Local Finance Benchmark
The Basque approach

**Basque Powers**
- Industry
- Education
- Health Care
- Police Forces

**Provincial Powers**
- Tax collection
- Social Welfare
- Agriculture
- Technical support and financial backing to the local authorities

**Local Powers**
- Waste management
- Cemeteries
- Local taxes
- Culture & Sport
- Parks and gardens
- Water management

**Basque Government**

**Provincial councils**

**Local authorities**

**Democratically elected chambers**

<table>
<thead>
<tr>
<th>Segments of population</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 100,000 inhab.</td>
<td>3</td>
</tr>
<tr>
<td>50,000 – 100,000 inhab.</td>
<td>3</td>
</tr>
<tr>
<td>10,000 – 50,000 inhab.</td>
<td>36</td>
</tr>
<tr>
<td>2,000 – 10,000 inhab.</td>
<td>63</td>
</tr>
<tr>
<td>500 – 2,000 inhab.</td>
<td>84</td>
</tr>
<tr>
<td>&lt; 500 inhab.</td>
<td>62</td>
</tr>
</tbody>
</table>

251 municipalities

2,189,000 inhabitants

> 100,000……..3
< 100,000……..248
2. Local Finance Benchmark. WHY?

2.1 Social / Public demand

Why the interest in best practices in financial and budgetary issues?
2. Local Finance Benchmark. HOW?

2.2 Available methodology

In short, what is LFB?

System of Indicators with implicit recommendations.

Based on:

- Financial Resources of Local and Regional Authorities Rec (2005)
- Financial and Budgetary Management at Local and Regional Levels Rec(2004)
3. LFB. BASQUE APPROACH

3.1 Monitoring group

Basauri, Bilbao, Galdakao, Getxo, Ermua....WHO?

- Participation in innovative initiatives and best practices about:
  - Transparency
  - Public ethics
  - Gender equality
  - Finances
  - Citizen involvement

- Audit as a management tool.

Some awards...

- **Bilbao. 2011.** EPSA award winner for the project “Political management based on economic stringency and strategic budgets”.
- **Bilbao. 2008-2015.** Municipal transparency award.
- **Getxo. 2015.** Municipal transparency award.
- **Ermua. 2012.** Pioneering work in favor of equality of women and men award.
### 3. LFB. BASQUE APPROACH

#### 3.1 Monitoring group

<table>
<thead>
<tr>
<th>Town</th>
<th>BASAURI (Bizkaia)</th>
<th>BILBAO (Bizkaia)</th>
<th>GALDAKAO (Bizkaia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>€ 56,330,000 (2014)</td>
<td>€ 530,296,000 (2014)</td>
<td>€ 36,314,000 (2014)</td>
</tr>
<tr>
<td>Business</td>
<td>Services (65,7%), Industry (27,9%), Construction (6,3%) and Agriculture (0,1%) (2012)</td>
<td>Services (87,6%), Industry (6,9%), Construction (5,4%) and Agriculture (0,1%) (2012)</td>
<td>Services (67,3%), Industry (24,3%), Construction (8,2%) and Agriculture (0,2%) (2012)</td>
</tr>
<tr>
<td>Population segment</td>
<td>10,000 – 50,000 inhab.</td>
<td>&lt; 100,000 inhab.</td>
<td>10,000 – 50,000 inhab.</td>
</tr>
</tbody>
</table>
## 3. LFB. BASQUE APPROACH

### 3.1 Monitoring group

<table>
<thead>
<tr>
<th>Town</th>
<th>GETXO (Bizkaia)</th>
<th>ERMUA (Bizkaia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>€ 130,910,000 (2014)</td>
<td>€ 24,061,000 (2014)</td>
</tr>
<tr>
<td>Business</td>
<td>Services (88.9%), Industry (4.2%), Construction (6.8%) and Agriculture (0.1%) (2012)</td>
<td>Services (52.6%), Industry (37.4%), Construction (9.9%) and Agriculture (0.1%) (2012)</td>
</tr>
<tr>
<td>Population segment</td>
<td>50,000 – 100,000 inhab.</td>
<td>10,000 – 50,000 inhab.</td>
</tr>
</tbody>
</table>
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

LFB ORIGIN

STRATEGIC LINES
8

SECTIONS
42

INDICATORS

Financial and Budgetary Management
Rec (2004)

Financial Resources
Rec (2005)

100
164
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

ADAPTATION

GOAL

To have a complete directory of procedures in both areas (financial resources and financial management) which implementation and appropriate checkup will guarantee the aim of best practices in the mentioned areas.

UNDER CRITERIA

• To keep the LFB Toolkit frame.
• Indicator = procedure. We try to avoid the overuse of ratios.
• To check with the law, to be useful and achievable.
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

From 264 indicators
To 100

**ADAPTATION**

**RESULTS**

- **STRATEGIC LINES**
  - 5

- **SECTIONS**
  - 18

**INDICATORS**

- BUDGET IMPLEMENTATION AND SUPERVISION
  - Rec (2004)
  - 26

- BUDGETING PLANNING
  - Rec (2004)
  - 14

- PRINCIPLES OF LOCAL FISCAL POLICIES
  - Rec (2005)
  - 14

- TAXES AND FEES
  - Rec (2005)
  - 30

- CAPITAL BUDGET FINANCING
  - Rec (2004)
  - 16

- 100

From 264 indicators
To 100
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

ADAPTATION

CHRONOLOGY

Financial year

Term opening
March/April
May/June
June/July
September/December
December

2
2
2
4
25
30

All year long

35
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

ADAPTATION

PERSPECTIVE

Transparency: 16
Participation: 7
Social issues: 8
Organizational: 11
Reliable picture: 32
Efficient management: 3
Training: 23
Financial Stability: 23
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

PRINCIPLES OF LOCAL FISCAL POLICIES

SECTIONS

- Design of tax policies
- Transparency and citizen involvement
- Tax timing
- Use of ICT’s
- Development of professional competences and skills of the local public servants
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

TAXES AND FEES

SECTIONS

- Tax Policies
- Information and Advertising policy
- Tax Administration
- Audited Tax System
- Fees and charges
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

CAPITAL BUDGET FINANCING

SECTIONS

- Capital budget financing
  - Efficient management of local investments
  - Suitable financing
  - Short term loans and cash management

- Local property
  - Rules of control of the assets and liabilities
  - Long term financial stability
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

BUDGETING PLANNING

SECTIONS

- Fiscal strategy design
- Budgeting methods and capacity
- Budgeting procedures
- Fiscal policy objectives
3. LFB. BASQUE APPROACH

3.2 Adaptation toolkit

BUDGET IMPLEMENTATION AND SUPERVISION

SECTIONS

- Special rules of budget adjustments and implementation
  - Regular evaluation and budget adjustments limited
  - Independent opinion on final reports
  - Transparency related to subsidiary organizations
  - Efficient management of the services provided by the local authorities

- Special control and supervision on activities
3. LFB. BASQUE APPROACH

3.3 Evaluation

The toolkit has no evaluation system, so we had to develop a specific one for the Basque reality

- Two Aims – Two risks
  - To avoid subjectivity
  - To skip a system where all the indicators have the same importance.

**CRITERIA**

- Relevance of the procedure / indicator
- Areas to analyze:
  - Existence
  - Completed and well done
  - Evidence provided
- All of them divided into:
  - Compulsory
  - No expressly regulated
  - Ratio
4. Conclusions / Lessons

- The Need to simplify the toolkit.

- To work with a monitoring group rather than just a municipality has enriched the project (tackling the diversity and complexity of the municipalities).

- The importance of an evaluation system focus on objectivity.

- The toolkit is not a self-assessment process.
5. Next steps / Challenges

1. To fix not only the toolkit but also the evaluation system by the end of this year.

2. To expand the size of the sample. In both geographical and in terms of size of municipalities.

3. To develop a reduced toolkit for smaller municipalities.

4. To benchmark the results inside the Basque country and with other countries/regions in Europe.

5. To keep the toolkit updated, rethinking the indicators, eliminating useless and incorporating new demands.