability or public debt or spending rule targets.</li> <li>- Monitoring reports of the financial-economic plans.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Assessment reports of stability target compliance</li> <li>▪ Financial-economic plans in force</li> <li>▪ Accounting information</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>5.1.4. The legislation regulating municipal authorities ensures their long-term financial stability.</i></p>
<b>REC(2005)</b>	<i>No recommendation.</i>



## **SECTION IV**

### **BUDGETARY PLANNING**

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## **SECTION IV**

### **BUDGETARY PLANNING**

#### **CONTENTS (II)**

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59	The documents that make up the general budget dossier are made available to the members of the Corporation sufficiently in advance.	97
60	The general public is made aware of the draft budget, and can make contributions, and of the finally approved budget, which are published with understandable and appropriate explanations.	98
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**NUMBER 45**

<b>Title</b>	<b>The local authority prepares a medium-term budgetary plan and the annual budgetary programme is coherent with it</b>
<b>Description</b>	<p><u>The local authority prepares a medium-term budgetary plan-</u></p> <p>The local authority prepares and maintains a medium-term budgetary plan, which covers the three (or four) coming years and which is application to all the autonomous bodies, entities and publicly-owned companies coming under it. This plan guarantees that the budgetary programme is coherent with, at least, the budgetary stability and public debt targets, and that it is in line with the spending rules and with the limits and criteria established annually by the Provincial Government for each of the local authorities of the province.</p> <p>The medium-term budgetary plan contains the expression in economic terms of the political programme of the term in office, after having incorporated or adapted adequately the strategic targets envisaged in it, to ensure compliance of the aforementioned limits and criteria.</p> <p><u>The annual budgetary programme is coherent with the medium-term planning-</u></p> <p>The annual preparation of the general budget of the local authority (which is made up of those for the authority itself and those of the autonomous bodies, entities and publicly-owned companies coming under it) takes place in the framework defined by the medium-term budgetary plan.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Provincial and state legislation on budgetary stability</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Medium-term budgetary plan</li> <li>▪ General budget dossier</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> Start of the parliamentary term / September - December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.1.1. Global financial framework for multiannual budgets</p> <p>1.1.2. Multiannual budgets</p>
<b>REC(2004)</b>	<p><b>45.</b> The local or regional authority should draw up multi-annual budget plans (covering the two to four years following the current year) setting out the overall budget objectives, an indication of the cost of pursuing the policies and undertakings subscribed to, and future budgetary consequences of decisions taken or to be taken.</p>

**NUMBER 46**

<b>Title</b>	<b>The annual process to prepare the budget starts with discussing the fiscal policy and budgetary targets.</b>
<b>Description</b>	<p><u>The annual process to prepare the budget starts with discussing the budgetary targets.</u></p> <p>The local authority has in place and applies a procedure to embark on the annual process to prepare its general budget.</p> <p>This process starts with the Plenary meeting of the local authority debating and approving, as applicable, the budgetary targets that, logically, should be in line with the approaches, limits and criteria contained in the medium-term budgetary plan. These meetings are public.</p> <p>The appraisal of this best practice shall consider, apart from the effective holding of this debate, the characteristics defined for its implementation, such as the level of formalisation of the associated procedure, from the point in the financial year where it should be held, the degree of detail of the proposals to be discussed, along with the nature and scope of the management, accounting or budgetary information that should be made available to all the members of the corporation and how far ahead of time.</p> <p><u>The debate also includes the objectives of the fiscal policy:</u></p> <p>Apart from discussing the budgetary targets, the annual process to prepare the general budget of the local authority should include the Plenary meeting of the local authority discussing and approving, where applicable, the objectives of the fiscal policy, in meetings open to the public.</p> <p>The appraisal of this best practice shall consider the extent to which, with respect to fiscal policy, the debate covers a significant set of the municipal exclusive local taxes and public prices regardless of whether they are assessed by the local authority itself, or by any of the autonomous bodies, entities and companies coming under it and which, logically, only deals with aspects or matters related to those resources coming under its jurisdiction.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Procedure to hold the debate</li> <li>• Plenary meeting Minutes</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> June-July</p> <p><b>Priority approach:</b> Organisational / Jurisdictional</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p style="padding-left: 20px;">1.1.3. Budgetary strategy debate</p> <p><b>Financial resources benchmarking:</b></p>

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#### **NUMBER 46**

<b>Title</b>	<b>The annual process to prepare the budget starts with discussing the fiscal policy and budgetary targets.</b>
	<i>1.2.1 Financial and budgetary decisions should be taken in public meetings</i>
<b>REC(2004)</b>	<b>73.</b> <i>A budget strategy debate should be organised at the beginning of the budgetary procedure, permitting initial discussion of the overall objectives to be adopted for the year and possibly the years to come.</i>
<b>REC(2005)</b>	<i>2. Financial and budgetary discussions should take place and the relevant decisions should be taken at meetings of the elected deliberative body that are open to the public.</i>

**NUMBER 47**

<p><b>Title</b></p>	<p><b>The general public is aware of the proposals for the debate on the budgetary targets and fiscal policy and the obtained results and can make comments.</b></p>
<p><b>Description</b></p>	<p>The proposals for the debate on the fiscal policy and budgetary objectives and the results obtained are published on the service portal of the local authority in order to gather the opinion of the general public on the objectives pursued.</p> <p>Along with this document, the reports prepared by the Comptroller regarding those proposals will also be published.</p> <p>There will be an active communication campaign to disseminate the proposals and results of the fiscal policy and budgetary objectives debate with neighbourhood associations, consumer associations, other social stakeholders or groups of taxpayers that are particularly affected or vulnerable.</p> <p>In any event, the service portal has an inbox set up to receive the comments of the general public on the published information. All the comments received are considered in the procedure to prepare the draft general budget or prior to submitting for approval the establishment or amendment of the tax ordinances regulating exclusive local taxes and the ordinances regulating the user charges to levy or be levied by the local authority.</p> <p>The appraisal of this best practice shall consider the appropriate level of implementation of the aforementioned active communication tasks and those designed to consider the comments provided by the general public, and the adequacy of the information supplied through the service portal to understand the objectives pursued, along with the characteristics which are contemplated in the following aspects:</p> <ul style="list-style-type: none"> <li>- As regards the new taxes, fees, special charges or user charges planned to be levied: Objectives pursued (purpose) with their establishing, justification (meeting the needs or preferences of the general public), breakdown of the main elements determining of the respective fees, groups of taxpayers directly affected and quantification of the increased tax pressure on those taxpayers.</li> <li>- As regards the changes to the own tables or user charges already levied. Justification (adapting the service provided to the objectives pursued, to new needs or preferences of the general public or to different cost levels), breakdown on the amended elements, groups of taxpayers directly affected and assessment of the impact of those changes on their tax pressure level.</li> <li>- Technical and economic reports that back the aforementioned justification, downloaded in formats that make them easy to use and handle.</li> </ul>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>▪ Proposals for the debate and obtained results</li> <li>▪ Report on the steps taken regarding the comments received</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> June-July</p> <p><b>Priority approach:</b> Transparency / Participation</p>



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#### NUMBER 47

<b>Title</b>	<b>The general public is aware of the proposals for the debate on the budgetary targets and fiscal policy and the obtained results and can make comments.</b>
	<b>Category:</b> Improvements to regulated aspects <b>Relevance:</b> Medium
<b>LFB Toolkit</b>	<b>Budgetary and financial management benchmarking:</b> <i>1.1.3. Budgetary strategy debate</i> <b>Financial resources benchmarking:</b> <i>1.2.1 Financial and budgetary decisions should be taken in public meetings</i> <i>Other related headings: 2.1.5.</i>
<b>REC(2004)</b>	<b>73.</b> <i>A budget strategy debate should be organised at the beginning of the budgetary procedure, permitting initial discussion of the overall objectives to be adopted for the year and possibly the years to come.</i>
<b>REC(2005)</b>	<b>2.</b> <i>Financial and budgetary discussions should take place and the relevant decisions should be taken at meetings of the elected deliberative body that are open to the public.</i> <b>11.</b> <i>Local authorities should vary the level of taxation only in order to adapt the level of services to local needs and preferences.</i> <b>13.</b> <i>Although the incentive purpose of local taxation should not be overlooked, it should not render impossible activities that are otherwise lawful. Any incentive should respect the principle of the equality of citizens before the law. In such cases, the determination of the tax base, taxation rate and exemptions should be consistent with the objective pursued.</i>

**NUMBER 48**

<b>Title</b>	<b>The procedure applied to prepare the budget every year includes aspects related to the skills-building of the staff involved, the nature of the information and coordination needed and the levels of discussion, review and approval of the budgets.</b>
<b>Description</b>	<p>The local authority has in place and applied a procedure to embark on the annual process to prepare its draft general budget.</p> <p>The appraisal of this best practice shall consider, apart from its effective implementation, the extent to which aspects such as the following are regulated in the procedure:</p> <ul style="list-style-type: none"> <li>- Identifying the service or expert technicians tasked with its preparation. Individual allocation of duties and responsibilities. Factors that accredit its technical ability to carry out this work.</li> <li>- List of budgetary management and accounting documents of all the municipal departments, as well as in the divisions and services of the dependent bodies, entities and publicly-owned companies, along with the level of updating of that documentation that is required to embark on the process. Furthermore, this information should enable year-on-year comparisons to be performed.</li> <li>- Establishing the necessary cooperation and coordination relations with the managers of those departments, divisions and services to contribute as much information as requested.</li> </ul> <p>In any event, the delivery of information from the different municipal organisational units should occur after the proposals have been discussed by the respective political and technical managers.</p> <ul style="list-style-type: none"> <li>- Situations in which the opinion of an expert independent from the entity could be sought.</li> <li>- Levels of review and approval required the prepared proposals, once their coherence with the set targets has been checked.</li> <li>- Degree of formalisation of the procedure.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Regional Parliamentary Budgetary Laws.</li> <li>▪ Procedure for the annual preparation of the draft budget.</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Organisational / Jurisdictional</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.2.1. Technical capacity when preparing the budget</p> <p>Other related headings: 1.3.2.</p>
<b>REC(2004)</b>	<p><b>46.</b> Budget projections and proposals should be prepared with the involvement of in-house experts (for example, receiver, treasurer, internal auditor) and outside opinions (such as</p>

**NUMBER 48**

<b><i>Title</i></b>	<b>The procedure applied to prepare the budget every year includes aspects related to the skills-building of the staff involved, the nature of the information and coordination needed and the levels of discussion, review and approval of the budgets.</b>
	<p><i>economists, independent auditors, etc.).</i></p> <p><b>57.</b> <i>Preparation of the budget should be the responsibility of a specialised unit of the local or regional authority with a good knowledge of the authority's operational departmental costs and budget consumption so that it can propose different options to the executive and prepare internal arbitration before arbitration at a later stage.</i></p> <p><b>58.</b> <i>Budget proposals should be discussed by the authorities and persons responsible for the domain concerned and then by those responsible for finance, who should consider overall balances, overall revenue, borrowings and any problems raised.</i></p>

**NUMBER 49**

<b>Title</b>	<b>The Plenary meeting is aware of all the municipal costs, apart from those that are approved in the budget or through amendments</b>
<b>Description</b>	<p><u>The Mayor duly explains the budgetary amendments approved by Decree</u></p> <p>The budgetary amendments approved by a Mayor's Decree (or by the chair of the autonomous body) comply with the requirements of the applicable legislation. In particular, in those areas referring to accountability to the Plenary meeting (of Governing Board or General Meeting) of the entity. These communications are sufficient and occur in a timely manner.</p> <p><u>There are no costs that should be approved by means of an out-of-court credit recognition-</u></p> <p>During the year, the Plenary (or Governing Board or Assembly) of the entity has not been required to approve any out-of-court credit recognition, with there being no liabilities pending to be applied to the budget at the year end, nor has it solved discrepancies regarding objections raised by the Comptroller that are based on borrowing mismatches or gaps.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Regional Parliamentary Budgetary Laws.</li> <li>▪ Plenary meeting Minutes</li> <li>▪ General budget dossier</li> <li>▪ Budgetary amendments</li> <li>▪ Out-of-court credit recognition</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.2.2. Nature of the voting units</p>
<b>REC(2004)</b>	<p><b>47. Whenever a decision is taken by the executive or the local or regional council, the budgetary expenditure for the current year and the following financial years should be clearly explained.</b></p>

**NUMBER 50**

<b>Title</b>	<b>The information system used to prepare the budget provides information on and facilitates understanding of the provisions made.</b>
<b>Description</b>	<p>The local authority and the dependent autonomous bodies, entities and publicly-owned companies have an integrated mechanised system of budgetary accounting information.</p> <p>The appraisal of this best practice shall consider the inclusion of features such as the following in that mechanised information system, along with their effective use:</p> <ul style="list-style-type: none"> <li>- Providing overall and detailed information in a timely way about the projections regarding the revenue and appropriations statement and changes to the statement of expenditure, along with overall and detailed information in the implementation of revenue and costs in each of the management phases of the budget.</li> <li>- Obtaining those results globally, as well as for the different levels of disaggregation included in the economic classification of the revenue and in the economic and organic classifications (where applicable) and by spending programmes of the local authorities. It should also be possible to obtain information by combining the different costs classifications (breakdown by chapters of a specific programme or body, etc.).</li> <li>- Show the aforementioned classifications at an appropriate level of development, particularly, in the programmes related to providing services or performing administrative activities involving the assessment of a charge or of a user charge.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ General budget dossier</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.2.3. Analytical reports will ensure budgetary transparency</i></p>
<b>REC(2004)</b>	<p><b>47.</b> <i>Whenever a decision is taken by the executive or the local or regional council, the budgetary expenditure for the current year and the following financial years should be clearly explained.</i></p>

**NUMBER 51**

<b>Title</b>	<b>The functional programme descriptive tables provide full and timely information on the management of the services</b>
<b>Description</b>	<p>The general budget of the local authority contains the descriptive tables of the most important economic functional programmes. Those tables sufficiently express the objectives pursued in each programme, the necessary financial and human resources, the activities to be carried out and their managers, along with a series of indicators designed to verify compliance of those objectives.</p> <p>The choice of the indicators is discussed by the political and technical managers of the municipal organisational unit to which the respective programme is assigned and, as far as possible, are from among that are, normally, used in the sector.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• General budget dossier</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.2.4. Implementation reports (explanations)</i></p>
<b>REC(2004)</b>	<p><b>54.</b> <i>Information on the performance of the local or regional service management (financial indicators, output and impact indicators, comparisons with the performances of other local or regional authorities and the interpretation of such information) should, where appropriate, be appended to budgetary documents.</i></p>

**NUMBER 52**

<b>Title</b>	<b>The local authority knows and reports on the results of managing the services and causes, where applicable, of any deviations with regard to the content of the functional programme descriptive tables for the previous year</b>
<b>Description</b>	<p>The results obtained in the previous year (or years), as regards to the objectives finally achieved, the costs incurred, the level of activity developed and the ratios or magnitudes offered by the indicators, along with sufficient explanations of the deviations that occur with respect to the projections, are prepared and presented to the Plenary meeting of the local entity.</p> <p>In addition, they are attached to the documents to prepare the draft budgets for the following year.</p> <p>The appraisal of this best practice shall consider the nature and scope of the effectively established associated procedures related to this purpose.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Report on the degree of achieving the objectives envisaged for the following year</li> <li>▪ General budget dossier</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> March-April</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.2.4. Implementation reports (explanations)</i></p>
<b>REC(2004)</b>	<p><b>54.</b> <i>Information on the performance of the local or regional service management (financial indicators, output and impact indicators, comparisons with the performances of other local or regional authorities and the interpretation of such information) should, where appropriate, be appended to budgetary documents.</i></p>

**NUMBER 53**

<p><b>Title</b></p>	<p><b>That equity and budgetary statements and accounts for all the entities that make up the local sector are consolidated.</b></p>
<p><b>Description</b></p>	<p><u>The budget, along with the provisional balance sheets and profit and local accounts for the set of entities whose budgets are included in the general budget, are consolidated.</u></p> <p>Apart from the consolidated budget of the local public sector, the content of the general budget of the local authority includes the provisional balance sheet and profit and loss account of those entities whose budgets are included in the general budget, both individually and consolidated.</p> <p>The consolidation of those financial statements provide sufficient information on the forecasted evolution during the coming year of the equity, the financial situation and the economic results, along with those arising from the implementation of the budget of the authority, taken as a whole.</p> <p>The appraisal of this best practice shall consider the scope of the procedures applied in order to present the (projected) equity information of the local public sector in consolidated terms, along with the level of participation in them of all or part of that set of entities.</p> <p><u>The settlement of the budget, along with the balance sheets and profit and local accounts for the set of entities whose budgets are included in the general budget, are consolidated.</u></p> <p>At the end of the budgetary year, once the statements and accounts of the local authority have been rendered, the balance sheets and profit and loss accounts of the authority are consolidated with those of its dependent bodies, entities and companies. Those consolidated financial statements provide sufficient information on the real evolution during the year ended of the equity, the financial situation and the economic results, along with those arising from the implementation of the budget of the authority, taken as a whole.</p> <p>This information is sent to the Plenary meeting of the local authority for its knowledge and is attached to the document to prepare the draft budgets for the following year.</p> <p>The appraisal of this best practice shall likewise consider the scope of the procedures applied in order to present the (submitted or formulated) equity information of the local public sector in consolidated terms, along with the level of participation in them of all or part of that set of entities.</p>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>▪ General budget dossier</li> <li>▪ General Account dossier</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> September – December / March - April</p> <p><b>Priority approach:</b> True and fair view</p>



**NUMBER 53**

<b>Title</b>	<b>That equity and budgetary statements and accounts for all the entities that make up the local sector are consolidated.</b>
	<b>Category:</b> Improvements to regulated aspects <b>Relevance:</b> High
<b>LFB Toolkit:</b>	<b>Budgetary and financial management benchmarking:</b> <i>1.2.5. Autonomous bodies in the budget proposal. Rules for account consolidation</i>
<b>REC(2004)</b>	<b>61.</b> <i>The presentation of the budget and accounts must give as complete and objective a picture as possible of the local or regional authority's financial situation. The local or regional authority should work towards drawing up consolidated accounts, integrating the results and showing the risks and obligations of the different satellite agencies.</i>

**NUMBER 54**

<b>Title</b>	<b>The budget includes analysing the risk of the financial investments and a conclusion on the capacity of the local authority to meet its debt</b>
<b>Description</b>	<p>The aim of this best practice shall be taken to have been met insofar as that the financial-economic report produced by the Comptroller, which accompanies the documentation making up the general budget of the local authority, contains, apart from the aspects envisaged in the applicable budgetary legislation, an analysis and conclusion of the following aspects:</p> <ul style="list-style-type: none"> <li>- Level of risk of the financial investments made or planned to be made by the set of entities that make up the local public sector. Reasonableness of the allocated ratings and of the estimated value impairment corrections (or their reversions).</li> <li>- Level of debt: Updating the volume of public debt, including the planned appropriations, along with the percentages that it represents out of the estimated levels of resources from current operations, and projected net savings at the end of the budgeted year. Conclusion on the capacity of the entity to comply with the public debt objectives and to face the liabilities arising from that debt.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• General budget dossier</li> <li>• Assets and entitlements inventory</li> <li>• Debt inventory</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.2.6. Financial reserves to manage risk</p>
<b>REC(2004)</b>	<p><b>63.</b> The presentation of the budget should be accompanied by an analysis of the financial risks to which the local or regional authority is exposed: the quantifiable risks should give rise to setting up reserves, while the degree of exposure to non-quantifiable risks should be estimated</p> <p><b>64.</b> In those countries where the local or regional authorities are at liberty to deposit their funds at the banks that they deem appropriate, a system of insurance or re-insurance is needed to protect the local or regional authorities against the loss of some of their assets in the event of bankruptcy of their bank.</p> <p><b>65.</b> Guarantee or guarantee deposit obligations should be published, with a distinction being made between the obligations during the financial year, the loans outstanding and the costs arising from these guarantees; the use of risk-assessment ratios to limit these risks is to be recommended.</p> <p><b>67.</b> If the local or regional authority has the right to invest on the financial market, it should, in principle, limit such investment to the bond market. Any other financial product should be the</p>

**NUMBER 54**

<b>Title</b>	<b>The budget includes analysing the risk of the financial investments and a conclusion on the capacity of the local authority to meet its debt</b>
	<p><i>subject of specific ratios for assessing their volatility and risk and in every case be subject to professional management.</i></p> <p><b>68.</b> <i>Local and regional authorities should acquire, individually or collectively, the expertise necessary to manage risks arising from their financial obligations; that expertise may imply training financial executives of local administrative bodies or involving the state services or independent public consultancy bodies, the associations of local authorities and the private sector on a commercial basis. Consultancy and supervisory functions should not be exercised by the same body.</i></p> <p><b>69.</b> <i>Follow-up systems and ratios should be set up, the most important of which must be made public so as to enable the financial situations to be compared and the divergences to be analysed and to prevent risks.</i></p>

**NUMBER 55**

<b>Title</b>	<b>The local authority ensures the ongoing skills-building of the councillors in the equity, financial, economic and budgetary spheres.</b>
<b>Description</b>	<p><u>The local authority has in place and runs a budget training plan for the councillors-</u></p> <p>The local authority has and develops a training plan for councillors (or representatives) on the rationales of the budget and of the budgetary management.</p> <p>The appraisal of this best practice shall consider, along with the effective implementation of the planned actions, the appropriateness of the nature and intensity of the training given with regard to aspects such as:</p> <ul style="list-style-type: none"> <li>- Composition and details of the budgetary structure, both referring to the revenue and expenditure statements.</li> <li>- Characteristics and contents of the process of preparing, approving, implementing, amending and settling the budget for the year.</li> <li>- Objectives whose compliance is required of the local authority, in particular, those arising from the legislation on budget stability and financial sustainability.</li> </ul> <p><u>The councillors are the beneficiaries of different information and training services that enable their ongoing skills-building for decision-making-</u></p> <p>Through their technical services, the local authority offers the councillors (or representatives) a service to resolve doubts or to meet the needs for further explanations or clarifications that may emerge from the reading and analysis of the documentation provided. That documentation will, usually, consider equity, financial, economic and budgetary aspects of the set of entities that make up the local public sector or of the activities performed and services rendered by them.</p> <p>The appraisal of this best practice shall consider the characteristics and scope of this service, its rendering during the whole year and not only during the budgetary debate, along with the degree of formalisation of those procedures.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Training Plan</li> <li>• Report on the training actions carried out</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> Start of the parliamentary term / All year</p> <p><b>Priority approach:</b> Training</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.3.1. Involvement of the councillors</p>
<b>REC(2004)</b>	<p>49. The elected representatives and officers of local and regional authorities should be offered and benefit from appropriate training in budgeting, both basic and advanced, that enables them to understand the documents submitted to them and to take appropriate, informed decisions. Incentives for training such as a closer link with promotion criteria should be</p>

**NUMBER 55**

<b>Title</b>	<b>The local authority ensures the ongoing skills-building of the councillors in the equity, financial, economic and budgetary spheres.</b>
	<i>implemented for officer.</i> <b>74.</b> <i>The local or regional authority should set sufficient time limits in which councillors may read and analyse the budget documents issued.</i> <b>75.</b> <i>If the elected representatives consider the information received to be inadequate or unclear, they - individually or collectively (for example in the competent committees) - should be able to request further information from the relevant officers</i>

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**NUMBER 56**

<b>Title</b>	<b>The draft general budget contains all the documents required by the applicable legislation.</b>
<b>Description</b>	<p>Prior to submitting the draft general budget to the advisory committee responsible for ruling on that case, the Comptroller shall check that it contains all the statements, reports and other documents required by the applicable legislation, both regarding the local authority itself, and its dependent bodies, entities and publicly-owned companies.</p> <p>This fact is certified in the relevant report that the municipal Comptroller prepares.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Regional Parliamentary Budgetary Laws.</li> <li>• General budget dossier</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.3.2. Independent opinions on the project</i></p>
<b>REC(2004)</b>	<p><b>46.</b> <i>Budget projections and proposals should be prepared with the involvement of in-house experts (for example, receiver, treasurer, internal auditor) and outside opinions (such as economists, independent auditors, etc.).</i></p>

**NUMBER 57**

<b>Title</b>	<b>The selection of the investments included in the budgets is carried out according to objective criteria</b>
<b>Description</b>	<p>The appraisal of this best practice shall consider the adequacy for the contemplated purpose of the system or set of criteria used by the local authority to select the investments included in the budgets, along with the degree of formalisation of those procedures.</p> <p>By way of an example, the selection of the investment projects include in the budget can be performed by means of applying a scoring system to them. In general terms, this system could be based on objective criteria such as associated financing and cost level, whether or not the debt is needed, impact on the future budgetary results, expected cost savings, needs or demands of the service, etc., and all of which is logically linked to the multi-annual budgetary planning.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• List of objective criteria or description of the system used to select investments</li> <li>• General budget dossier</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Financial Management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.3.3. Separate debate and decision-making in the case of complex agreements, main investment projects and other significant programmes</i></p>
<b>REC(2004)</b>	<p><b>50.</b> Any activity of a local or regional authority that may result in public debts or entail significant financial risk should be primarily agreed upon and authorised by the elected deliberative body concerned (Plenary meeting).</p> <p><b>59.</b> Choices between different investment projects should be made more objective, for example by using a “scoring” system based on several criteria. When the size of the proposed investment justifies it, a participatory process involving the local community should be envisaged; if this occurs, procedures should be set up in order to guarantee that the exercise is properly run.</p> <p><b>71.</b> Estimates of investment-project costs should not overlook recurrent subsequent costs (such as staffing, operation, maintenance, etc.), which should logically be incorporated into pluri-annual budget programming.</p>

**NUMBER 58**

<b>Title</b>	<b>The process to prioritise the investments selected to be included in the budget is reviewed in order to check it has been performed correctly.</b>
<b>Description</b>	<p>The financial-economic report produced by the Comptroller, which accompanies the documentation making up the general budget of the local authority, includes, along with the related aspects in the applicable budgetary legislation, an analysis and conclusion on the following aspects regarding the investments envisaged in them:</p> <ul style="list-style-type: none"> <li>- That the specific list of the finally selected projects is the outcome of applying the criteria previously established by the authority for this purpose and that their order of priority has been respected.</li> <li>- That those projects are financially sustainable.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• General budget dossier</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Financial Management</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.3.3. Separate debate and decision-making in the case of complex agreements, main investment projects and other significant programmes</i></p>
<b>REC(2004)</b>	<p><b>50.</b> Any activity of a local or regional authority that may result in public debts or entail significant financial risk should be primarily agreed upon and authorised by the elected deliberative body concerned (Plenary meeting).</p> <p><b>59.</b> Choices between different investment projects should be made more objective, for example by using a “scoring” system based on several criteria. When the size of the proposed investment justifies it, a participatory process involving the local community should be envisaged; if this occurs, procedures should be set up in order to guarantee that the exercise is properly run.</p> <p><b>71.</b> Estimates of investment-project costs should not overlook recurrent subsequent costs (such as staffing, operation, maintenance, etc.), which should logically be incorporated into pluri-annual budget programming.</p>



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**NUMBER 59**

<b>Title</b>	<b>The documents that make up the general budget dossier are made available to the members of the Corporation sufficiently in advance.</b>
<b>Description</b>	<p>The local authority has and applies a procedure used, once the draft general budget has been sent to the advisory committee for its opinion on the dossier, to make all the documentation regarding this project available to the members of the Plenary meeting.</p> <p>The appraisal of this best practice shall consider, apart from its effective implementation and its degree of formalisation, the adequacy of the aspects envisaged in the procedure to approach the debts, clarifications or consultations that are pertinent, along with the requests for new information and that emerge, as a result of the process to analyse the proposal contained in the draft budget. And the sufficiency of the explanations offered as regards the form and content of the amendments that the groups wish to submit.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Procedure to communicate the budget project</li> <li>• Report on the courses of action in the communication process</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Organisational / Jurisdictional</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.3.5. Time for the elected bodies to debate the budget</i></p>
<b>REC(2004)</b>	<p><b>74.</b> <i>The local or regional authority should set sufficient time limits in which councillors may read and analyse the budget documents issued.</i></p>

**NUMBER 60**

<p><b>Title</b></p>	<p><b>The general public is made aware of the draft budget, and can make contributions, and of the finally approved budget, which are published with understandable and appropriate explanations.</b></p>
<p><b>Description</b></p>	<p>On the same date on which the draft general budget is sent to the advisory committee for its opinion on the dossier (prior to embarking on the process to approve, amend or return it), it is published on the service portal of the local authority in order to foster discussion on the objectives and proposals contained in it and to gather the opinion of the general public on these matters.</p> <p>At the same time, the local authority sets up procedures to enable citizen participation in this sphere, such as setting up an inbox on the portal to gather the opinions or contributions of the general public on the published information. All those received are considered prior to the general budget being submitted for approval.</p> <p>The finally approved general budget of the local authority is published on the service portal of the local authority in order to facilitate access by the general public to the documentation contained in it.</p> <p>Along with this document, the reports prepared by the Comptroller regarding those proposals will also be published.</p> <p>The appraisal of this best practice shall consider the appropriate level of implementation of the aforementioned publication tasks and those designed to consider the comments provided by the general public, and the adequacy of the information supplied through the service portal to understand the objectives and proposals contained in the budget, along with aspects such as the following envisaged in this document:</p> <ul style="list-style-type: none"> <li>- Explanatory report on the content of the budgets and of the main amendments compared to the budgets of the previous year, particularly, those referring to changes in the quality and quantity of the public services provided.</li> <li>- Most significant changes in the tax ordinances regulating the exclusive local taxes and in the ordinances regulating the user charges (in relation to modifying the rates or tariffs, along with rebates, exemptions, etc.).</li> <li>- Projected trend of the equity, of the financial situation and of the budgetary and economic results during the coming year.</li> <li>- Expected level of compliance of the financial sustainability and budgetary stability targets.</li> <li>- Budgetary expenditure and revenue statements with different levels of disaggregation that can be downloaded in user-friendly formats.</li> </ul>
<p><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>▪ Communication procedure for the draft budget</li> <li>▪ Reports on the courses of actions taken in the communication process</li> <li>▪ Service portal information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Transparency / Participation</p>

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### PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT

#### NUMBER 60

<b>Title</b>	<b>The general public is made aware of the draft budget, and can make contributions, and of the finally approved budget, which are published with understandable and appropriate explanations.</b>
	<p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.3.6. Comprehensiveness of the budget documents</i></p> <p><b>Financial resources benchmarking:</b></p> <p><i>1.1.2. The assessment of the impact of municipal polices on revenue should be published</i></p>
<b>REC(2004)</b>	<p><i>51. Budget and accounting documents should be easily readable, providing both a clear and comprehensible overview of the budget (including main balances, issues and priorities, key data, etc.) and sufficient detail to analyse the content of the budget and make relevant comparisons (with other financial years, other authorities, etc.)</i></p> <p><i>52. Published documents, for example via the Internet, should be accompanied by a suitable explanation making them more easily comprehensible to a lay public.</i></p> <p><i>56. The local or regional authority should make it possible for citizens to be informed of draft budgets as soon as these are forwarded to local or regional councillors for final approval. When a budget has been adopted, its outlines and consequences for the community should be made public; for example by explaining changes in taxation or priority allocation of the authority's funding, and mentioning services ready to provide the public with further details.</i></p>
<b>REC(2005)</b>	<p><i>3. The consequences of local authority decisions concerning sources of revenue should be made public. Budgetary documents should include overviews that are easy to understand on this topic.</i></p>

**NUMBER 61**

<b>Title</b>	<b>The initial appropriations are presented, at least, matched by the revenue forecasts, without the initial budget contemplating negative net savings estimates, or budgetary deficit situations, in terms of needing financing.</b>
<b>Description</b>	<p>The approved general budget of the local authority complies:</p> <ul style="list-style-type: none"> <li>- On the one hand, with the financial balance principle. Each one of the budgets that make up of the general budget of the local authority is approved without an initial deficit. That is, the total revenue covers the amount of the costs. In addition, the revenue from current operations are, at least, equal to the costs of the same nature plus the debt reimbursement costs.</li> <li>- On the other hand, with the budgetary stability objective, so that it maintains a budget surplus or breakeven situation in terms of financing capacity according to the definition contained in the European System of Regional and National Accounts.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Provincial and state legislation on budgetary stability</li> <li>• Provincial local treasury and budgetary legislation</li> <li>• General budget dossier</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Financial resources benchmarking:</b></p> <p><i>1.3.1. The decisions regarding revenue should be made in tandem with the decisions regarding costs</i></p> <p><i>Other related headings: 3.1.5</i></p>
<b>REC(2005)</b>	<p><b>4.</b> <i>In areas in which local authorities enjoy discretionary powers, major financial decisions should be grouped together and taken at specific intervals. In general, decisions concerning revenues and those concerning expenditure should be taken together when the budget is adopted and revised.</i></p> <p><b>31.</b> <i>Exceptional revenue should only be used to finance capital expenditure and the reimbursement of debt.</i></p>

**NUMBER 62**

<b>Title</b>	<b>The local authority assesses the gender impact of each budgetary programme</b>
<b>Description</b>	<p>When planning, managing and assessing the costs and revenue allocated to each budgetary programme, the authority assesses their differentiated impact on women and men.</p> <p>The aim is to identify, where applicable, if the public budget can perpetuate or modify situations of inequality that may have been detected.</p> <p>The information of each budgetary programme should allow:</p> <ul style="list-style-type: none"> <li>- The situation of women and men to be established in the sphere of activity of the programme.</li> <li>- Whether or not inequalities between men and women exist when accessing the resources, information and/or services that the budgetary programme makes available to the general public. The annual trend of the aforementioned inequalities, where applicable, to be assessed.</li> <li>- Operational and strategies targets and courses of action to be defined to attain gender equality in the sphere of influence of the programme.</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Gender impact report on each budgetary programme</li> <li>▪ General budget dossier</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Gender</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>No heading assigned.</i></p>
<b>REC(2004)</b>	<i>No recommendation.</i>

**NUMBER 63**

<b>Title</b>	<b>The local authority adopts and maintains cost saving strategies</b>
<b>Description</b>	<p>List of measures or strategies adopted during the current year and envisaged for the following that encourage cost savings when implementing activities or providing public services.</p> <p>The appraisal of this best practice shall consider the adequacy and appropriateness of the measures or strategies adopted as regards the envisaged purpose and the suitability of the information contributed that, for each of them, will identify the activity or service affected, will describe it in detail and quantify the cost cutting achieved or estimated, along with all the documentation that could provide proof of the savings achieved or expected to be achieved.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ List of cost cutting strategies or measures</li> <li>▪ Assessment report of the results obtained</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.4.1 The local authority adopts and maintains cost saving strategies</p>
<b>REC(2004)</b>	No recommendation.

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**NUMBER 64**

<b>Title</b>	<b>Budgetary costs with non-profits</b>
<b>Description</b>	<p>Comparative trend for the four last year of the total liabilities recognised charged to the budgets of the local authority and to those of its dependent autonomous bodies, entities and publicly-owned companies, and for any cost concept (<i>purchase of current goods and services, capital and current transfers, real investments or financial assets</i>), which have been carried out with neighbour associations, non-governmental organisations or, in general, any other non-profit entities, that provide community services to vulnerable groups in areas coming under municipal jurisdiction.</p> <p>The appraisal of this indicators shall positively consider it being shown that the volume of costs of this nature incurred in the four-year period remaining steady so that the comparison can be performed (or upward trend should that cost level not be very significant). In any event, the positive appraisal will require that the contracting of those costs or the granting of that aid comply with the requirements established in the legislation that is applicable.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Social justice / Equal treatment / Non-discrimination</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.4.3 The support for non-governmental organisations that provide community services to vulnerable groups should be protected during the restrictions</i></p>
<b>REC(2004)</b>	<p>No recommendation.</p>

**NUMBER 65**

<p><b>Title</b></p>	<p><b>The local authority shares resources and cooperates with other entities in order to provide services or efficiently perform activities and investments</b></p>
<p><b>Description</b></p>	<p><u>The local authority provides services or carries out activities on a shared basis with other entities to achieve a more efficient earmarking of resources-</u></p> <p>List of municipal activities, provision of public services and shared investments or made in cooperation between any of the entities included in the general budget of the local authority or other entity or entities regardless of the sphere to which they belong (under municipal level, municipal, supramunicipal, provincial or regional).</p> <p>The appraisal of this best practice shall consider the appropriateness and adequacy of the shared activities and services in relation to the envisaged purpose and the suitability of the information contributed that, for each of them, would establish the advantages associated to this type of cooperation, the reasons that would justify it or, should they occur, the cost savings obtained as a result of that cooperation.</p> <p><u>Costs contracted through central purchasing centres-</u></p> <p>Comparative trend for the four last years of all the liabilities recognised charged to the budgets of the local authority and to those of its dependent autonomous bodies, entities and publicly-owned companies, of the costs as <i>purchasing current assets and services</i> and <i>real investments</i>, which have been contracted through central purchasing centres.</p> <p>The appraisal of this indicator shall positively consider it being shown that the volume of costs of this nature incurred in the four-year period remaining steady so that the comparison can be performed (or upward trend should that cost level not be very significant).</p>
<p><b>Documentation:</b></p>	<ul style="list-style-type: none"> <li>▪ List of services, activities and investments performed on a shared basis or in cooperation with other entities</li> <li>▪ List of costs contracted through central purchasing centres</li> <li>▪ Reports justifying and assessing those courses of action</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<p><b>Other characteristics</b></p>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<p><b>LFB Toolkit:</b></p>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>1.4.4. Cooperation with other local authorities</p> <p>Other related headings: 1.4.5.</p>



**NUMBER 65**

<b><i>Title</i></b>	<b>The local authority shares resources and cooperates with other entities in order to provide services or efficiently perform activities and investments</b>
<b><i>REC(2004)</i></b>	<i>70. Horizontal and vertical co-operation between authorities should be encouraged to facilitate the completion of major projects, in such a way as to share the expenses and the risks.</i>



## **SECTION V**

### **BUDGETARY IMPLEMENTATION, MONITORING AND CONTROL**

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**SECTION V**

**BUDGETARY IMPLEMENTATION, MONITORING AND CONTROL**

**CONTENTS (II)**

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**NUMBER 66**

<b>Title</b>	<b>The local authority holds budgetary debates throughout the year with updated budgetary, financial and economic information</b>
<b>Description</b>	<p>The Plenary meetings of the local entity hold discussions on the progress of the budgetary implementation during the year.</p> <p>The budgetary, financial and economic documentation prepared is submitted to the Plenary meeting of the local authority to be analysed sufficiently ahead of the debate.</p> <p>The appraisal of this best practice shall consider the frequency with which the established procedures are carried out, along with the details and degree of formalisation, together with the scope, appropriateness and adequacy of the information prepared, that could cover the balance sheet, the profit and loss of account and the budget settlements of the set of entities that make up the local public sector, by showing updated information on the equity and the financial situation and the economic results and those arising from the budgetary implementation by those entities, both on an individual and consolidated basis.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>▪ Procedures established to organise the debate</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>2.1.1. Regular assessment allows the budgetary implementation to be monitored</p>
<b>REC(2004)</b>	<p><b>76.</b> Where appropriate, a debate on the implementation of the budget should be held mid-year, in order to put budget changes into perspective and to review the changes in the economic, budgetary and social context, and after the end of the financial year.</p> <p><b>77.</b> The council should receive regular updates (for example, every three or four months) on the monitoring of the budget. If budget adjustments prove necessary, it would be advisable to group them in one or two “sets” per annum, accompanied by an overview or even a debate on the state of budget spending.</p>

**NUMBER 67**

<b>Title</b>	<b>The local authority stimulates citizen participation in municipal management</b>
<b>Description</b>	<p>The local authority, through its service portal, conducts regular consultations and/or runs a permanent forum with the social stakeholders and with the general public on certain aspects of municipal management with financial, economic and budgetary effects, in order to gather their opinions and contributions.</p> <p>On a quarterly basis, the authority publishes the list of consultations raised, along with, as applicable, the opinions and contributions obtained.</p> <p>The appraisal of this best practice shall consider the appropriate level of implementation of the participation tasks performed and of the procedures designed to consider the opinions and contributions obtained from the general public, and the adequacy of information supplied through the service portal to attain the end pursued, along with the characteristics of aspects envisaged in each of the aforementioned consultations, such as:</p> <ul style="list-style-type: none"> <li>- The nature, purpose or goal of the question raised.</li> <li>- The objective information that may have been facilitated as regards the financial aspects of that question.</li> <li>- The implemented management procedures, both to identify the aspects to be consulted, and to produce the necessary documentation and to receive the responses from the social stakeholders and general public.</li> <li>- The effects or consequences of those contributions.</li> </ul>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• Report on the courses of action taken in this area</li> <li>• Service portal information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>1.3.4. Outside opinion help accountability</i></p>
<b>REC(2004)</b>	<p><b>55.</b> <i>The local or regional authority should stimulate participation by citizens and social partners in public affairs by regularly consulting them and should ensure that objective information is provided on the financial aspects of the issues under consultation.</i></p>

**NUMBER 68**

<b>Title</b>	<b>The training, presentation, discussion and approval of the General Account is in line with the requirements established by the applicable legislation</b>
<b>Description</b>	<p>At the end of the budgetary year, and prior to the deadlines set by the applicable legislation:</p> <ul style="list-style-type: none"> <li>- The Mayor (or Chairman) reports on the financial statements and accounts so that they provide a true and faithful view of the equity and of the financial situation of the authority as of year end, and of the economic outcome of its operations and the implementation of the budget for the financial year ended as of that date, pursuant to the applicable financial information legislative framework and, in particular, to the accounting principles and criteria contained therein.</li> <li>- The Mayor prepares the General Account of the local authority using the statements and accounts rendered by the authority itself, as well as for each of its dependent autonomous bodies, entities and publicly-owned companies (which have been submitted to the authority) and submits it to the Special Audit Committee.</li> <li>- The General Account is available to the public and it is sent to the Plenary meeting for its approval, along with the reports of the Special Audit Committee, together with any claims and objections lodged during time it is available to the public.</li> <li>- All this documentation, together with the reports prepared by the Comptroller regarding the settlements of the budgets and the accountability, are published on the service portal of the local authority.</li> </ul>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>▪ General Account dossier</li> <li>▪ Plenary meeting Minutes</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> May-July</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>2.1.2. Local reporting, monitoring and supervisory framework to audit the implementation of the budget</p>
<b>REC(2004)</b>	<p><b>80.</b> Approval of the accounts should be properly debated, in committee and then in the council, in the light of an outside opinion (for example an external audit).</p> <p><b>83.</b> Without prejudice to any existing legal obligations, the local or regional authority should make systematic use of annual external auditing (in whatever form) to certify accounts and check their compliance with the law (including measures combating fraud and corruption).</p>

**NUMBER 69**

<b>Title</b>	<b>The General Account of the local authority is subject to external auditing</b>
<b>Description</b>	The local authority audits the General Account produced at the end of the budgetary year in order to have the opinion of an independent expert as to whether the financial statements and accounts rendered express, in all their significant aspects, the true and fair view of the budgetary and financial information facilitated (with the scope detailed in Heading 2.1.2 above).
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>▪ General Account dossier</li> <li>▪ External audit reports.</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> May-July</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>2.1.3. Independent opinion on the final reports and financial statements</p> <p>Other related headings: 3.1.1.</p>
<b>REC(2004)</b>	<p><b>83.</b> Without prejudice to any existing legal obligations, the local or regional authority should make systematic use of annual external auditing (in whatever form) to certify accounts and check their compliance with the law (including measures combating fraud and corruption).</p> <p><b>84.-</b> The local or regional authority should assess the efficiency of its management at regular intervals, for example by making use of external audit.</p>

**NUMBER 70**

<b>Title</b>	<b>The budgetary amendments are not in response to a deficient estimate of the initial projections</b>
<b>Description</b>	<p>Relevance of the borrowing increased by means of budgetary amendments:</p> <ul style="list-style-type: none"> <li>- Comparative trend for the last four years of the number of budgetary amendments coming under the <i>allotments, additional borrowing</i> and <i>agreements</i> systems, totalling for each year the increased global amount in the borrowing on the statement of expenditure as the result of its approval and relating it to the final total borrowing of the annual budget.</li> <li>- Comparative trend for the last four years of the number of budgetary amendments coming under the <i>credit transfer</i> system, totalling for each year the global amount reduced and increased in the borrowing on the statement of expenditure as the result of its approval and relating it to the final total borrowing of the annual budget.</li> </ul> <p>The appraisal of those indicators shall not negatively consider the existence of significant amounts of budgetary amendments for any of the systems envisaged and for the four-year period for which the comparison is performed, provided that they meet the legal imperatives or that the authority adequately justifies the difficulties to project the related costs and revenue during the process to prepare the budget.</p> <p>In any event, regardless of the relevance of the amounts amended, the positive appraisal shall be conditional on the analysis of the appropriateness of the legal binding level of the loans that the authority has established, for the purpose envisaged herein.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• Regional Parliamentary Budgetary Laws.</li> <li>• General budget dossier and of the budgetary amendments and accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit:</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>2.1.4. Limiting of the number of the budgetary amendments during the year</p>
<b>REC(2004)</b>	<p><b>78.</b> Budget adjustments should be limited in number and in scope in order to avoid diverting the aims of initial budgetary objective. Adjustments should be organised in such a way as to give a clear view of the changes suggested and on their importance, and they should be given the same level of transparency, publicity and conditions of democratic control as the initial budgets.</p>



**NUMBER 71**

<b>Title</b>	<b>The transfers and transactions between the set of entities whose budgets are in the general one, are adequately covered in the budget or duly communicated to the Plenary meeting, and are keeping with the applicable legislation in each case.</b>
<b>Description</b>	<p>The appraisal of this best practice shall consider the adequacy, details and clarity with which they appear in the prepared documents:</p> <ul style="list-style-type: none"> <li>- The accounting and its description, the associated cost and its justification, along with the regulating legislation that is applicable to all budgetary transferences and transactions that it is envisaged will be performed between the authorities integrated in the general budget of the local authority.</li> <li>- The degree of coordination between the individual budgets that include those transfers and transactions (register of projections and identical borrowing and amount and correct presentation on statements and in accounts).</li> <li>- The full list of transactions that are not budgetary in nature and that are expected to be performed between the aforementioned entities (swaps, free assignments and asset reversals, debt assumptions, etc.), along with the procedure envisaged for their approval by the Plenary meeting or relevant governing body.</li> </ul>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• General budget dossier</li> <li>• Plenary meeting Minutes</li> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> September-December</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>2.1.5. <i>The relations between the local government and its subsidiary organisations are regulated by transparent agreements</i></p>
<b>REC(2004)</b>	No recommendation.

**NUMBER 72**

<b>Title</b>	<b>The budgetary recording of the investments is adequate</b>
<b>Description</b>	<p>The local authority records in the <i>real investments</i> chapter of the statement of expenditure those costs earmarked for creating infrastructures or to acquiring or creating assets that can be inventoried and required to operate the services and, in general, those other ones likely to be depreciated or amortised as buildings, machinery, fixtures and furnishings, etc. and which meet some of the following characteristics:</p> <ul style="list-style-type: none"> <li>- That they are not consumables.</li> <li>- That they have a foreseeable duration over one year.</li> <li>- That they are able to be inventoried.</li> <li>- That they are not reiterative.</li> </ul> <p>The renovations, alterations and improvements that extend the useful life of the goods, increase their capacity, improve their efficiency or their safety are also entered in this chapter.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>▪ Internal audit procedures of the area</li> <li>▪ General budget dossier</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.1. <i>Municipal investments are managed efficiently</i></p>
<b>REC(2005)</b>	<p>No recommendation.</p>

**NUMBER 73**

<b>Title</b>	<b>The local authority is aware of the relevant economic aspects related to implementing its most significant investments</b>
<b>Description</b>	<p>The local authority keeps past records of the most significant investments made.</p> <p>For the purposes of being included in those records, an investment is considered to be significant if its cost projection in the year that it is first incorporated in the budget of the authority exceeds 10% of the appropriations of the statement of expenditure.</p> <p>For all the investments that appear in the register where key deviations have occurred between the amounts of the initial and final budget, or between the budgeted amounts and the liabilities finally recognised, the aforementioned register includes the technical reports prepared to justify those differences, with sufficient explanations to understand them.</p> <p>Along with this document, the reports prepared by the Comptroller regarding those investments will also be published.</p> <p>The appraisal of this best practice shall consider, apart from the effective implementation of the described procedures, the adequacy of the information related to those investments and contained in the aforementioned register, and can include data such as:</p> <ul style="list-style-type: none"> <li>- Designation of the investment.</li> <li>- Year in which it was included in the budget of the local authority for the first time</li> <li>- Years in which budgetary liabilities related to this project have been recorded.</li> <li>- Amount of the approved initial budget.</li> <li>- Amount of the approved amendments.</li> <li>- Total liabilities recognised.</li> </ul> <p>Final amounts due (disposal of real investments, capital subsidies or transfers, debt, other revenue from capital operations).</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>▪ Audit procedures of the area</li> <li>▪ Record of past investments</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.1. <i>Municipal investments are managed efficiently</i></p> <p><i>Other related headings: 3.1.5.</i></p>

**NUMBER 73**

<b>Title</b>	<b>The local authority is aware of the relevant economic aspects related to implementing its most significant investments</b>
<b>REC(2005)</b>	<i>Heading 4.1.1. No recommendation.</i> <b>Other recommendations:</b> <b>31. Exceptional revenue should only be used to finance capital expenditure and the reimbursement of debt..</b>

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**PROCEDURES AND INDICATORS FOR BEST PRACTICES IN LOCAL AUTHORITY FINANCIAL RESOURCES AND BUDGETARY MANAGEMENT**

**NUMBER 74**

<b>Title</b>	<b>Level of implementation of the budgeted investments</b>
<b>Description</b>	<p>Comparative trend for the four last years of the implementation and cost commitment percentages (recognised liabilities/definitive loans and eligible costs/final appropriations) in the <i>real investments</i> chapter in the settlement of the budget of the set of entities integrated in the general budget of the local authority, with those implementation and commitment percentages being broken down to those calculated in the <i>appropriations carried over</i> grouping and those calculated in the <i>current budget</i>.</p> <p>The appraisal of those indicators shall positively consider upward trends being seen in the relations between the recognised liabilities and the costs undertaken with the final appropriations (or sustained in the case that the calculated percentages are significant), in the four-year period for which the information is requested. If the aforementioned upward trends can be seen in the percentages calculated in the <i>current budget</i> group, the result of the assessment carried out would improve.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Accounting information</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> December</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Indicator</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Financial resources benchmarking:</b></p> <p>4.1.1. <i>Municipal investments are managed efficiently</i></p>
<b>REC(2005)</b>	<p>No recommendation.</p>

**NUMBER 75**

<p><b>Title</b></p>	<p><b>The local authority has and applies different controls on the use of the assets that it owns and managed by others and on the fulfilment of the contracts</b></p>
<p><b>Description</b></p>	<p><u>The local authority controls the use of municipally-owned assets that should be managed by the successful bidders to run the public services-</u></p> <p>The appraisal of this best practice shall consider the suitability of the procedures established to regulate in the relevant administrative contracts and the checking of the effective compliance of the set of conditions, limitations or requirements imposed on the contractor for the use, upkeep or reversal of municipal-owned assets that are managed by successful bidders to run public services.</p> <p><u>The local authority controls the execution of the concessionary contract, along with the running of the services provided using own means by the authority itself or by any of its dependent entities-</u></p> <p>The local authority has in place and applies a system to control the services provided, either using its own resources (in any of the entities that make up the general budget of the authority) or using outside resources by means of entering into the relevant administrative contract.</p> <p>The appraisal of this best practice shall consider the suitability of the established system in order to:</p> <ul style="list-style-type: none"> <li>- Control the level of execution of the services and contracts tendered out, whether they are for works, services, managing public services or service concession agreements.</li> <li>- Periodically assess whether the purpose of the contract is being effectively provided, while complying with the terms of quality, timeline and cost contained in the relevant technical specifications.</li> </ul> <p><u>The contracting of external consultants is only carried out on justified grounds of expertise, efficiency or need-</u></p> <p>The authority resorts to external consultants provided that their contracting can be justified on grounds of:</p> <ul style="list-style-type: none"> <li>- Opportunity to execute and finalise the project.</li> <li>- The efficiency, in relation to the cost for the organisation to carry out that work.</li> <li>- The specific nature of the technical or professional knowledge required.</li> <li>- The convenience or need for the internal working parties to be led by people from outside the organisation.</li> </ul> <p>The appraisal of this best practice shall consider the adequacy of the grounds given to achieve the purpose envisaged.</p>
<p><b>Documentation:</b></p>	<ul style="list-style-type: none"> <li>• Internal audit procedures of the area (regulating the use of municipal assets, to control the services provided to the entity or to contract external consultants)</li> <li>• Report on the courses of action taken in this area</li> </ul>

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<b>Title</b>	<b>The local authority has and applies different controls on the use of the assets that it owns and managed by others and on the fulfilment of the contracts</b>
	<ul style="list-style-type: none"> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Efficient management</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>2.1.6. The service contracts guarantee the maintenance of the equity and social spending.</p> <p>2.1.7. Local services should be managed efficiently</p> <p>3.1.5. Criteria to use external consultants</p>
<b>REC(2004)</b>	No recommendation.

**NUMBER 76**

<b>Title</b>	<b>The general public is aware of the most significant costs incurred</b>
<b>Description</b>	<p>The appraisal of this best practice shall consider the adequacy and appropriateness of the information supplied, for example through the service portal regarding the purpose envisaged by the procedure and which could contain different data such as:</p> <ul style="list-style-type: none"> <li>- Any formalised contract, either for the procurement of current assets and services or to make investments, provided that the amount of budgetary liabilities to be recognised exceeds 10% of the total appropriations of both chapters of the economic classification of the costs and indicating the budgetary heading under which they have been entered.</li> <li>- Any ruling to grant a transfer or subsidy granted, whether capital or current, provided that the amount of budgetary liabilities to be recognised exceeds 5% of the total appropriations of both chapters and indicating the budgetary heading under which they have been entered.</li> <li>- The full list of objections raised by the Comptroller, indicating whether it has been necessary to resolve the discrepancy, the body responsible for doing so and the decision finally adopted.</li> </ul>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>▪ Service portal information</li> <li>▪ Accounting information</li> <li>▪ Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Transparency / Participation</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> High</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>2.1.8 The financial operations of the local governments will be transparent</i></p>
<b>REC(2004)</b>	<p><i>No recommendation.</i></p>



**NUMBER 77**

<b>Title</b>	<b>The comptroller audit is conducted comprehensively and in a timely manner</b>
<b>Description</b>	<p>The Comptroller performs the internal audit of the budgetary, financial and economic activity of the local authority and of its dependent autonomous bodies, entities and publicly-owned companies, in the terms and with the objectives established by the applicable legislation and in keeping with the <i>legality review, efficiency and effectiveness economic audit, financial audit and organisational audit</i>.</p> <p>When the measures at the disposal of the Comptroller are insufficient to correctly and comprehensively perform that Comptroller function, he shall resort to contracting external audits for that purpose.</p> <p>In any event, resorting to external auditors occurs whenever the Comptroller, as the result of the aforementioned of resources, cannot guarantee to the Mayor (or Chairman) that the financial statements and accounts present a true and fair view of the equity and of the financial situation of the authority as of year end, and of the economic outcome of its operations and the implementation of the budget for the financial year ended as of that date, pursuant to the applicable financial information legislative framework and, in particular, to the accounting principles and criteria contained therein.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• Reports prepared by external auditors</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> True and fair view</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p>3.1.1. Internal audit function and framework</p>
<b>REC(2004)</b>	<p><b>82.</b> The local or regional authority should establish and put into general practice a framework for internal auditing (for example a code of ethics, independence measures, a right of initiative, conditions of intervention, notification of the council, follow-up, publishing of reports, etc.) and organise support for such internal auditing (recommended methodology, outside technical back-up).</p> <p><b>84.</b> The local or regional authority should assess the efficiency of its management at regular intervals, for example by making use of external audit.</p>

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#### NUMBER 78

<b>Title</b>	<b>The local authority only implements commercial activities for which there is no competitive market, limiting the risks to which it could be exposed</b>
<b>Description</b>	The appraisal of this best practice shall consider whether the commercial activities performed or public services provided by the entities that make up the local public sector are justified on public interest, charitable or social grounds when so recommended.
<b>Documentation:</b>	<ul style="list-style-type: none"><li>• Report justifying the commercial activities performed or public services provided and risk assessment.</li><li>• Internal audit, objection, management and intervention reports</li></ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Organisational / Jurisdictional</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<b>Budgetary and financial management benchmarking:</b> <i>3.1.4. Limits on the commercial activities, investments</i>
<b>REC(2004)</b>	<i>66. Establishing or managing commercial enterprises and participation in such enterprises should be limited, in principle, to public service activities or to activities in which there is no competitive market or activities that are aimed at economic promotion (such as housing developments, creation of business parks and start-up activities, promotion of employment, etc.).</i>

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**NUMBER 79**

<b>Title</b>	<b>The financial imbalance situations are corrected according to the procedures established in the applicable legislation</b>
<b>Description</b>	<p>In the situations when the local authority approves, executes or settles the consolidated budgets (between the set of entities that establishes the applicable legislation) not meeting the spending rule, public debt or budgetary stability targets, formulates a financial-economic plan where it contemplates in detail the set of measures (basically, financial or economic and with an impact on the budget), whose adoption within one year should allow the authority to right the non-compliances detected.</p> <p>These plans are prepared by the Mayor of the local authority, reviewed by the Comptroller and submitted to the Plenary meeting for its approval.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• Financial-economic plans in force</li> <li>• Plenary meeting Minutes</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Budgetary Stability / Financial Sustainability</p> <p><b>Category:</b> Legal compliance</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>3.1.6. Procedure for situations of financial difficulties</i></p>
<b>REC(2004)</b>	<p><b>85.</b> <i>The local or regional authority should not request financial aid from the state or supervisory authority if it is able to redress its financial situation through other means.</i></p> <p><b>86.</b> <i>As soon as it finds itself in financial difficulty, the local or regional authority should devise and set up a financial recovery plan, if necessary with assistance from the state or supervisory authority, independent administrative authorities or private auditing firms.</i></p> <p><b>87.</b> <i>The recovery plans should be debated and adopted by the council or assembly in public sittings. The plan should set out the necessary data and the undertakings on which the following budgets are to be based. The plan may be contractual, depending on legislation, vis-à-vis the body providing financial support to the local or regional authority concerned.</i></p>

**NUMBER 80**

<b>Title</b>	<b>The authority includes clauses that foster gender equality in contracts, subsidies and agreements</b>
<b>Description</b>	<p>The local authority, in the legislation that regulates the granting of subsidies and in the cases when so allowed by contract legislation, includes clauses that foster gender equality.</p> <p>The Plenary meeting or, failing that, the contracting authority, establishes the rates of characteristics of the contracting and subsidies in which the different clauses are to be applied. Those clauses are incorporated in section sections of the contracting specification or subsidy rules, such as the criteria for awarding a contract, requirements to contract or to be a beneficiary of subsidies, obligations in the implementation, technical solvency, etc.</p>
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>• Report on the courses of action taken</li> <li>• Internal audit, objection, management and intervention reports</li> </ul>
<b>Other characteristics</b>	<p><b>Timeline:</b> All year</p> <p><b>Priority approach:</b> Gender</p> <p><b>Category:</b> Improvements to regulated aspects</p> <p><b>Relevance:</b> Medium</p>
<b>LFB Toolkit</b>	<p><b>Budgetary and financial management benchmarking:</b></p> <p><i>No heading assigned.</i></p>
<b>REC(2004)</b>	<i>No recommendation.</i>