



LOCAL FINANCE BENCHMARKING TOOLKIT Report on Spain

Galdakao [-2.844752°, 43.231378°](#)

Santander [-3.809980°, 43.462306°](#)

Valladolid [-4.724532°, 41.652251°](#)

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It should also be noted at this point my thanks to the Association of Basque Municipalities -EUDEL- at which belongs Galdakao, and the Spanish Federation of Municipalities and Provinces, -FEMP- where belongs Santander and Valladolid, and through to, has established the agreement with the Council of Europe for to do this work.

Chapter I. Overall trends in local finances and financial management

In order to establish a framework to contextualize the data collected with the LOCAL FINANCE BENCHMARKING TOOLKIT proposed by the Council of Europe, the following pages offer an overview of the problems that affect the local finances, the main issues of discussion, as well as recent trends in Spanish local legislation.

The Spanish municipal map.

The Spanish administrative map has been built over the last 35 years from a transition between a highly centralized country to a democratic and decentralized State, carried out with a high degree of prominence of the regional Autonomous Communities -CCAA-. A process that has focused on transfer of powers from the central government, almost exclusively to regional governments, without significant decentralization to local authorities, whose treatment has been consistently postponed. Although at this point we must consider also the lack of consensus between local authorities and the Spanish society with the deal, not just for a modification of an excessively fragmented municipal map, but also for the reorganization in the provision of services.

The administrative Spanish framework that shapes the Constitution of 1978, establishes three levels of government: Central Government, CCAA and Local Authorities. The definition of local authority was fixed a few years later by the Law 7/1985 "Ley de Bases de Régimen Local" (LBRL), who's Article 3.1 says as local necessary authorities: the Municipality, the Province, the Island in the case of Balearic and Canary Islands. And finally have allowing the status of local authorities; counties, metropolitan areas, associations of municipalities or other entities, as particular cases.

STRUCTURE OF SPANISH MUNICIPALITIES

| Rank size inhabitants | Municipalities | | Population in 2012 | | △ Pop | Aging index | Area | |
|-------------------------|----------------|---------------|--------------------|---------------|--------------|--------------|----------------|---------------|
| | Number | % | Inhabitants | % | 2000 to 2012 | 2012 | Km2 | % |
| More than 500,000 | 2 | 0,0% | 4.854.470 | 10,3% | 10,9% | 19,1% | 704 | 0,1% |
| from 100,000 to 500,000 | 61 | 0,8% | 13.940.190 | 29,5% | 10,4% | 16,8% | 13.288 | 2,6% |
| from 50,000 to 99,999 | 82 | 1,0% | 5.896.687 | 12,5% | 26,2% | 14,6% | 13.991 | 2,8% |
| from 20,000 to 49,999 | 254 | 3,1% | 7.561.192 | 16,0% | 27,0% | 15,0% | 35.933 | 7,1% |
| from 5,000 to 19,999 | 915 | 11,3% | 9.026.364 | 19,1% | 24,2% | 16,5% | 88.450 | 17,5% |
| from 1,000 to 4,999 | 1.931 | 23,8% | 4.497.507 | 9,5% | 11,4% | 21,5% | 158.081 | 31,3% |
| Less than 1,000 | 4.871 | 60,0% | 1.488.911 | 3,2% | -4,9% | 30,2% | 194.256 | 38,5% |
| Total | 8.116 | 100,0% | 47.265.321 | 100,0% | 16,7% | 17,4% | 504.703 | 100,0% |

Statistical data source: INE 2012 www.ine.es

Aging Index= (Pop > 64 years / Total population)*100.

As it shows the table, the urban structure of Spanish municipalities is characterized by a main urban network of 63 cities with more than 100,000 inhabitants, over which the territory is organized and conform their major metropolitan areas. It brings together nearly 40% of the Spanish population, over an area of just under 3% of its territory.

A second and a large middle group of 1,251 municipalities between 5,000 and 100,000 inhabitants, represents 15% of them, and 47.6% of the population. Are those municipalities who have had greater demographic dynamism in recent years, having grown up around 25%. There are urban cores that are configured as a service centre of its neighbouring areas. Being also the rank of cities with the younger population.

Finally, the remaining 6,812 municipalities until reaching 83% of the total, meets only 12% of the Spanish population, characterized by lower growth, population loss in many cases, a high level of aging -until 23.6% for all of the municipalities in these two ranges of population- and a basically rural character.

Assignment of municipal competences.

Municipalities arrived to democracy at the end of 70's, as administrations with very limited competences, while gradually began to offer a wide variety of public services, by the necessity to respond to a growing demand for public services, related with new social needs and greater exigency from the people in relation to the quality of services. Services that in many cases should offer other administrations and was performing as "improper service" because neither the Constitution nor the LBRL assigned them those competences. The principle of subsidiarity, the pressure from citizens, as well as decentralization of services from the CCAA, in many cases without contribution of funding, was resolved with an increase in the municipal tax burden to its citizens.

In this framework, the budgetary situation of Spanish municipalities has been characterized by an historical problem of financing, because its participation in State revenues often has been insufficient and inelastic.

The LBRL established the services to provide for the municipalities, depending on his size of population. Thus, municipalities are required to provide in any case: Street lighting, Cemetery, Collection of residues, Street cleaning, Supply of drinking water at homes, Sewer System, Access to population centers, Paving the public thoroughfares and Control of food and drink.

In municipalities with more than 5,000 inhabitants, added further: Public parks, Public Libraries, Markets and Waste management. Municipalities with more than 20,000 inhabitants: Civil protection, Social services, Prevention and firefighting, Sporting installations for public use, and Slaughterhouse. And with more than 50,000, also added: Urban passenger transport and Environment protection.

The distribution process of competences and resources according to a ratio of 50/25/25, between Central Government, CCAA and local authorities, proposed as a ideal situation. It would have led to the so-called "second wave decentralization" and really had placed Spain among the most decentralized countries. Although all this was not achieved, by the difficulty to close the competency map of the CCAA, because the last ones had always a greater capacity of political pressure.

In any case the LBRL allows municipalities to perform their own complementary activities of other public administrations, in particular to those relating with education, culture, promotion of women, housing, health and protecting the environment. So, there are many fields of activity in which regional and local governments operate simultaneously, such as culture, tourism, urban planning, transportation and some others. The lack of proper clarification of responsibilities, from the principle of subsidiarity, assigning the closest government the provision of services, has caused problems throughout the last years.

The municipal financial framework.

The current model of local finance is based on the Law 39/1988 "Reguladora de las Haciendas Locales", in which is determined: the classification of the income of local government finances, the imposition and management of local taxes through fiscal ordinances, the structure and codification of municipal budgets, and the procedures for developing and approving them. A law that subsequently has been subjected to several modifications.

During this time, the position of municipalities as the most closest administration to the citizens, has made them assume a set of functions necessary to maintain and enhance the quality of life of its population, for which in many cases had not assigned, or competencies or financial resources to provide them.

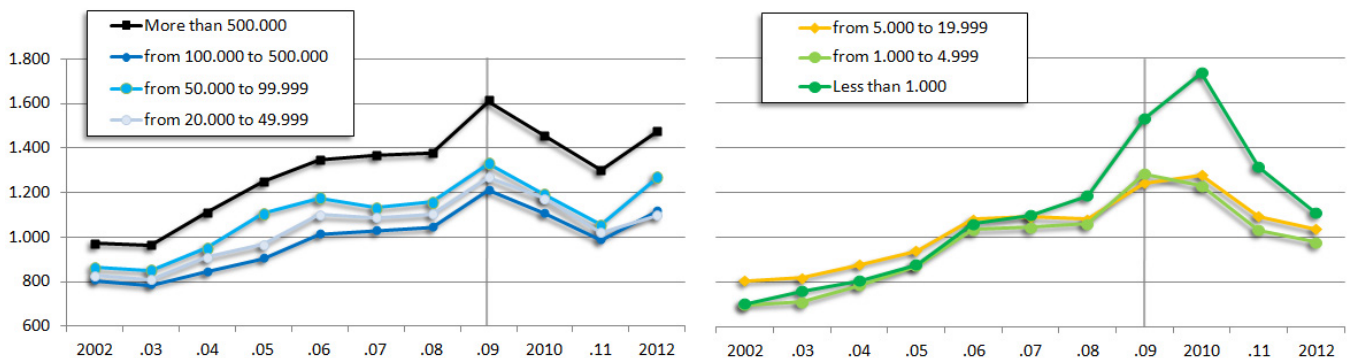
To address some of the considerations above, was passed the Law 57/2003 on measures to modernize local government, also known as the law of large cities, promote the modernization of the management of large municipalities, in four main lines: a.- Boosting citizen participation in the management of local affairs and defense of their rights, with the creation of "citizen participation regulations" following at this point the guidelines established by the Council of Europe. b.- In the management of local public services, establish new business figures such as public agencies, autonomous organizations and mercantile companies with public capital. c- It regulates the organization of the economic and financial management, establishing the functions of budgeting, accounting, treasury and tax collection, and attributing all the civil service case control and internal audit management the economic and budgetary management of the general municipal intervention. Whose holders must be local authority officials with national qualification. As well as a specialized agency, to hear and resolve complaints about local tax acts. d.-In the management of local public services, allows the creation of public companies, autonomous bodies, commercial companies or public capital, among others. While facilitating access to competencies such as civil protection, active labour market policies, family policies, education and social services. And finally, in the field of small towns, is reinforced the role of commonwealths, as a volunteer groups of municipalities, at the same times that is attributed to the provinces, competencies in local development.

So, beyond the divergences, between the demands of citizens and the competencies and funds available for municipalities, it should be noted that a significant number of municipalities as a result of the "housing bubble" of the early years of this century, the significant increase of revenues from construction was allocated to a current expenditure,

which with the collapse of construction make collapse those services and in many cases breaking municipal funds.

The recent trend in the evolution of total budget revenues of Spanish municipalities, since 2002, as we can see in the graphs shown below, was of sustained growth, from the 830.3 €/Inhab. in 2002, to 1,324.3 in 2009, when the economic crisis had already exploded in Spain, and whose peak coincides with a special plan against the economic crisis, which was enabled from the National Government and implemented through the municipalities, whose effects are extended in small municipalities with less than 20,000 inhabitants until 2010.

BUDGET REVENUE OF THE SPANISH MUNICIPALITIES ACCORDING TO POPULATION SIZE Euros / Inhabitants



Statistical data source: <http://www.minhap.gob.es>

Since that moment a strong decline occurs, first in 2009, among municipalities with more than 20,000 inhabitants -the reason why the chart is divided into two blocks- in front of the smaller municipalities. So, while in 2012 the small municipalities are still in the process of falling, the largest municipalities seem to have started a certain recovery, which must subsequently be confirmed with data from 2013. Thus the average budgetary income in municipalities under 20,000 inhabitants descended at 2012 to 1,026.8 Euros per inhabitant, while in biggest municipalities raised up until 1,224.4.

The current economic crisis has leading to multiple financial problems: virtual disappearance of urbanistics incomes, falling of revenue sharing tax with the State, cuts in discretionary transfers from higher levels of governments and the practical impossibility of obtaining credit.

In order to put under control the debt of the Public Administrations, already in the Treaty of the Economic and Monetary Union, signed in Maastricht in 1991, supported by the Stability and Growth Pact (Amsterdam, 1997) and the recommendations of the Council of Europe of Santa María de Feria (2000), a balanced budget scenario was established. Although it was not until the start of the financial turbulence and debt problem, affecting countries of southern Europe and Ireland. Although it wasn't until the start of the finan-

cial turbulence and debt problem, affecting to the countries of southern Europe and Ireland, when it started to act in this field.

The reform of the Article 135 of the Spanish Constitution in 2011, which establishes budgetary stability as a principle for Public Administration, has led to the Law 2/2012, of 27 April, of Fiscal Stability and Financial Sustainability. And a revision of the Law 7/1985 of 2 April, LRBRL, which had already suffered more than twenty changes, with the objective of:

- Clarify and simplify municipal competencies in order to avoid duplication under the principle of "one Administration one competence» in order to avoid overlaps competence between Administrations.
- Rationalise the organizational structure of local government, according to the principles of efficiency and budgetary balance.
- Ensure a more rigorous financial and budgetary control
- Promoting local economic activity with deregulation measures

As a conclusion, we can summarize that has been indicated until now, in four main lines of discussion related with municipal budgets.

- 1.- The need to act on a **highly fragmented local map**, which affects the efficient delivery of services, either favouring the process of merging of municipalities, or by transferring competencies to achieve service delivery areas where generated "economies of scale" to achieve sufficient levels of efficiency and service delivery.

By the specificity of this paragraph, the fact that many European countries have made local concentration processes, since the 1960s, with the exception of France, Italy as well as Spain. None of the extracted LBFT recommendations have been implemented at this point explicitly.

- 2.- Serve the **financing needs of Spanish municipalities** is one of claims still outstanding from the very constitution of democratic councils, more than forty years ago, in order to guarantee the full autonomy and equal access to services for Spanish all equal.

Many of the recommendations arising from the analysis of the questionnaire of LBFT have application in this second section focused on issues of local financier performance. Five in the general section of "principles of local tax policies" that deal with the "capacity development of the local staff", the number and training. As questions on "Local tax policy design", and on "fiscal policy". And with "fees, charges and miscellaneous revenues", calculation methodologies and impact. Just as concerning "management of local property", and the periodic updates of non-financial assets city. While in section II. "Budgetary solvency and tax planning" of four related to the "fiscal strategy design" recommendations can be extracted, and approving the first targets Budgetary That will determine the budget later. The system of "budgeting methods and capacity", and indicators, the section about "special rules of budget adjustments and implementation", and his recommended to Establish Responsibilities.

And finally With the section on "special control supervision on activities" to deal with difficult financial situations.

- 3.- Adaptation of **organizational forms** in regard of establishing methodologies with which evaluate continuously the cost of services and the introduction of new technologies in the management of municipalities, appears as a key question, at the present time.

The recommendations involved with this line of budget discussion, relate LBFT of five sections such as: "Local tax policy design", the use of "information technologies", the "capacity development of the local staff", and the "Local tax policy design "as well as" fiscal policy ".

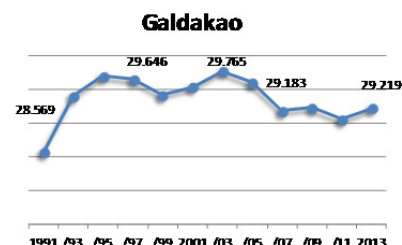
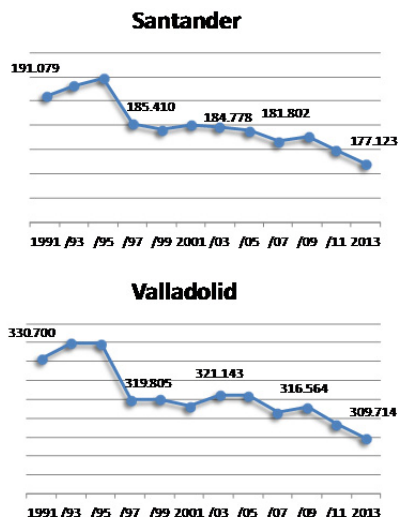
- 4.- And finally, the implementation of actions for **strengthening of democracy**, looking to see a greater involvement and participation of citizens, clarifying the rights and responsibilities, while making it more comprehensible and transparent the municipal activity.

At this point it should attend actions of "transparency and Involvement of citizens", the use of "information technologies" specific recommendations in the section "information and publicity" and finally deriving from "budgeting procedures", and citizen involvement.

Chapter II. Summary report on local finances in the pilot cities

This chapter shows the results of the survey for this LFB using detailed reports cities in order to highlight the main recommendations on local financial management in Spain.

CITIES ASSESSED



Links with municipal websites:

<http://www.galdakao.net/>,
<http://portal.ayto-santander.es>
<http://www.valladolid.es>

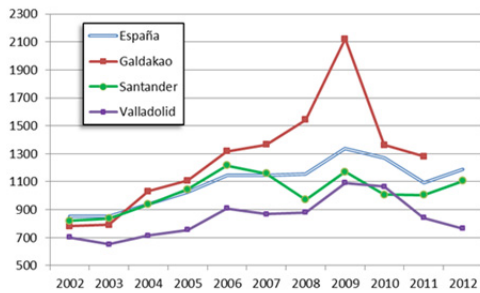
BUDGET 2013

| INCOMES | Galdakao | | Santander | | Valladolid | |
|---|----------------------|-------------|-----------------------|-------------|-----------------------|-------------|
| Direct Taxes | 8.825.550,34 | 27% | 82.632.364,15 | 49% | 108.981.740,00 | 42% |
| Indirect Taxes | 396.787,06 | 1% | 5.679.635,32 | 3% | 8.793.195,00 | 3% |
| Fees and other income | 4.114.049,29 | 13% | 36.104.043,60 | 21% | 49.426.080,00 | 19% |
| Current Transfers | 18.745.363,25 | 58% | 42.730.976,47 | 25% | 78.009.840,00 | 30% |
| Property incomes | 371.761,14 | 1% | 1.413.349,38 | 1% | 12.329.800,00 | 5% |
| Total property income | 32.453.511,08 | 100% | 168.560.368,92 | 100% | 257.540.655,00 | 100% |
| Alienation Real Investments | 762.461,13 | 47% | 11.800.617,76 | 67% | 9.414.115,00 | 90% |
| Capital Transfers | 856.070,45 | 53% | 5.858.655,40 | 33% | 1.035.200,00 | 10% |
| Total Non-Financial Capital Operations | 1.618.531,58 | 100% | 17.659.273,16 | 100% | 10.449.315,00 | 100% |
| Total Non-Financial Operations | 34.072.042,66 | | 186.219.642,08 | | 267.989.970,00 | |
| Financial Assets | 27.955,82 | 10% | 582.000,00 | 100% | 10.352.000,00 | 100% |
| Financial Liabilities | 261.727,09 | 90% | | 0% | | 0% |
| Total Capital Financial Operaciones | 289.682,91 | 100% | 582.000,00 | 100% | 10.352.000,00 | 100% |
| TOTAL INCOME Year | 34.361.725,57 | | 186.801.642,08 | | 278.341.970,00 | |
| COSTS | Galdakao | | Santander | | Valladolid | |
| Personnel Expenses | 9.647.821,01 | 36% | 58.571.579,47 | 40% | 132.686.595,00 | 61% |
| Real Corrientes and Services | 14.841.014,67 | 56% | 73.946.467,44 | 50% | 65.272.719,00 | 30% |
| Financial Expenses | 29.936,85 | 0% | 5.526.930,89 | 4% | 5.890.800,00 | 3% |
| Current Transfers | 2.084.259,28 | 8% | 9.163.944,05 | 6% | 12.573.426,00 | 6% |
| Total Current Operations | 26.603.031,81 | 100% | 147.208.921,85 | 100% | 216.423.540,00 | 100% |
| Real Investments | 3.697.843,54 | 100% | 22.021.720,58 | 95% | 26.157.500,00 | 85% |
| Capital Transfers | 0,00 | 0% | 1.121.661,94 | 5% | 4.792.130,00 | 15% |
| Total Non-Financial Capital Operations | 3.697.843,54 | 100% | 23.143.382,52 | 100% | 30.949.630,00 | 100% |
| Total Non-Financial Operations | 30.300.875,35 | | 170.352.304,37 | | 247.373.170,00 | |
| Financial Assets | 27.955,82 | 3% | 496.600,00 | 3% | 22.105.000,00 | 29% |
| Financial Liabilities | 1.027.312,80 | 97% | 15.752.737,71 | 97% | 54.089.830,00 | 71% |
| Total Capital Financial Operaciones | 1.055.268,62 | 100% | 16.249.337,71 | 100% | 76.194.830,00 | 100% |
| TOTAL COSTS Year | 31.356.143,97 | | 186.601.642,08 | | 323.568.000,00 | |

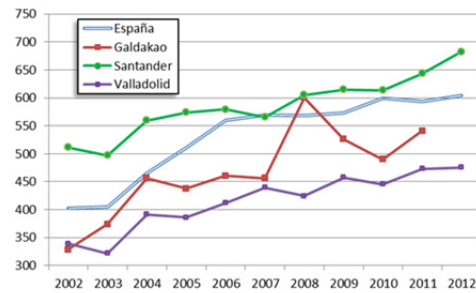
Statistical data source: <http://www.minhap.gob.es>

The analysis of degree of implementation of the recommendations of the Council of Europe, will take place on three cities with different characteristics such as; Galdakao a municipality located in the metropolitan area of Bilbao with nearly of 30,000 inhabitants, Santander with 177,123 inhabitants, a maritime capital city of Cantabria and Valladolid the regional capital of Castile and Leon, an inner city with 309,714 inhabitants. They are cities that have experienced some loss of population over the twenty-first century.

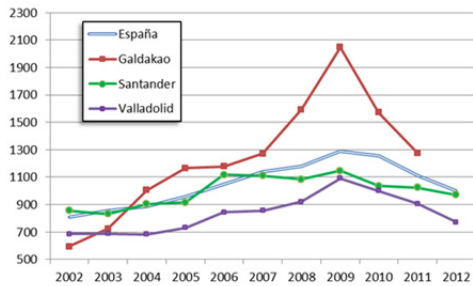
REVENUES PER INHABITANT



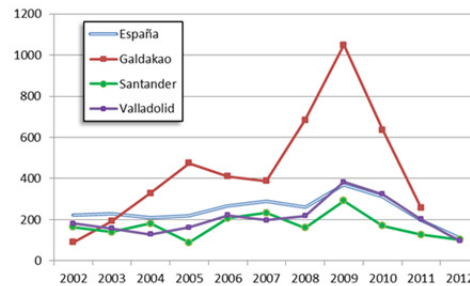
TAX BURDEN PER INHABITANT



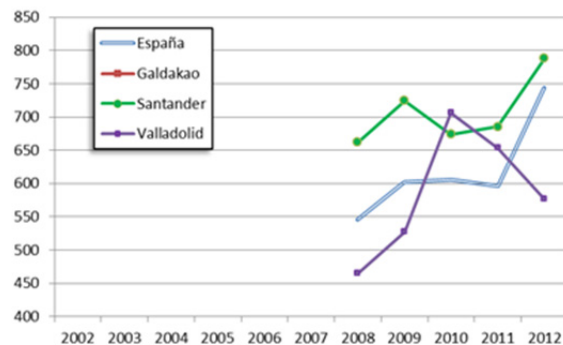
PUBLIC EXPENDITURE PER INHABITANT



INVESTMENT PER INHABITANT



BORROWING PER INHABITANT



Statistical data source: <http://www.minhap.gob.es>

The tables shown on these pages want just to provide some background on budgetary expenditure and revenue flows of the three municipalities as large groups, in order to provide a global vision of the budgetary situation in Spain.

ASSESSMENT AND RECOMMENDATIONS FROM LOCAL REPORTS

| | Assessment | | |
|---|------------|---|---|
| | G | S | V |
| I. General principles of local fiscal policies. | | | |
| I.1. Local tax policies design. | 9 | 8 | 8 |
| I.2. Transparency and involvement of the public. | 8 | 8 | 8 |
| I.3. Timing of fiscal decisions. | 8 | 9 | 9 |
| I.4. Use of IT. | 8 | 9 | 9 |
| I.5. Capacity development of local staff. | 8 | 8 | 8 |
| I.6. Local tax policy design. | 9 | 8 | 8 |
| I.7. Tax policy. | 8 | 8 | 7 |
| I.8. Information and publicity. | 5 | 8 | 7 |
| I.9. Tax administration. | 8 | 9 | 9 |
| I.10. Tax system audit (R25). | - | 7 | 6 |
| I.11. Fees, charges and miscellaneous revenues. | 6 | 7 | 7 |
| I.12. Capital Budget Financing. | 9 | 7 | 8 |
| I.13. Local property. | 6 | 7 | 8 |
| II. Sound budgeting and fiscal planning. | | | |
| II.1.- Fiscal strategy design. | 6 | 7 | 8 |
| II.2. Budgeting methods and capacity. | 7 | 7 | 7 |
| II.3. Budgeting procedures. | 6 | 7 | 7 |
| II.4. Fiscal policy objectives. | 8 | 6 | 5 |
| II.5. Special rules of budget adjustments and implementation. | 7 | 7 | 7 |
| II.6. Special control, supervision on activities. | 8 | 7 | 6 |

 Recomendación

I. General principles of local fiscal policies.

In relation to **local tax policy design**, for which there is a very precise and developed legal framework, is recommended to evaluate periodically the economic and social impact of taxes, fees and charges for municipal services portfolio, providing information.

The actions of **transparency and involvement of the public**, further than a good use made of ICT as a platform to inform ever more complete and extensive budget information. It should have a protocol for budget preparation, beyond legal determinations, allowing citizens to know their deadlines preparation, discussion and approval. Without forgetting the role that corresponds to the democratically elected municipals. Provide the budgeting process for more transparency and citizen participation, avoid the feeling of citizens that elections suppose the delivery of a blank check for four years, capitalizing channels for citizen participation, such as the Social Council in the case of Valladolid, the 2010-2020 Strategic Plan of Santander, or direct query that performs Galdakao. Without forgetting the indications that are reflected in the draft of the Law on Transparency and the batteries indicators proposed from Transparency International. As well as promote budget debates regular basis, both at the beginning and middle of the budget year in order to assess the state of implementation of the budget and possible modifications. This would help to improve the processes of participation and transparency of local tax policies.

Concerning to the use of **information technologies** and communication widely implemented, it's necessary to end their implementation process, opening the payment gateways, to allow citizens to carry out with their tax obligations.

With regard to the **capacity development of local staff**, it is recommended to develop training plans to the budget designing itineraries for to apply ICT, to achieve greater efficiency and coordination of activities to develop. As well as the recording of cases of non-compliance and conflicts of interest, as indicated in the proposal of the Council of Europe. Moreover, it should promote training actions addressed to councillors, strengthening their knowledge of the technical aspects of managing the areas, and in particular, to better understand the message of the budget.

On the **Local tax policy design**, we propose to establish, on the other hand as already noted in the "Law of budgetary stability and financial sufficiency" cost studies of providing services as a tool for the design of a municipal tax model. Implementing a system to set and update the amount of fees in order to ensure coverage of the service cost, establishing the amounts depending on the major cost factors.

In the section of **fiscal policy** recommendations can be made in four lines of action: Establish procedures to allow revenue executive reduce business remaining balance of the receivables, either through its revenue or annulled by prescription, insolvency or other causes. Implement a regular tax audit, through action plans in the medium term, allowing new chargeable events emerge or revise existing ones, and to an increase in tax revenue. Strengthen internal audits related to the administration of local taxes, in its different forms: legality, effectiveness and efficiency. Give knowledge of reports produced on the quality of taxation and fiscal policy, and record the number of remaining lawsuits or resources and account for funds earned as directed posed. And all this without forgetting that the level of workload that are undergoing the offices of municipal intervention by the progressive introduction of higher standards of transparency and control, require greater number of staff

With regard to the **information and publicity** have been raised recommendations Publication and communication of the proposed on fiscal policies, explanation of alternative proposals and implementation goals and explain the overall objective of tax revenue. While the widespread publication of the List of municipal services.

The objective raised respect to **fees, charges and miscellaneous revenues**, requires going further than the methodology for determining the cost of providing the services and analyze their impact on the population.

Among the recommendations for the **management of local property**, it should be noted the implementation and improving the quality of periodic updates of non-financial municipal assets, municipal inventories and liabilities, direct and indirect assets are recommended.

II. Budgetary solvency and fiscal planning.

From the **fiscal strategy design**, it should establish as a recommendation of the interest for starting an initial debate to preparing the budget, by establishing and approving first the budgetary targets that later will determine the budget.

The system of **budgeting methods and capacity**, it's taken up as a recommendation the need for progress in obtaining indicators to measure the level and the quality of municipal services, in order to draw conclusions about effectiveness, efficiency and economy of services which are synthesized in a control panel.

In relation to the **budgeting procedures**, it's recommended to establish procedures that allow the citizens to identify the most significant investment projects and make contributions. So as obtain external opinions for accountability.

In the section referred with the **special rules of budget adjustments and implementation**, it's recommended to establish responsibilities for maintenance, repair and reconstruction of assets transferred to autonomous organizations or public enterprises, with compensations to be received for the assets used by contractors.

For the section on **special control, supervision on activities**, it has been recommended to advance in the criteria relating to the procedures for deal with difficult financial situations.

Chapter III. Summary report on local finances in the pilot cities

The proposals pointing in the following pages are concerned with the matters raised by participants Spanish municipalities in the "Local finance benchmarking toolkit" promoted by the "Centre of Expertise for Local Government Reform" of the Council of Europe. But it also, following with the proposed methodology, with the points raised in Chapter I, on recent trends in the Spanish local legislation and current issues of the reform of local finances.

1. Competencies and territory

The need to act on a highly fragmented local map, which affects to the efficient delivery of services, either favouring the process of merging of municipalities, or by transferring competencies from the little municipalities, to others administrations of superior level, to achieve service delivery areas where generated "economies of scale" to achieve sufficient levels of efficiency and service delivery.

1.1. Rationalisation of municipal map.

Current Spanish municipal structure with over 60% of them with less than 1,000 inhabitants, generates a set of dysfunctions that impact negatively both in limitation of services provided and their effectiveness, and too in the ability to improve the quality of life of their neighbours and finally, in the degree of autonomy of the municipalities themselves. Considering also that many of them are located far from urban centers, have poorly diversified economies and have an aging population should be considered that these municipalities require specific treatment.

Proposal:

Introduce measures to encourage the fusion of municipalities even with different degrees of integration, on the basis of historical, geographical, cultural and economic circumstances. Supported by the grant of aid or access to funding programs. They are actions that are targeted in the draft Law "Streamlining and Sustainability of Local Government" and would advance on this path, where budgetary provision levels that are granted are sufficient.

1.2. Administrative cooperation in the provision of services.

The implementation of plans for cooperation in infrastructure and services from the provincial government or other intermediate administrations that allows generate economies of scale, maximizing investment and improving the quality of services provided. At the same time inertia generate processes that facilitate cooperation between municipalities from the base. The superior administrations can receive skills, joint procurement, have shared service centers, central purchasing, etc.. from small municipalities, and establishing clauses to protect of the agreement of delegation.

Proposal:

Plans for municipal cooperation promoted by Central Government and the Autonomous Communities are preferably distributed through by supramunicipal administrations, in cases where the municipal size or cost of service delivery, so dictate.

1.3. New technologies: reduce distances, serve more people.

The development of ICT has allowed direct access to the citizens, their homes, facilitating administrative procedures and services, thanks to the so-called virtual offices and digital signatures, will increase significantly the number of services the level of interaction with citizens in ever wider fields. Also through projects and networks as "smart cities" and others are being

developed technologies that provide to the cities with the highest efficiency and quality of life for its citizens. Similarly the development of Open Data and the value of reuse of data, agreements public-private partnership and the number of services will be increased to provide citizens.

Proposal:

Progress in the implementation of new technologies, share information in Open Data, promote public-private partnerships in action data reuse, and increasing levels of digital literacy of civil servants and local people.

Are actions that in part are now being implemented through actions as "Smartcities" and other programs to support new technologies, but on which they need to keep moving forward.

2. Financing of local treasuries.

For its proximity to the citizens, the city councils are the first administration to receive his demands, beyond who's the competent authority in the service, but which forces to provide an immediate response. This is situation of stresses for the ever short local finances, which by itself would require a better treatment of municipal financing.

2.1. Redefinition of local public services.

This is one of the major problems of Spanish municipal finances, for the reasons explained in Chapter I. With this action it want identify clearly the competences of services delivery and its financing, by setting a minimum of competencies in function of the size of the municipalities, ensure proper delivery, eliminating duplication, in accordance with the principle of subsidiarity. Thereby contributing to greater efficiency of public administrations and citizens to get more and better services.

Proposal:

It's in any case one of the major topics that they want to promote in the new Law on measures to modernize local government.

2.2. Set fees for services that are liable to be provided individually.

It seeks establish a minimum percentages of cover services that are used individually, promoting a rational use of them. But also seeking an increase of fiscal responsibility of citizens and their demand for the services they use and promoting improved quality of services, their financing and efficiency. So finally improved local finances would be achieved with a corresponding impact on overall economic performance and helping to raise one more step for the exit from the crisis.

Proposal:

Create a municipal commission of experts to evaluate those services in which its application possible.

2.3. Access to financing by small municipalities.

As a result the financial weakness by small municipalities, as well as the lower level of recovery of its budgetary capacity, that has been pointed in Chapter I, and beyond of the policies to combat excessive fragmentation of the Spanish municipal map, is necessary to establish specific lines of action for small municipalities, in order to ensure that all citizens have access to basic services.

Proposal:

Set specific lines of support for small municipalities, both in regard to works programs and services such as access lines of funding through the CCAA and Provincial Councils to provide credit to small municipalities and can comply with the average period payment that the current law provides.

2.4. The budget as an instrument of economic policy:

As the allocation of resources through the municipal budget is a key instrument of economic and social policy, for which the corporation establishes priorities in the different fields in which they have competencies, assigning resources that are often limited and conditioning the final fulfilment of the objectives.

Proposal:

Establishment of a specific methodology, development and increase the effective capacity of CSDC for improvement of the budget as an instrument of economic policy by establishing criteria that form the basis for fiscal policy definer Hall and expenditure policies without undermining the legitimacy of those elected to make decisions.

3. Organization.

Adaptation of organizational forms in regard of establishing methodologies with which evaluate continuously the cost of services and the introduction of new technologies in the management of municipalities appears as a key question, at the present time.

3.1. Determination of effective cost and financing of services:

The availability of economic information systems that establish the costs of providing services allows to calculate unit costs for delivery, in order to planning its distribution, financing needs and evaluate its efficiency. But also make decisions regarding the form of management, organizational structure and funding.

Proposal:

Establish a single methodology for determining the cost of services, especially those that are likely to be financed by public prices or rates.

3.2. Analytical Accounting System.

The need to accurately assess of expenditure flows of municipalities, develop alternative force municipal accounting procedures that help from other optical viewing. So the analytical accounting systems to assess the cost calculation by sections, for activities as partial cost for services or sections, as well as incorporating variables such as activities and participation of municipal employees. with this you can build cost-base by department in furtherance of the causes that explain the evolution and variability of costs between different areas of the City

Proposal:

Development of a system to establish expense centers, cost centers, processes, activities and mechanisms of accounting, financial and budgetary imputation.

3.3. Availability of electronic office.

The use of new technologies, especially in the financial area of the municipalities, has allowed extraordinarily simplification of administrative processes, making it easier for citizens interact directly with the System; receive electronic notifications, manage receipts, follow the progress

of process cases, presenter documentation registers and consult diverse information. And all this without they have to access municipal offices or be served by municipal employees with savings all that means.

Proposal:

The development of Electronic Administration especially for businesses and professionals, increased the value of the services provided by the city, improving the efficiency of services and thus contributing to the improvement of overall economic activity and local finance in particular.

4. Strengthening of democracy.

In complex times like these in which the local society are being tensioned; by technological change and globalization, economic restructuring and social duality, aging and migration processes, it's necessary to develop policies that strengthen democracy, if we want the European Society continues to maintain its values. All this considering that the city council are the closest people administration.

4.1. Council Regulation of development and budgetary participation.

Established electoral democracy with an increasingly formed and informed society with technologies that serves to share information and opinions in almost real time, it opens up a current of public opinion which demands a democratic sustainability that allows him to express not only every four years. Provide channels for citizen participation means doing more integrated, cohesive and efficient societies.

Beyond the legal framework governing the drafting of municipal budgets and discussions in plenary sessions and commissions, it is necessary to regulate channels of participation.

Proposal:

Establish a specific timetable for elaboration and discussion of budgets, that beyond the work in committees and plenary collect participation and consultation mechanisms, both Social City Council, Strategic Plans and population surveys, as well as those groups and individuals, which rigorously documented, and alternatives put forward proposals to improve the definition of objectives and projects to be reflected in the budget.

4. 2.Fiscal Guide:

The Fiscal Guide is a public document that communicates annually the set of ordinances and taxes, fees and charges, which are derived from them with full information on its regulation, obligations and payment exemptions, calculating the amounts and bonus payment, or payment periods and ways of claim. As well as all that additional information concerning the method of calculation and its impact on the local economy.

Proposal:

Publish a Guide to fiscal ordinances to create the highest level of transparency and trust with citizens: To facilitate an accurate identification of tax figures through the Tax Guide Municipal in which the set of rights and obligations of taxpayers are established, and the procedures, terms, bonuses, payment mechanisms and compensation, derived from them.

4. 3. Indicators of transparency.

Beyond the work done by the Court of Accounts, which may come by operability review a limited number of cases, it is necessary to have indicators of transparency, on the other hand as stated in the draft "Law on Transparency and Access to Information and Good Governance". We must provide detailed and relevant budget information, so that any citizen or local association, since proximity to municipal works and services, access to budget data on them, to ensure transparency and efficiency in the execution of the same.

Proposal:

Develop index of transparency regarding thematic areas as: the municipal corporation, relations with citizens and society, Economic and Financial transparency, transparency in the contracting of services, transparency in urban planning and public works, or those following the Indicators new transparency law, determine each administration.

4. 4. New technologies and citizen participation.

The arrival of the digital society and their capacity to redefine the methods of diffusion and access to information, where people can interact with their emitters is opening an step to a new scenario of social relations and political expression. This raises therefore a new scenario, which as all sectors of the population are digitized, much more participatory forms of governance, will open. Moving towards a framework of greater shared responsibility between citizens and administrations. And where municipality esfor being the closest to the citizens and the corresponding precautions are obligated to provide a more immediate response and gradually to enter it.

Proposal:

Establishment of new forms of electronic consultation, or even e-voting for questions such a selection of investment projects or evaluation of situations or specific proposals. And all this without forgetting the role played by elected representatives and their work in plenary sessions and commissions. The goal is therefore to use new technologies to make more effective the proximity of local government to its citizens.

Chapter IV. Lessons learned from the project.

The proposals arising from the Spanish experience are focused on four main priorities



- 1 - Translation of the report "LOCAL FINANCE BENCHMARKING TOOLKIT" to national languages, in order to facilitate the involvement of a reasonable number of local officials, as well as facilitate a more rapid response to the questionnaire. In this sense it should be noted that in the Spanish case the translation was achieved with the help of Juan Manuel Gimerans.
- 2.- Develop an application form that facilitates completion for the extension and complexity of this topic. That is why a "spreadsheet" was adapted, with the double purpose of facilitating the initial process of data collection, but also to simplify the process of count and analysis. It is what we have called a "Data collection tool" and we explain with more detailed on the following pages
Having a tool like this also allows people to be more involved in the process, so that it can generate a debate among technicians, in order to clarify opinions and to obtain a more precise responses and more evidences to be included in the questionnaire.
- 3.- Also we have developed a methodology adapted to allow perform the transition from the responses and evidences to the assessment of the level of compliance with the proposals made by the Council of Europe evidence on these topics. That we explain on the next pages.
- 4.- And finally we think it is important that the conclusions and recommendations arising from the report are agreed with the corresponding municipalities, in order to establish concrete and achievable goals for improvement that can be carried a successful conclusion. As well as making a formal presentation of such results to the municipal officials and the Mayor himself, in order to establish commitments for the implementation of the recommendations established.

Data collection tool

To proceed with the collection of the indicators and verification of test documents with which detect and establish best practices for local funding, we proceeded to develop a Microsoft Excel tool that facilitates the process of collecting information, which is structured containing the following sections:

1. **Introducción** - Provides a brief description of the Microsoft Excel sheets that compose the tool and how it works. It is the initial explanatory document with which we want to give an overview of the tool.
2. **Índice general** - Allows a direct access to each of the sections and subsections of the document.

Provides the access to each one of the groups and subgroups that compose the tool, so that when clicked on each of them it leads you to any of the 19 groups and 80 subgroups from which you access the 305 activities or indicators (Act / Ind) and 194 test documents (Docs). Clicking on the text of each of the groups and subgroups, provides direct access to data form filling.

| | | | |
|----|---|--|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 |  | <p>LOCAL FINANCE BENCHMARKING TOOLKIT HERRAMIENTA PARA LA EVALUACIÓN DE BUENAS PRÁCTICAS EN MATERIA DE FINANCIACIÓN LOCAL BORRADOR, VERSIÓN ESPAÑOLA 26 DE JULIO DE 2013 "Versión Valladolid, Julio 2013"</p> |  |
| 8 | | Centre of Expertise for Local Government Reform | External evaluator |
| 9 | | Centro de Especialización para la Reforma del Gobierno Local | Evaluador externo |
| 10 | | | |
| 11 | | Índice general | |
| 12 | | I. Principios de política fiscal local | |
| 13 | | 1. Diseño de las políticas tributarias locales | |
| 14 | | 1.1. Las políticas de Ingreso Local serán aprobadas por Órganos Electos. | |
| 15 | | 1.2. La evaluación de las políticas municipales sobre ingresos debe hacerse pública. | |
| 16 | | 1.3. Los ingresos municipales procedentes de la fiscalidad sobre la renta y sobre la propiedad de empresas y personas deben estar equilibrados. | |
| 17 | | 1.4. Los incrementos de tipos en los impuestos sobre empresas no serán superiores a los incrementos en los tipos impositivos sobre personas físicas. | |
| 18 | | | |

3. **I.1. I.2. I.3. I.** - Includes 19 Microsoft Excel sheets, to filled in: Indicators, activities and documents.

It has been developed from the document "LOCAL FINANCE BENCHMARKING TOOLKIT. Draft version, 14 June 2013" which we has created the questionnaire that will allow us to collect the information indicated in the initial document.

In this way we have tried to create a document-questionnaire to facilitate the visualization of all the activities and documents that are referenced in each of the subsections specified in the proposed work. So at first we have ordered numerically the activities and Indicators. While in a second block, arranged alphabetically, we may include the checking documents.

Also, in all cases, we can make observations.

| I. Principios de política fiscal local. | | Observaciones |
|---|------|---------------|
| 1. Diseño de las políticas tributarias locales. | | |
| 1.1. Las políticas de Ingreso Local serán aprobadas por Órganos Electos. | | |
| Actividades / Indicadores | | |
| Acuerdos del Ayuntamiento sobre: | | |
| 1. Tipos de los impuestos locales | --- | |
| 2. La delegación de competencias en materia de exenciones fiscales | Si | |
| 3. Precio de los Servicios | No | |
| 4. Autorización de bonificaciones en las tasas y precios públicos | Obs. | |
| 5. Endeudamiento Municipal | --- | |
| 6. Concesión de garantía por el Ayuntamiento y sus distintos Organismos | --- | |
| Documentos de verificación | | |
| a. Ley de Bases de Régimen Local | Si | |
| b. Ley General Presupuestaria | No | |
| c. Ley de Haciendas locales | Obs. | |
| d. Informes de auditoría e intervención | --- | |
| e. Reglamento Orgánico Municipal | --- | |
| f. Organigramas y procedimientos de organización | --- | |

To complete the data we have enabled a dropdown that allows in each case, three possible answers, and a score by default "---" that shows if you have to respond to it, as you can see in the chart accompanies above.

By the answers "Yes" or "No" we assess the degree of implementation of the activities or indicators identified in each case. While, through the response "Remarks", we evaluate those cases where you want to make clarifications. Although when the answers are affirmative or negative, you can make comments.

With verification documents, we want to confirm the performance of the activities and indicators.

4.- - Reports through a summary table, the process of filling the data.

In order to facilitate control of the filling process, due to the large number of questions to be answered, we have prepared a spreadsheet of Microsoft with linked cells, so you can always have a precise control of the degree of filling, both level groups as subgroups.

| LOCAL FINANCE BENCHMARKING TOOLKIT | | Grado de cumplimiento | |
|---|---|-----------------------|------|
| HERRAMIENTA PARA LA EVALUACIÓN DE BUENAS PRÁCTICAS EN MATERIA DE FINANCIACIÓN LOCAL | | Act. | Doc. |
| "Versión Valladolid, Julio 2013" | | | |
| Grupos / Subgrupos | | | |
| I. Principios de política fiscal local. | | | |
| 1. Diseño de las políticas tributarias locales. | | 100% | 0% |
| 1.1. Las políticas de Ingreso Local serán aprobadas por Órganos Electos. | | | |
| Act / Ind | 1.- Si 2.- Si 3.- Si 4.- Si 5.- Si 6.- Si | 100% | |
| Docs. | a.- b.- c.- d.- e.- f.- | 0% | |
| 1.2. La evaluación de las políticas municipales sobre ingresos debe hacerse pública. | | | |
| Act / Ind | 1.- Si 2.- Si 3.- Si 4.- Si 5.- Si | 100% | |
| Docs. | a.- b.- c.- | 0% | |
| 1.3. Los ingresos municipales procedentes de la fiscalidad sobre la renta y sobre la propiedad de empresas y personas deben estar equilibrados. | | | |
| Act / Ind | 1.- Si 2.- Si | 100% | |
| Docs. | a.- b.- | 0% | |
| 1.4. Los incrementos de tipos en los impuestos sobre empresas no serán superiores a los incrementos en los tipos impositivos sobre personas físicas. | | | |
| Act / Ind | 1.- Si 2.- Si | 100% | |
| Docs. | a.- b.- | 0% | |
| 2. Transparencia y participación ciudadana. | | 0% | 0% |
| 3. Procedimiento de adopción de acuerdos en material fiscal. | | 50% | 0% |
| 4. Uso de las TICs (tecnologías de la información y la comunicación). | | 0% | 0% |
| 5. Desarrollo de la capacidad del personal municipal. | | 0% | 0% |

At group level we can see the evolution through the gradation of colour, from red for those that have not been completed, to reach the green in those who have been entirely completed.

Methodology

From the documentation collected by this tool we have established a methodology designed by Juan Baza, which allows an overview of the three phases to the scheme: Evaluation-Rating-Diagnosis:

- 1. Evaluation:** Phase to be made by the existing tool, which tries to answer YES/NO depending on the degree of implementation of the activities or indicators, as well as the observations which is a brief explanation or documentation to show the activities referenced indicators. This phase is performed by each municipality.
- 2. Rating:** In this phase the expert valued (0 to 10) one by one, all assessed activities and indicators above, asking all the information needed to support their work, and scoring according to the following table.

RATING TABLE

| Activity / Indicator | | Develop | | Poor | | Normal | | | Good | | Excellent | |
|----------------------------------|------------------------------------|---------|---|------|---|--------|---|---|------|---|-----------|----|
| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Not implemented. | | | | | | | | | | | | |
| No | Not expected to implant | 0 | | | | | | | | | | |
| | Implanting expected | | 1 | | | | | | | | | |
| Initial implementation. | | | | | | | | | | | | |
| Yes | In process of implementation | | | 2 | | | | | | | | |
| | Some specifications are satisfied | | | | 3 | | | | | | | |
| Partially implemented. | | | | | | | | | | | | |
| Yes | No supporting documentation is | | | | | 4 | | | | | | |
| | Publication restricted | | | | | | 5 | | | | | |
| | Documentation available on the Web | | | | | | | 6 | | | | |
| Advanced implementation.v | | | | | | | | | | | | |
| Yes | Documentation available | | | | | | | | 7 | | | |
| | Documentation available on the Web | | | | | | | | | 8 | | |
| Complete implementation. | | | | | | | | | | | | |
| Yes | Documentation available | | | | | | | | | | 9 | |
| | Documentation available on the Web | | | | | | | | | | | 10 |

- 3. Diagnosis:** In this phase, together (Council and Spanish consultant) will establish a qualitative diagnosis weighing the importance of different "Yes" or "No" and "Remarks" within each block. So that it can become a tool for the improvement and not just a statistical ranking, with which contribute to introducing improved processes of local finance in each of the respective cities.

This diagnosis will be made in accordance with the following scheme:

- Excellent: When meets all specifications.
- Good: When meets most of the specifications.
- Normal: When half meets the specifications.
- Poor. When less than half meets of the specifications.
- To develop: When it is not implemented.



ANNEX

Valladolid

The level of performance of this first section is good or excellent, because there is a high level of adaptation of Spanish municipal legislation to the proposals the Council of Europe.

The evaluation **design of local tax policies** stated in **section I.1.**, lets talk about a **good level** of compliance with policy to be adopted by municipal plenary, evaluated and implemented from regulations published in the Web, at the same time that are made in a framework of balance between the income of people and companies.

However, it should establish **recommendations** that affect a greater effort to regularly assess the economic and social impact of taxes, fees and prices charged by the City Council and provide information about it.

Section I.2., of **transparency and citizen participation** has a good level of implementation by the existence of channels of participation and consultation through the Social Council of the City and the report it makes. Interventions at the Municipal Council during the discussion of budgets and without forgetting the significant amount of information on budgets is provided in the media and from the municipal Web, which form part of the European recommendations.

The requirements set out in **section I.3.** concerning **procedure for adopting fiscal agreements**, have an **excellent** level of fulfilment. The fact that the national tax legislation and budgets, are known and approved in advance. The requirement to achieve fiscal balance and the prohibition of the municipal deficit. Or that budget changes must approved at Municipal Plenary. Are questions already included in the national legislative framework.

The fulfilment of the instructions referred to in **section I.4.**, about the **use of information and communication technology** is **excellent**, because the implementation of ICTs serves at all departments, following established standards. They are used both on the budget and accounting management, processing and administrative records. It has databases for the management of different standards and IT department to ensure its operability and interconnection between departments and elected councillors. The fact of having a website that offers a large amount of information for the citizens and the significant number of queries received, allows the assessment.

The level of compliance with **section I.5.**, on the **development of the capacity of municipal staff** has been rated as **good**, depending on the specifications referred. It serves **the need for interdisciplinary training of municipal staff**. It has its own Training Center with an Annual Training Plan, which has access to all staff, and that has a Web itself. While the **design of systems that strengthen the ethical behaviour of staff in financial and fiscal issues**, establishing the need for a code of conduct and procedures to manage conflicts of interests of Councillors and municipal staff are addressed by Regulation organic Valladolid City Council.

At this point, it's **recommended** to the registration of cases of noncompliance with the rules of conflict of interest, as noted in the proposal of the Council of Europe.

In **section I.6.**, In which the **design of local tax policy is assessed**, to be capable of generating high revenues and equitable. While maintaining the real value of revenue through effective management. Establishing a low number of taxes and conforming changes to resources, local preferences and objectives; well done in time and form. All this would be fulfilling as the Spanish legislative framework require it, so set a **good** rating.

The level of implementation of the criteria listed in **section I.7.**, on **fiscal policy** has been considered **good**, because both the development of detailed tax ordinances, as the introduction of new technology has evolved toward the concepts established by the Council of Europe.

At this point a series of **recommendations** is set as: **Record the number of resources and pending lawsuits**. Or count the won resources, according to indications. As well as improving the **quality of taxes and fiscal policy**, as there are reports of intervention examining its evolution, or periodic reports that the Treasury and Revenue generated in this matter, or the Memory of the tax inspection, actions that affect the direction of the Council of Europe.

All the indications proposed in **section I.8.**, concerning the **information and their publicity** have **good** assessment by the fact that all fiscal decisions are accompanied by a report of legal and economic justification. Extensive documentation that is made available by political groups for its analysis in committee is generated. And although not are made known alternative proposals for fiscal policy, the fact that the municipal Web are disaggregated in detail "Service Charter" or "General Management Ordinance, Clearance, Collection and Inspection" reinforce the proposed indications .

At this point **recommendations** have been identified as the implementation of actions relating to the publication and distribution of proposed fiscal policies, alternative proposals and explaining the general objective of tax revenue.

The **section I.9.**, which evaluates the **Tax Administration** has been rated **excellent** because most of the questions proposed are applied: Regular updating of tax rolls, both Cadastre and as vehicles, although dependent on the Central Government. The monitoring of arrears and defaults, fund homogeneous throughout the year, thanks to a "Contributor's Guide". Providing on the Web the Tax Ordinance from 2006 to 2013. Or facilitate and diversify payment methods and have an electronic Site.

In the **section I.10.**, concerning the audit of the **tax system** is qualified as **good**, because although many of the activities are performed, generating documentation, limited information concerning the level of claims is provided, appeals heard and resolved in administrative proceedings or court actions and their impact.

The proposed objective in **section I.11.**, in relation to **rates, income and different prices**, have a good level of compliance, to be a "methodology for determining the cost of services provided by the city of Valladolid" that allows to fulfil the instructions established by the Council of Europe. as well as under municipal ordinances are considered to disadvantaged groups such as the unemployed, the elderly, or those detected from the municipal social services.

At this point it may be **recommended** to go beyond the methodology for determining the cost of services and **analyse their impact on the population**.

In **section I.12.**, which evaluates **the financing capital budget** has been considered **good** as far that the recent Law of Budgetary Stability and Financial Sustainability, has established more budgetary rigor.

Among the criteria listed in **Section I.13.**, actions to **management of municipal assets** are established, recommending a number of actions in relation to: **Maintain inventory of assets and liabilities / debts**, although this is often not always documentation spread. Promote **transparency in the forms of organization and rules of asset management**, inventory from current assets. **Maintain control over strategic assets**, in PPP collaborations, such as the Autonomous Organisations, whether infrastructural elements, or real estate that serve them; well because it is set in the constituent document, indicated either because management contracts. And because ensures **the financial stability of the municipalities at long-term**, aspects that requires both LBRL such as the recent "Law of Budgetary Stability and Financial Sustainability".

So, it should **recommend** the implementation of periodic updates of non-financial local assets, audits and inventories of municipal assets and direct and indirect liabilities.

II. Budget planning and solvent fiscal.

In this second part, we can say that the level of compliance with the recommendations drops slightly, to the extent that questions relating to issues of budgetary forecasting, have less tradition in Spanish municipal management model.

The **section II.1.**, Which evaluates the **design of the tax strategy** was qualified **good**. It referred first to the **global financial framework is multi-year budgets**, taking into account national and municipal at medium term macroeconomic policy. Just as the role of **multi-year budgets**, which in the Spanish legislative and financial framework have no such consideration, since its closure forces the end of each year and assume the costs of multi-year projects as remnants of project. While **debates of budgetary strategy**, not only depart from a previous document and tax policy objectives, but has a document "Criteria of General Budget of the City of Valladolid" is presented to Social Council of the City, proposed guidelines for collecting and for resource allocation of budget programs.

In **section II.2.**, **System and budgeting capacity**, with a **good** final assessment is analysed. To do this considered as issues such as the capacity of the **participating departments** to establish the cost of services and evaluate results. Provide public servants, procedures and computerized management system, which granted autonomy and transparency. Regarding the **nature of the units vote**, has its own ordinances, to ensure compliance with most of the requirements. But also innovative in the Spanish case as financial **reserves for risk management issues**, which lacks experience. And this despite the fact that the recently enacted Budget and Financial Stability Sustainability has come to introduce more rigor here.

In **section II.3.**, Serving actions on **budgetary procedures**, has been rated as **good**. For this, consider aspects like obtaining **independent opinions** about the projects are decided, especially in complex cases and periods of debate. The **involvement of councillors and their understanding** of the budgetary targets is ensured through: The availability of documentation and advice from officials and independent experts. Performing courses. The defence that perform of their projects within their own municipal groups, to the Committees and Municipal Council, thereby ensuring their understanding. Also, Organic Regulation of the City of Valladolid, establishing the creation Register of Interests is set, in order to establish incompatibilities and take action against the lobbying and corruption.

Within this section should be included a set of **recommendations** so that they can **establish procedures that allow citizens to identify significant investment projects and provide input**. So as to **obtain external opinions for accountability**.

The **section II.4.**, On **fiscal policy objectives**, measured using the following five areas of activity, has been evaluated as **normal**, by **adopting strategies sustained savings, reduction of duplication** by the cut in payroll expenses. The **protection of non-governmental organizations** that provide community services to vulnerable groups. **Cooperation with other local authorities**, to share costs, administrative and professional, to improve efficiency.

Here **we recommend** advance in the **cooperation with other local authorities**, to share costs through strategies that improve its efficiency and effectiveness.

The **section II.5.**, relating to **special rules on budget adjustments and implementation** is has valued **good**. Because regular assessment and monitoring of budget execution is done through the "Reports of intervention" that are called, monthly, quarterly and annual. While the "Memory Budgets" offer opportunities to decide the settings. Well established, a **local monitoring framework, monitoring and reporting system in place to audit the implementation of the budget**.

The **independence of the final reports and financial statements**, performed by auditors with a significant degree of autonomy in addition an annual report of the intervention was also evaluated. **Limiting the number of annual budget changes, or the level of transparency of the agreements between the local government and its subsidiary organizations**. While it **ensures that municipal budgets and Autonomous Agencies are clearly separated**, as it shows on the Web. Likewise, **service contracts, ensuring the maintenance of heritage and social spending, to boost other efficient management of local services and ensure the transparency of financial operations**.

It is therefore **recommended** further in points **II.5.6.**, on **responsibilities in operations, maintenance, repair and reconstruction of assets transferred**, and that **offsets the assets used by contractors are received**. In addition to those referred to in **point II.5.7.**, On the **periodic assessment of the results of service delivery**.

The level of application of the criteria in **Section II.6.**, On **special control in monitoring activities** have been considered **good**, to be tax ordinances, articles of association and a series of recent laws nationwide, according concepts raised by the Council of Europe.

Thus, in respect to the **framework and internal audit function**, that are addressed from the "municipal Intervention", have also a high level of implementation of ICT, ordinances and analysis methodologies costs, facilitate attention requirements that arise. On **ensuring the Public Private Projects**, in the case of Valladolid has examples like, sports centers, water service, parking, central market or the funerary.

As **prudent commercial links or limits of commercial activities**, investment by the City Council, the legislation requires it. The **criteria for use of external consultants** provide knowledge and reduce costs and time. While the implementation of **procedures for difficult financial situations**, have been very recently introduced by Law

Therefore, it is **recommended** that progress on the criteria relating to the **procedures to face difficult financial situations**, recently introduced as a result of the financial crisis.

In summary therefore it's observed that the degree of compliance with the recommendations presented by the City of Valladolid is good, as in the 19 sections that are set; 3 are met with an excellent rating, 14 Good and 2 Average. The score was obtained for 149 points for a total of 190 possible, ie 7.85.

Thus, the sections in which the city of Valladolid, gets its biggest ratings, on matters relating to the procedures for adopting agreements on tax matters as well as in the use of ICT (information and communication) and tax administration.

While raised a whole range of aspects focused on improvements: transparency, accessibility, quality of information and opinion. Thus, in the field of fiscal policy locally raised seven recommendations relating to: 1.- regularly evaluate the economic and social impact of taxes , fees and prices charged by the City Council and provide information about it. 2.- Place where compliance / violation of the rules of conflict of interest. 3.- Record the number of resources and pending lawsuits, or account for funds earned. 4.- Improve the quality of taxation and fiscal policy . 5.- Implement proceedings relating to the publication and dissemination of proposed fiscal policies, alternative proposals and explaining the overall objective of tax revenue. 6.- Go beyond the methodology for determining the cost of services and analyse their impact on the population and . Periodically update 7.- municipal non-financial assets , and audits of municipal assets and inventories of direct and indirect liabilities.

While budget issues and tax planning solvent, indexed on the recommendations: 1.-Establish procedures to allow citizens to identify significant investment projects and provide input. 2.-Get links for accountability opinions. 3.-Cooperation with other local authorities to share costs to improve its efficiency and effectiveness. 4.-Establish responsibilities for operations, maintenance, repair and reconstruction of assets transferred. Receive 5.-offs of assets used by contractors. . 6 - Periodically evaluate the results of service delivery, and. 7.-Establish procedures to face difficult financial situations.

Santander

The evaluation index of Santander has been placed in 142 points over a total of 190, representing a level of 75% fulfilment. And while in the first section, in where the principles of local fiscal policy has been achieved a rating of 101 points over 130, which represents a 78% of the total. While the Budget planning and solvent fiscal section were achieved 41 points on 60 possible, that's represents a 68% over the total.

Are an evaluations that in comparison with the other two Spanish municipalities included in this first benchmarking, we can qualify very similar to those for Valladolid, because both are included in the Spanish Law of large capitals, which similar municipal structures are given While Galdakao, by its smaller size, has a lower level of development with some of the recommendations made by the Council of Europe.

I. Principles of local fiscal policy.

Compliance with the recommendations set out in the sections of this first section has received a rating of good in nine sections and excellent in other three, thus evidencing that most of the proposals of the Council of Europe are incorporated in the Spanish local laws.

The evaluation of **Local tax policies design** stated in **section I.1.**, lets talk about a **good level** of compliance with policy to be adopted by municipal plenary, evaluated and implemented from regulations published in the Web, at the same time that are made in a framework of balance between the income of people and companies.

Recommendations for the **local tax policies design** listed in **section I.1.**, have a good level of compliance because they are largely adopted in the Municipal Council or commissions; are evaluated and implemented through regulations, that give know through the web and are implemented within a framework of balance between the income of individuals and businesses.

In this Section should be set as **recommendation**, provide information on the regular evaluation of the economic and social impact of taxes and prices.

Section I.2., Referring to actions of **transparency and involvement of the public** has a good level of application. For this has been considered the volume of information and a breakdown of the tax ordinances and budgets are shown, as well as the presentation of the "Transparency Index of the municipalities (ITA 2012)" which is from their website, is very high. As well as the Santander expect the Strategic Plan 2010-2020, which caters to some of the proposals considerations at this point, since they generate and evaluate projects which will then be included in the budgets.

As a **recommendation** in this section, it should be noted the lack of a budget manual, where technically articulate election of expenditure, and a clearly regulation of the steps and deadlines for drafting budgets, in order to: Generate greater transparency and citizen involvement. Capitalize channels for citizen participation as the Strategic Plan 2010-2020 Santander. And the capacity of municipal Web and IT to consult citizens demands.

The implementation of the requirements set out in **section I.3.**, Related to the **Timing of fiscal decisions** has been rated as Excellent. The fact that the national tax legislation and budgets, are known and approved in advance. Compliance with the fiscal balance and the prohibition of the municipal deficit

and budget changes must be approved by the municipal plenary, are already included in the national legislative framework.

Likewise, the implementation of the recommendations set out in **section I.4., On the use of information technologies**, has been rated as excellent, as its implementation reaches all the departments following standards adopted. Used both on the budget and accounting management, and the management of cases. It has databases for the Census, Cadastre, Vehicles, etc., Coordinated with the Central Government, with a high level of efficiency. An IT department that ensures operability of data bases, the interconnection between departments and municipal elected.

The implementation of new technologies through the work promoted by "SmartSantander" for infrastructure management services and improving the quality of life of its citizens. In addition to have a website with a high degree of transparency and information for the public, with a significant number of queries, allows for the indicated rating.

The level of compliance with **section I.5., On the capacity development of local staff** has been rated as **good**, depending on the specifications referred. For this section has a Continuing Education Plan. Without specific courses have been made in budget formation. A "Regulation of organization and functioning legal system of government and administration of the municipality of Santander" 2004 from the definition of professional profiles of their employees and their incompatibility is derived. We have to consider also, a "Code of Good Governance" 2009 which is based on guidelines of the Council of Europe (CPLRE), also supported by the FEMP. If we consider that the cases of irregularities conflicts of interest are recorded by the opening of administrative proceedings. Likewise, the rules national sets specific rules and limits payment authorization. And in the LBRL separation between payment authorization phase and phase transfer of funds is established.

As a **recommendation** in this section should develop a plan for training staff in budgetary matters, establish learning paths based on job profiles, in order to motivate, adapt their knowledge to ICT and to achieve greater efficiency and coordination in activities to develop.

In **section I.6., related with local tax policy designing** is assessed, to be fair, able to generate high revenues, maintain the real value of revenue through effective management, and to establish a number of low taxes and conforming changes to resources, local preferences and objectives; well done in a timely manner. All this would be fulfilling because the existing legislative framework itself require it, so set a **good** rating.

The degree of compliance with the criteria set out in **section I.7., tax policy** can be considered good, because the national legislative framework provides stable tax figures, ICT and collaboration with national agencies, ensure their implementation. And stay and adapt detailed financial controls annually, with timetables for implementation, known to the public and which are flexible.

At this point suggest as **recommendations. Register the number of pending litigation and resources** and account for funds earned, according to indications. As well as to present reports Intervention, Treasury and Revenue to analyze **the quality of taxation and tax policy**. While the level of workload that are undergoing the offices of municipal intervention, by the progressive introduction of higher standards of transparency and control, requires more staffing.

The list of indications laid down in **section I.8., Information and publicity** of fiscal policies are satisfied for all fiscal decisions are justified to a report by economic and legal documentation that is made

available political groups for analysis in committee. The Tax Ordinance, published in the Official Bulletin of Cantabria and the municipal Web, where you can see the time series since 2002. It has a "List of services" and "payment schedule taxpayer." Periodic reports are available for the implementation of the budgets that examines the Governing Board, in addition to the Memoirs of Budgets to the overall objective explanation of local tax revenue. So in conclusion it was decided to consider as a good implementation.

Finally, at this point have been raised as **recommendations** that allowed the actions to respond to the proposals relating to the publication and dissemination of proposed fiscal policies, explanation of alternative proposals and implementation objectives.

In the **section I.9.**, which evaluates the **tax administration**, has rated **excellent** because they have implemented most of the proposed issues: Regular updating of the Cadastre-IBI, Economical activity-IAE, or Vehicles-IVTM, by the Central Government. The monitoring of delays and defaults, the postponements along the year, thanks to a payment schedule known and maintained over time, as established by the Tax Ordinance. Or, facilitate and diversify the means of payment.

In **section I.10.**, Concerning the **tax system audit** has been described as good, because most of the above activities has already performed. The obligation to perform cost studies and to develop the "revenues account", which evaluates tax revenues and administration costs. As well as the identification that has taxpayers, thanks to Population register, Cadastre Tax Agency and DGT and other municipal registers.

The recommendations set out in **section I.11.**, On **fees, charges and miscellaneous revenues**, have a **good** level of compliance, given that you have a methodology for the cost of services provided, although the specific evaluation is performed on the when determining rates and prices. While it is LBRL determines the taxes and fees apply. It's under municipal ordinances where exceptions that guarantee access to essential services by disadvantaged groups are established, unemployed, elderly, or those detected from social services.

At this point arises as a **recommendation**, go beyond the methodology for determining the cost of services and **analyze their impact on the population**.

In **section I.12.**, Which evaluates the **capital budget financing**, it is considered good because the structure of the budgets of local authorities require it and the recent Law of Budgetary Stability Law and Financial Sustainability has established more stringent measures against those set out in this section.

From the criteria established in **Section I.13.**, for **local property**, we note that has an "Inventory of Heritage" which is being updated completed the last of 2007. While it has an autonomous, Local Sports, and municipal corporations as Plaza de Toros SA, La Magdalena SA, SA Santurban and "Housing and land of Santander" SA, whose real estate and infrastructural elements are maintained as municipal property. Forcing **long-term financial stability**, therefore LBRL, as the Law of Budgetary Stability and Financial Sustainability.

II. Budget planning and solvent fiscal.

The degree of fulfilment of this second section is slightly lower than the previous paragraph, since forecasting issues arise with less tradition in Spanish municipal management model.

The **section II.1.**, Which assesses the **fiscal strategy design** has been described as **good**, because with the new EPySF Act obliges to consider national macroeconomic policy and municipal policies in the medium term, when develop municipal budgets, and prepare a medium-term fiscal framework to ensure a consistent budget planning with the goals of fiscal stability and public debt.

This section should be set as starting interest **recommendation** prior to budgeting, by establishing and approving first budget targets later determined the preparation of the budget debate.

In Section II.2., analyses **budgeting methods and capacity**, with a good final assessment. It has a "Service office of Budgets" under the General Intervention, which provides the technical capacity and starts the process of drafting with the participation of all areas, making these professionals from diverse backgrounds to work on them. And likewise, the Municipality have the "Strategic Plan 2010-2020 Santander" where can generate debates and consensus for the actions to consider. Projects that after obtaining technical and legal reports are submitted for discussion at committee and later the Municipal Plenary, would ensure compliance. Likewise, the fact of the "Document of the State Accounts" provides information on execution and explain the objectives of fiscal budget. While audit reports, allow establishing the budgetary amounts involved as projects and reflect budget variances that take place. Finally, in application of the Act EPySF, management and risk assessment is performed.

As a **recommendation** in this section, we should move towards obtaining indicators to measure the level and quality of municipal services, in order to draw conclusions about effectiveness, efficiency and economy of provided services.

In **section II.3.**, Referring to the actions and recommendations regarding **budgeting procedures** has been evaluated as **good**. This has been considered as different aspects like: the involvement of councillors, because being forced to defend their proposals within the own team of Government, Municipal Committees and Plenary. Also, the availability of a "Regulation of organization and functioning of the municipality of Santander" establishes a Register of Interests and take action on lobbying. The advice through independent technical officials and in some cases, the mandatory reports of the secretary and municipal intervention, not to mention the periodic sending of data to MAyAT or examination activities of the "Tribunal de Cuentas" post appear as control elements. Obtaining external reviews from the "Strategic Plan 2010-2020 Santander", the possibility offered by the Act to submit proposals to the Municipal Plenary and other regular consultation channels are there in the City. It would have enough time under budget debate LBRL and the Organic Rules of the Municipal Plenary itself, which requires a schedule of processing.

This section would **recommend** the establishment of procedures that allow citizens to identify investment projects and make significant contributions in their stages of approval. As well as on obtaining external reviews for accountability.

The **section II.4.**, On **fiscal policy objectives**, measured based on five areas of activity, has been evaluated as **normal**, because although **sustained savings strategies are adopted**, and **reducing duplication** by cutting payroll expenses. The **protection of non-governmental organizations** that provide community services to vulnerable groups. And there isn't cooperation with other local authorities, to share costs, administrative and professional resources and improve overall efficiency.

In this section there is the **recommendation** to establish lines of **cooperation with other local authorities**, to analysing the possibility to share costs will improve their efficiency and effectiveness, in those points where it is possible to advance it.

Compliance with the recommendations in **Section II.5.**, Referring to **special rules of budget adjustments and implementation** is rated as **good**. This has been considered the regular assessment and monitoring of budget implementation through regular reporting of the intervention. While the "Memory Budgets" offer opportunities to decide the settings. As a result a local monitoring framework is set by a reporting system established to audit the execution of the budget.

The **independence of the final reports and financial statements**, made by the "authorized intervenors" is also evaluated, in addition to an annual report of the intervention. **The limited number of annual budget changes, or the level of transparency of the agreements between the local government and its subsidiary organizations.** While ensuring that **municipal budgets and Autonomous Agencies are clearly separated**, as it appears from the information presented on the Web. Likewise, **service contracts, ensuring the maintenance of heritage and social spending, to encourage other efficient management of local services and ensure the transparency of financial operations.**

In this section **recommends to perform in operations of maintenance, repair and reconstruction of assets transferred**, as well as receive **compensations for to assets used by contractors**. In addition to those referred on the **periodic assessment of the results of service delivery**.

The degree of application of the criteria contained in **Section II.6.**, on **special control, supervision on activities** have been regarded as **good**, as there is a tax ordinances, company statutes and a series of recent laws nationwide that influence on the concepts proposed by Council of Europe. Internal audit is performed by the "municipal Interventor", in addition to having a high level of implementation of ICT, ordinances and cost analysis methodologies, allow attend to the requirements that arise.

As **prudent commercial links, or limits of business investment**, participation of municipalities in the creation and management of companies, both as recent EPySF LBRL Act, establish obligatory recommendations. The **criteria for use of external consultants**, are to provide knowledge and reduce costs or times. While the implementation of **procedures for difficult financial situations**, have introduced more rigorous in recent EPySF Act.

For this reason, it is **recommended** to be progress in the adoption of measures concerning the **procedures relating to face difficult financial situations**, according to new laws enacted in this regard.

GALDAKAO

The recommendations arising from the report can be summarised as follows:

- Driving transparency and citizen participation in tax and budgetary matters. In particular:
 - By clearly defining the objectives of the tax policy.
 - Disseminating different alternatives regarding tax policy, which can be used to discover the public's preferences.
 - Proceeding, prior to the amendments to the tax ordinances to be published – for example, by means of the municipal website - the agreement projects and assessment reports of the social and economic importance of those acts.
 - Disseminating the most important budgetary information, both referring to the initial approval of the budget and to its implementation and settlement. This dissemination should take place in understandable terms for the public and an ideal channel could be the municipal website.
 - Periodically organising budgetary debates halfway through the year in order to analyse the implementation status of the budget, along with the budget adjustments.
- Improving tax management with the following actions:
 - Restructuring and standardising the user charges for the charges and public prices. Driving the cost studies as an instrument to design a municipal tax model. A system should be implemented that establishes and updates the amount of the charges in order to try to cover the cost of the service, by establishing those amounts according to the main cost factors.
 - Systematically establishing an enforcement collection procedure that allows the balance of entitlements pending collection to be reduced, either by means of their collection or by means of their cancellation due to the expiry of their limitation period, insolvencies or for other causes.
 - Regularly performing tax inspections, by means of medium-term plans, that enable new taxable facts to flourish or review the existing ones and resulting in an increase in tax revenue.
 - Implementing the citizen charter on local taxes.
 - Fostering the conducting of internal audits related to the local tax administrations, in their different aspects: legality, effectiveness and efficiency, processes, etc.

- Levying the local taxes and charges in the accrual year.
- Potential on-line platforms such as the payment gateway that enable citizens to pay their tax debts.
- Driving training actions aimed at non-seconded councillors consolidating the knowledge of the technical aspects of the areas that they manage and, in particular, to better understand the message of the budget.
- Consolidating the budget management, specifically:
 - Implementing the accounting monitoring and control of the most important expenditure projects, fundamentally investment projects. In turn, it is considered necessary to introduce the figure of multi-annual expenditure in order to improve the temporary planning of the investments.
 - The number of budget adjustment proceedings should be limited so as not to distort the budget initially adopted by the council. In turn, the budget adjustment proceedings should be grouped in order to provide the public with greater transparency.
- Improving the quality of the municipal inventory with the cooperation of all municipal areas. Regulating the transfer of use of the municipally-owned assets.
- Defining a uniform system of indicators to measure the level and quality of the municipal services, which are summarised on a scorecard.