



Independent Authority
for Fiscal Responsibility

Report

11th November 2015

Report on the General Government sector 2016 draft budgets and main budgetary lines: Local Corporations

The mission of AIReF, the Independent Authority for Fiscal Responsibility, is to ensure strict compliance with the principles of budgetary stability and financial sustainability contained in article 135 of the Spanish Constitution.

AIReF:

José Abascal, 2, 2nd floor. 28003 Madrid. Tel. +34 910 100 599

E-mail: Info@airef.es

Website: www.airef.es

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Executive summary

The purpose of this report is to assess the main lines of the budgets prepared by the Local Corporations (LCs) in Spain from the standpoint of whether or not they are adequate with a view to compliance with the budget stability and government debt targets and with the expenditure rule. The information on the subsector as a whole was not available to AIReF, so making it impossible for AIReF to give any view on the local government budgetary approach on an aggregate national level for next year. However, this circumstance does not prevent AIReF from stating its view on the possibility of compliance with the fiscal rules in 2016, given that compliance depends on a series of factors linked to budget implementation rather than the budget document itself.

Since the Organic Law on Budget Stability and Financial Sustainability (LOEPSF) came into force in Spain there has been a tendency for the implementation rate of the expenditure budget in Local Corporations to be less than 60% of the initial approved budget appropriations. This under-implementation is a consequence of the clear lack of any direct linkage at the current time between the budget stability target and the expenditure rule. Whereas the budget stability target is all about achieving a balanced budget, the application of the expenditure rule leads to a budget surplus that in some cases is larger than the surplus that would be strictly necessary to guarantee compliance.

AIReF is of the view that it is highly likely that the Local Corporation subsector in Spain will comfortably meet its budget stability target in 2016 although the possible surplus might be lower than the surplus made in previous years. The expenditure rule and the constraint on using any excess positive cash flow imposed by compliance with the expenditure rule, together with the legal restrictions on local government debt, are the reasons why the subsector overall so far has not been spending to the maximum level allowed under the expenditure rule. However, this margin might be becoming smaller now to judge by the performance of the six local corporations of provincial capital cities with over 500,000 inhabitants, which have been individually analysed by AIReF for this report, if this data is extrapolated to the subsector as a whole.

As far as the level of debt in Local Corporations is concerned, AIReF's estimates for 2015 and 2016 allow it to conclude that the target is easily achievable in both years, even without taking into account any extraordinary financing mechanisms. In fact, if local corporations continue

to bring down their level of debt in line with the constant trend since 2012, the long-term objective of a debt-to-GDP ratio of 3% laid down in article 13 of the LOEPSF would be achieved.

In the case of the six provincial capitals with a population of over 500,000 the tendency observed has been for them to use up all the margin available up to now for growth in expenditure permitted under the expenditure rule. Although this will not jeopardise the budget stability target, in some cases it might mean they will fail to comply with the expenditure rule in 2015 and 2016.

COMPARATIVE PICTURE OF COMPLIANCE WITH FISCAL RULES BY CITY COUNCILS						
City Council	Stability target		Expenditure rule		Outstanding debt to consolidated current revenue ratio	
	2015 Forecast	2016 Forecast	2015 Forecast	2016 Forecast	2015 Forecast	2016 Forecast
Madrid	✓	✓	✗	✗	Between 75% and 110%	Between 75% and 110%
Barcelona	✓	✓	✗	✗	Less than 75%	Less than 75%
Valencia	✓	✓	✗	✗	Between 75% and 110%	Between 75% and 110%
Sevilla	✓	✓	No information supplied	No information supplied	Less than 75%	Less than 75%
Málaga	✓	✓	✓	✓	Between 75% and 110%	Less than 75%
Zaragoza (*)	✗	✓	✗	✓	More than 110%	More than 110%
✓	Compliance					
✗	Non-compliance					
Less than 75%	Authorisation not required for new debt operations					
Between 75% and 110%	Authorisation required from oversight body for new debt operations					
More than 110%	Cannot take on more debt					
(*)	Includes the adjustment required by Eurostat for investments in the tramline. Without this adjustment Zaragoza would comply with the stability target and the expenditure rule in 2015 and its debt ratio would not be over 110%					

Note: Seville City Council has undertaken to send the outstanding information as soon as possible. AIRef will include its analysis of that information in the report on budgets scheduled for publication next March.

In this context, AIReF believes that the budget stability target and the expenditure rules should play a mutually reinforcing role. For that to happen there must be a linkage established between them that does not exist at the moment. Therefore, AIReF makes the recommendation that budgets should be drawn up in line with forecasts for actual implementation. That would mean that within the parameters of the stability target set for the LCs as a whole and the requirement set by the LOEPSF for each subsector to achieve a balanced budget or surplus, each local corporation can set the stability target for its budgets taking into account the expenditure rule, exactly as stated in article 15 of the LOEPSF.

Furthermore, AIReF believes that in the current context of still very demanding fiscal targets it is not sustainable for there to be subsectors that

are always recording fiscal imbalances of the same sign (deficits or surpluses). Fiscal rules have to be assessed within a broader framework that takes into account competences over expenditure and the normative capacity for revenue collection of each level of the government. AIReF consequently recommends to analyse the local financing system as part of an overall framework encompassing the whole General Government sector and to undertake any normative modifications as necessary in order to bring the financing systems in line with the levels of expenditure and financial capacity of each one of its subsectors.

Lastly, one of the recommendations on transparency made by AIReF is to ask for a system to be set up that will guarantee AIReF an access to the information the Local Corporations send the Ministry of Finance & Public Administrations (MINHAP) under the LOEPSF and its implementing provisions that should be similar to the access that the autonomous regions with powers to monitor local government finances currently have.

I. Object of the report and limitations on its scope

The object of this report is to make an assessment of the main lines of the budgets prepared for 2016 by the Local Corporations in Spain from the standpoint of their adequacy for the budget stability and government debt targets and the expenditure rule. AIReF conducted its analysis on the Local Corporation subsector as a whole, and also individually analysed each one of the six city councils of the provincial capital cities with over 500,000 inhabitants (Barcelona, Madrid, Malaga, Seville, Valencia and Zaragoza). When added together the budgets for the six local governments account for around 25% of the total budget for the subsector.

The report has major limitations with regard to the analysis of the main lines of the budgets for 2016 of the Local Corporations taken overall. In order to write this report AIReF requested information from the Ministry of Finance's Central Information Office. It asked for the information on the main lines of the budgets that the Local Corporations are under the obligation to send to MINHAP before 15th September each year in the terms set out in Order HAP/2105/2012 (as amended by Order HAP/2082/2014) developing the information obligations contained in the LOEPSF. This information, which AIReF requested both for the subsector and for the six city councils listed above, included the main lines of the budgets for 2016, the 2015 year-end forecast, the expected national accounting adjustments, the outstanding debt at 30th June 2015 and the forecast debt figure for 31st December 2015 and 2016, non-financial uses and eligible expenditure under the expenditure rule. MINHAP has only provided AIReF with the budget data for the LCs that sent the Ministry their main lines for 2016. It has not extrapolated this information to the national level or given an indication of its relative importance in the non-financial revenue/expenditure of the subsector as the request asked for. Nor has it provided the details of the criteria it applied in 2015 to elevate up to the national total the data available at that time for the budget lines of that year. This information is essential to be able to evaluate the main lines of the budgets for 2016 and their consistency with the data provided for 2015.

As far as the 2015 year-end forecast is concerned, MINHAP has taken the view that the information request oversteps the formal and material boundaries of AIReF's functions, considering that the information requested is only auxiliary or supporting information and not directly related to the performance of those statutory functions. Nevertheless, this information —the same information MINHAP includes in its standard forms used by the LCs to provide

information on the main lines of the budgets to be approved—is necessary for the analysis to be made. It is necessary because 2015 year-end data are the baseline of the budget exercise for 2016, and as such are an essential element to judge whether the budgets for next year are in line with the targets set in the stability legislation.

As regards the figure for national accounting adjustments that allow a connection to be established between the budget surplus/deficit and the subsector's net lending/borrowing (budget stability indicator) and the 2015 and 2016 outstanding debt forecast data, MINHAP has told AIReF that it does not have that information.

Lastly, MINHAP has not provided AIReF with the data it requested for the assessment of the expenditure rule because it said it does not have the available information. In this case, unlike the information referred to in the paragraphs above, following the publication of Order HAP/2082/2014 there is no obligation on the part of the local corporations to send MINHAP the local government auditors' report on the assessment of compliance with the expenditure rule as an integral part of the main lines of the budgets. Nevertheless, the request made to the MINHAP Central Information Office does fall within the scope of the powers attributed to AIReF by article 17.1 of the LOEPSF. Under that provision, AIReF is required to make an appraisal in this report of the adequacy of the main lines of the LC budgets for 2016 not only with the stability and government debt targets but also with the expenditure rule, with reference to the information included in article 27 of that law.

Although the information supplied by the Central Information Office with regard to the six city councils that are provincial capitals with more than 500,000 inhabitants has the same constraints described for the whole subsector, AIReF has been able to overcome the gaps in it thanks to the information furnished directly by those city councils in response to AIReF's requests. With the aim of avoiding any duplication of information, the data requested by AIReF for the appraisal of the budget stability and government debt targets form part of the content of the information that the LCs have to send to MINHAP in the framework of the ministerial order cited above and have been supplied by the six city councils. For the assessment of the expenditure rule, as there is no obligation for the local governments to send the ministry the assessment made by the local government auditing service because of the legislative amendment mentioned above, the information has been supplied by all the councils (with the exception of Seville) in response to a questionnaire devised for the purpose by AIReF. Seville City Council wrote to AIReF to confirm its intention to send the information as soon



as possible. At the time of publication of this report, however, the information requested has not yet been received. AIReF will include its future analysis of the information when it is received in the budgets report scheduled for publication in March.

II. Results of the assessment

II.1 Local Corporation subsector

Budget stability target and expenditure rule

The main lines of the 2016 budgets for the LC subsector have not been made available to AIReF and so it cannot take a view on their adequacy for compliance with the deficit and debt targets or with the expenditure rule. As AIReF has explained above, the information furnished by MINHAP corresponds solely and exclusively to the Local Corporations that have sent it their 2016 budget main lines. The relative weight of those corporations in the total revenue and expenditure figure for the subsector has not been provided. Nor has MINHAP informed AIReF of the criteria it used to turn the data into national level data in the information it provided AIReF last year on the main lines of the 2015 budgets.

However, AIReF has analysed the possibility of compliance with the fiscal rules in 2016 without using the Local Corporation budgets, as this information does not anticipate what the final year-end budget implementation results will be. The analysis of compliance with the fiscal rules in the initial budgets prepared by the LCs is not a good indicator of the result that may be obtained at the end of the year because the budgets are prepared with the fiscal balance objective in mind, whereas implementation of budget expenditure is limited primarily by the constraints of applying the expenditure rule. That is why the budgets at local government level tend to record a hidden surplus resulting from the initial overestimation of expenses that are subsequently adjusted in the budget implementation phase. AIReF has analysed the degree of implementation of the local government budgets by using an econometric model of panel data that makes a distinction between two sampling periods divided in time by the entry into force in 2012 of the LOEPSF. As can be observed in table 1, from 2012 onwards the initial revenue forecasts are mostly in line with the final implementation figures whereas the actual implementation of expenditure only covers around 60% of the budget appropriations initially approved.

TABLE 1. FINAL BUDGET IMPLEMENTATION (euros collected in revenue/spent for each euro in the budget)			
Non-financial revenue		Non-financial expenditure	
2001-2011	2012-2014	2001-2011	2012-2014
Before the stability legislation came into force	After the stability legislation came into force	Before the stability legislation came into force	After the stability legislation came into force
1.24	0.92	1.07	0.55

Source: MINHAP

AIReF considers it highly likely that the LC subsector will comfortably meet the budget stability target in 2016, although the possible surplus might be lower than the surplus obtained in previous years. The application of the expenditure rule allows AIReF to estimate that in 2016 the LC subsector overall will comfortably comply with the stability target for the subsector, which is to record a balanced budget. The data available for 2013 and 2014 show that that Local Corporations do not use up the full expenditure limit they are allowed to spend under the expenditure rule¹. However, the above data show a growth trend in their eligible expenditure that is likely to continue more strongly in 2015 if the forecasts reported by the six largest city councils are extrapolated to the level of the subsector. These six local governments have a revenue and expenditure structure on average with relative weights similar to the weights of the municipalities overall as shown in table 2. If this tendency to use up the full limit allowed by the expenditure rule is confirmed, the surplus recorded by the subsector in recent years would be lower this time.

¹ In 2013 the level of eligible expenditure corrected by the increase in permanent revenues fell by 3% and in 2014 it rose by 0.2%, whereas the reference rates were 1.7% in 2013 and 1.5% in 2014.

COMPARISON OF THE REVENUE AND EXPENDITURE STRUCTURE IN THE LC SUBSECTOR AND IN THE SIX PROVINCIAL CAPITALS WITH MORE THAN 500,000 INHABITANTS

The table below gives a comparative picture in percentage terms, as a ratio of non-financial revenue/expenditure, and as an average of the data forecast for the 6 largest city councils for 2015 and 2016, of the weight of the key expenditure components (personnel expenses and current expenditure on goods and services) and revenue components (IBI property tax, all other municipal taxes and revenue from the financing system) in those city councils and the municipalities overall. This picture is built up by including for each budget heading in the table the average data for the municipal governments taken overall using the latest information published by MINHAP in its report on local finances (*"Haciendas Locales en cifras"*) with figures for 2013. The exception are the revenues from the financing system for which AIReF has taken the average figure from the data published for 2015 and 2016 of the total of the participation of the LCs in that system.

TABLE 2. REVENUE AND EXPENDITURE STRUCTURE OF THE SIX LARGEST CITY COUNCILS (as a % of revenue/non-financial expenditure)								
		Total municipalities average	BARCELONA	MADRID	MALAGA	SEVILLE	VALENCIA	ZARAGOZA
EXPENDITURE	PERSONNEL & CURRENT GOODS (CHAPTERS 1 & 2)	76%	72%	80%	80%	87%	72%	82%
	OTHER NON-FINANCIAL EXPENDITURE	24%	28%	20%	20%	13%	28%	18%
REVENUE	PROPERTY TAX	29%	25%	28%	23%	22%	28%	24%
	Other municipal taxes (IVTM, IIVTNU, IAE, ICIO)	14%	12%	20%	13%	13%	11%	16%
	FINANCING SYSTEM (Ceded taxes and State administration transfers)	36%	41%	33%	38%	36%	44%	38%
	OTHER NON-FINANCIAL REVENUE	21%	22%	19%	25%	30%	17%	22%

Note: In Barcelona City Council transfers made by the City Council to other public entities that can be considered provision of services have been included under the heading personnel expenditure and current goods

Source: MINAHP and information provided by the City Councils

The above data show that there are no significant differences in the revenue and expenditure structure of the six largest city councils compared to the average results for the local government total. Nevertheless, the following points can be highlighted from the table:

- Under expenditure, personnel expenses and expenditure on current goods and services in the six largest city councils account for an average 79% of their non-financial expenditure, three percentage points more than the municipality average.
- Under revenue, a slight difference can be detected as regards the distribution of the relative weight of the municipal taxes and revenue from the financing system. Compared to the average of the total local governments the weight of tax revenue is lower (4%) in the 6 largest local governments and the weight of resources from the financing system is greater (almost 3%).

The combined effect of the application of the expenditure rule, the limitation on the incorporation of unspent appropriations to finance new expenditure the rule entails, and the restriction on taking on more debt, means that the subsector as a whole does not use up its full spending capacity linked to the application of the expenditure rule.

- **MINHAP's compliance reports give the net effect for the subsector as a whole.** Any expenditure slippages by the LCs that fail to comply with the expenditure rule are therefore offset by the opposite effect of the LCs that do not use up their full expenditure limit.
- **Those LCs that have their own resources to spend because they made savings in previous years cannot use the full amount of those funds on expenditure in the current year.** Within this extremely numerous and heterogeneous group of so many local corporations, there are entities with a healthy financial situation that tend to have large amounts of excess cash for general expenses that they cannot use—at least in full—on expenditure in the following year if they want to avoid non-compliance with the expenditure rule. The one exception is the allocation of those surplus amounts to financially sustainable investments.
- **On the other hand, the entities that are in a financially weak position cannot spend more, not only because they have to abide by the expenditure rule, but also because they have no funding sources, and in particular no recourse to debt financing.** Since Royal Decree-law 8/2010 on urgent measures to reduce the public deficit was passed in 2010, access to debt has been limited year after year to compliance with very restrictive conditions.

The baseline is 2015, a year in which it is highly likely that the LC subsector will comply with the budget stability target and may end the year overshooting the target albeit by a slightly lower margin than in 2014. Over the last two years for which accounts have been closed, this subsector—whose legal target is to have a balanced budget—has recorded a surplus of around 0.5% of GDP. At the end of the second half of 2015, according to the latest information published, the local government surplus in Spain accounted for 0.22% of GDP, a tenth of a percentage point higher than the figure recorded in the same period of the year before. However, the upward trend usually taken by expenditure in the second half of the year, the implementation of expenditure policies by the new municipal governments after the slowdown in expenditure in the run-up to the election, the lower

savings expected from the local government reform, the final negative settlement stemming from the financing system, and the effect of the investments associated with the public-private partnership (PPP) contract entered into by the Zaragoza City Council in previous years, which according to Eurostat's criteria should be recorded as an investment in 2015, allow AIReF to anticipate that the trend shown by the latest quarterly data will flatten off in the last six months of 2015. If this forecast is confirmed the surplus to be obtained this year will be slightly lower than the figure recorded last year.

AIReF's forecast for 2016 determines a surplus in national accounts terms for the Local Corporation subsector in Spain of between 0.3% and 0.6% of GDP. This forecast takes into account how the different national accounting headings have developed historically up to the most recent data published for the first half of 2015. Furthermore, this estimate integrates on the expenditure side the last information on measures given in the Budgetary Plan for 2016, especially the reduction in the expenditure savings expected from the local government reform and the impact of the personnel measures (even though their application is only optional for the LCs), such as the reinstatement of the extraordinary salary payment to public employees for 2012, the 1% pay increase and the restrictions on the replacement rate for retiring personnel. On the revenue side, the forecast incorporates the latest data for the final settlement of the financing system, as well as AIReF's estimate of the main local tax, the IBI (*Impuesto de Bienes Inmuebles*), a property tax which on average represents between 25% and 29% of the non-financial revenue.

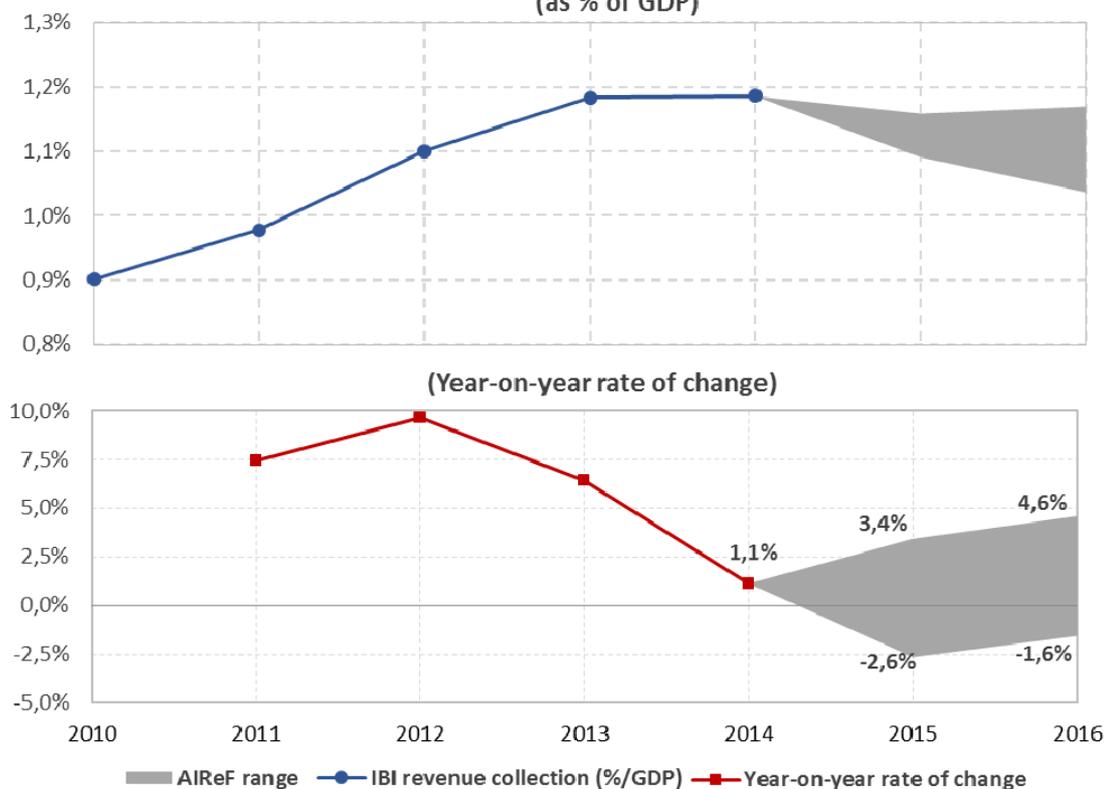
ESTIMATING THE FORESEEABLE DEVELOPMENT OF PROPERTY TAX (IBI) REVENUE COLLECTION IN 2015 AND 2016:

The analysis of the possible development of the revenue collected from the IBI local property tax in 2015 and 2016 has been estimated using a model taking the data published by MINHAP on the collection of the IBI as a basis to determine the taxation structure of each municipality for the year 2013. With the data published by MINHAP on the property registry variables for the years 2013 to 2015 at the level of the municipality, the model allows AIReF to estimate the liquid revenue collection forecast for the years 2015 and 2016 for each municipality in Spain.

The graph below shows the estimated development for 2015 and 2016 of the collected tax revenue from the IBI, in GDP percentage terms, as well as the year-on-year growth rate compared to the value in millions of euros from the year before.

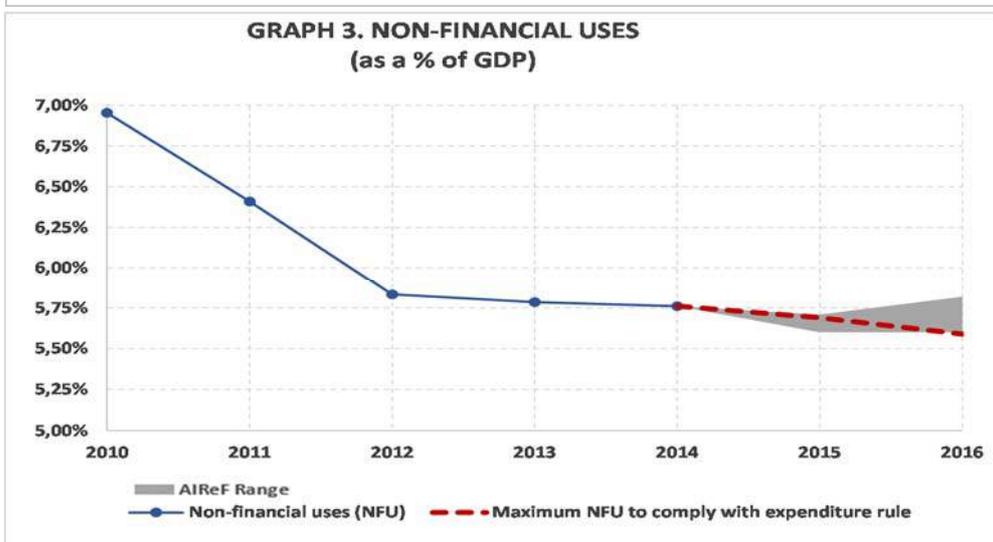
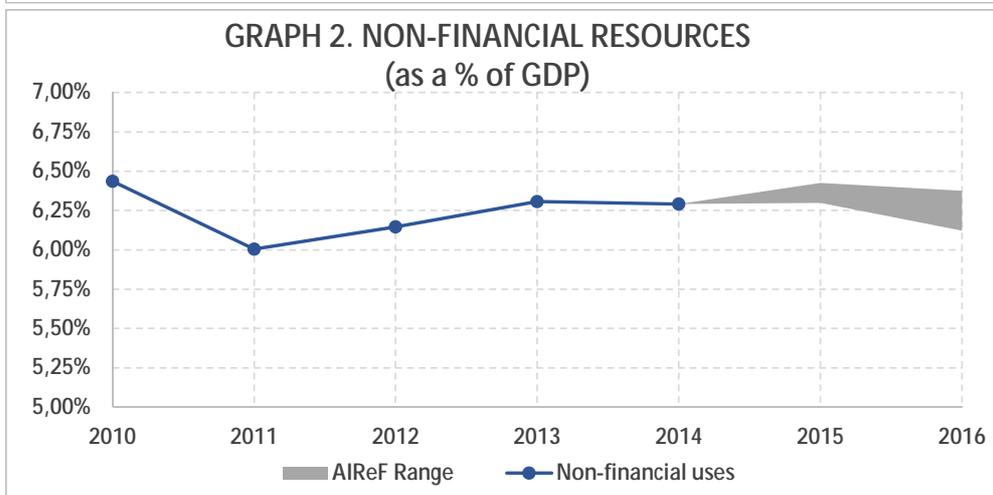
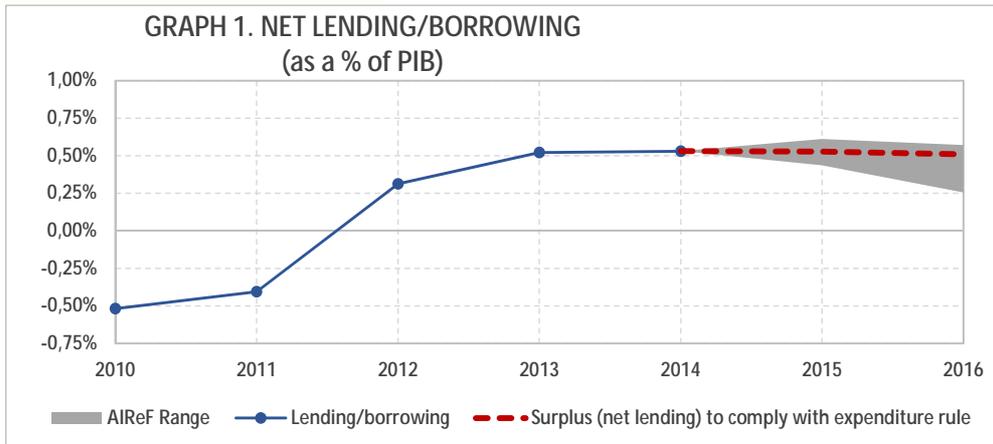
This graph shows that the weight as a ratio of GDP of the estimated development of this tax collection falls off slightly in both years, given that the growth in the nominal GDP forecast is higher and the year-on-year rate of increase of the liquid tax collection flattens off as a trend.

DEVELOPMENT OF LIQUID IBI REVENUE COLLECTION
(as % of GDP)



Source: MINHAP & AIReF estimates

The minimum surplus that would allow compliance with the expenditure rule in 2015 and 2016 is 0.5% of GDP. This figure falls within the higher end of the interval of forecasts made by AIReF. The following graphs show the observed development in the subsector over the reference period 2010-2014 of the net lending/borrowing, of the non-financial uses (both figures are corrected in 2010 and 2011 by the effect of the negative settlements of the share in State taxes for 2008 and 2009), and of non-financial resources, according to the latest data published by the State Comptroller's Office, IGAE. Likewise, the graphs show AIReF's forecasts for 2015 and 2016 by applying an econometric model that takes into account the development within the year of the quarterly budget implementation observed. Lastly, an estimate has also been made of the maximum non-financial uses figure that would allow compliance with the expenditure rule in 2015 and 2016, on the basis of the data incorporated in the last compliance report of the three fiscal rules published by MINHAP and on the assumption that the relative importance of the exclusions covered in article 12 and in additional provision six of the LOEPSF are kept constant, with the exception of the interest payments estimated by AIReF in line with the primary balances and their debt accumulation. According to these forecasts, if in 2015 and 2016 the LC subsector were to obtain a surplus, or net lending in national accounts terms, of around 0.5% of GDP, this surplus would guarantee compliance with the expenditure rule in both years. This percentage is very close to the upper limit of the interval of the surplus forecast by AIReF.



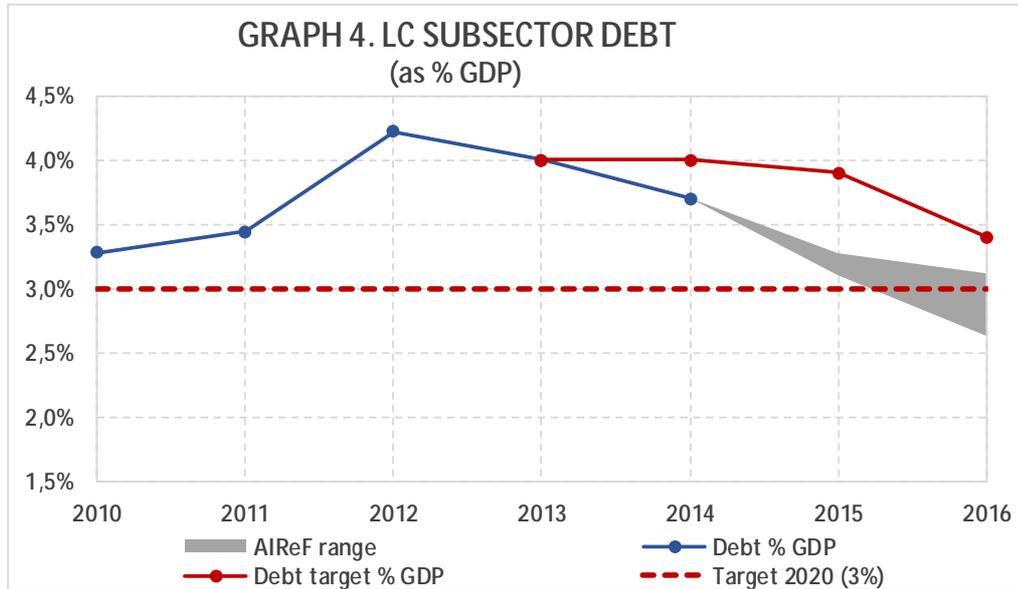
Source: MINHAP & AIReF estimates

Government debt target

If the debt reduction trend that started in 2012 remains constant, by 2016 the Local Corporations would achieve the long-term debt-to-GDP target of 3% stipulated in article 13 of the LOEPSF. They would consequently comply with the 3.4% target set in the Agreement of the Council of Ministers of 10th July 2015 by a comfortable margin. The 2014 year-end total debt for the LC subsector was 3.6% of GDP, four tenths of a percentage point below the target for that year, and down 9% compared to 2013. This debt reduction path is continuing in 2015 because the latest data published in the Banco de España's *Boletín Económico* for the debt position up to August 2015 puts the outstanding debt of the LC subsector at €37.215 billion, which is 3.5% of GDP and four tenths of a percentage point below the target for this year (3.9%).

AIReF's has made estimates for 2015 and 2016 by extrapolating the most recent data published by Banco de España for EDP debt, for acquisitions of financial assets and other financial flows, and has drawn the conclusion on the basis of those estimates that in both years the debt target is fully achievable, even without taking into account the extraordinary financing mechanisms. The graph below shows the development of the observed data on outstanding debt published by Banco de España as a percentage of GDP, as well as the forecast for year-end 2015 and 2016 as estimated by AIReF on the basis of the most favourable assumption², i.e. that the surplus obtained is entirely allocated to paying off debt. The graph also includes the relative debt position compared to the target agreed by the Council of Ministers for 2013 and following years and the long-term target of 3% of GDP.

² AIReF has made this assumption because it does not know the figure for the part of the surplus obtained to be allocated to financially sustainable investments under additional provision six of the LOEPSF regulating the special rules applicable to the Local Corporations on the matter of budgetary surplus and that will therefore not be used to reduce debt.



Note: 2013-2016 targets do not include debt from extraordinary supplier payment mechanisms

Source: Banco de España & AIReF estimates

II.2 An individualised analysis of the six city councils of provincial capital cities with more than 500,000 inhabitants

Following on from the assessment AIReF started in its earlier report issued on 15th July on the year-end figures for 2015, this report includes an individualised analysis of the six city councils of provincial capital cities in Spain with more than 500,000 inhabitants. AIReF's forecasts for 2015 and 2016 have been made by applying an econometric model that takes into account the development within the year of the quarterly implementation figures observed and the forecast that the local corporation in question has reported itself for both years. Furthermore, AIReF has included for the first time in the report, in line with what it has done for the subsector as a whole, a joint analysis of the compliance with the stability target and with the expenditure rule, as well as an estimate of the surplus or net lending in national accounts terms that would allow it to guarantee joint compliance with both objectives. Lastly, the earlier analysis has been completed with an individualised evaluation of the outstanding debt to consolidated current revenue ratio.

AIReF has not detected any risk of a failure to comply with the stability target in 2016 in any of the six local governments, although in general the margin by which they surpass the target might be significantly smaller than the margin recorded in previous years. The 2015 year-end forecast and the revenue and expenditure scenario for 2016 allow AIReF to conclude that next year the six local governments are likely to once again better the fiscal balance target although the margin by which they will do so might be lower than recorded in previous years. Zaragoza is the only one of these city councils that is very probably not going to meet the 2015 budget stability target because of the decision by Eurostat to book to this year's accounts the capital expenditure of almost €200 million on the city's tramline project. However, as this is not a recurring expense, the imbalance will be automatically corrected in 2016.

For comparative purposes the size of the possible surplus (non-financial revenue—non-financial expenditure) of these city councils has been estimated as a percentage of their non-consolidated financial revenue given that there is no local GDP, as shown in the table below.

TABLE 3.AIReF FORECASTS COMPLIANCE RANGES
STABILITY TARGET
6 LARGE CITY COUNCILS (% of non-financial revenue)

CITY COUNCILS	2015		2016
	JULY REPORT FORECAST	CURRENT FORECAST	CURRENT FORECAST
BARCELONA	2 - 13	2,5 - 7	-0,1 - 7
MADRID	20 - 25	21,3 - 27	13,3 - 22
MALAGA	6 - 16	8,4 - 13	3,6 - 10
SEVILLA	5 - 15	3,8 - 10	5,5 - 15
VALENCIA	7 - 19	9,3 - 16	4,7 - 15
ZARAGOZA*	6 - 21	10 - 15	1,7 - 17

(*) *The estimated surplus for 2015 in the Zaragoza City Council does not include the adjustment that must be applied this year because of the tramline investment. If this adjustment were included the forecast would be between -23% and 13% of its non-financial revenue.*

Source: MINHAP and AIReF estimates

It is highly likely that all of the six city councils except for Malaga will fail to comply with the expenditure rule in 2015. In 2016 there is a risk of non-compliance with the expenditure rule in all of them except for Malaga and Zaragoza. In Madrid, Barcelona and to a lesser extent Valencia, there is a risk of non-compliance with the expenditure rule in 2016. Nevertheless, in Barcelona and Valencia compliance would be possible if their surplus or net lending in national accounts terms ended up being higher than forecast at the moment by both local governments. In the case of Seville City Council, it has not been possible for AIReF to appraise compliance with the rule as explained earlier in this report as this information was not supplied.

Out of the six city councils analysed, only Zaragoza cannot arrange any new long-term loans in 2015 and 2016 because its outstanding debt to consolidated current revenue ratio is over 110%. The current budget stability legislation sets a debt target for the subsector overall. Given that this limit cannot be translated into a debt figure for each local corporation because there is no local government GDP, the limits for individual debt have to be taken to be the levels established for the arrangement of loans in Royal Legislative Decree 2/2004, of 5th March, approving the recast text of the Law regulating local finance departments (TRLRHL), or the specific legislation

enacted for the purpose (in particular, the State General Budgets Laws of recent years³).

The assessment AIReF has made for each one of the city councils in line with the assessment made for the subsector includes the 2015 and 2016 year-end forecast it has estimated using the most favourable assumption whereby the surplus obtained is entirely allocated to paying off debt. According to this analysis, only the level of debt in Zaragoza City Council is higher than 110% of its consolidated current revenue and so under the applicable legislation⁴ it cannot arrange any new long-term credit. This ratio includes the impact of the debt taken on by the city council through a loan booked for the investment made in the city's tramline of almost €200 million. The inclusion of this item has raised Zaragoza's outstanding debt ratio in 2016 from 100% to almost 140%.

The table below gives a comparative picture of the key conclusions from AIReF's evaluation of compliance with the three fiscal rules in the six largest local governments in Spain:

COMPARATIVE PICTURE OF COMPLIANCE WITH FISCAL RULES BY CITY COUNCILS						
City Council	Stability target		Expenditure rule		Outstanding debt to consolidated current revenue ratio	
	2015 Forecast	2016 Forecast	2015 Forecast	2016 Forecast	2015 Forecast	2016 Forecast
Madrid	✓	✓	✗	✗	Between 75% and 110%	Between 75% and 110%
Barcelona	✓	✓	✗	✗	Less than 75%	Less than 75%
Valencia	✓	✓	✗	✗	Between 75% and 110%	Between 75% and 110%
Sevilla	✓	✓	No information supplied	No information supplied	Less than 75%	Less than 75%
Málaga	✓	✓	✓	✓	Between 75% and 110%	Less than 75%
Zaragoza (*)	✗	✓	✗	✓	More than 110%	More than 110%
✓	Compliance					
✗	Non-compliance					
Less than 75%	Authorisation not required for new debt operations					
Between 75% and 110%	Authorisation required from oversight body for new debt operations					
More than 110%	Cannot take on more debt					
(*)	Includes the adjustment required by Eurostat for investments in the tramline. Without this adjustment Zaragoza would comply with the stability target and the expenditure rule in 2015 and its debt ratio would not be over 110%					

Seville City Council has undertaken to send the outstanding information as soon as possible. AIReF will include its analysis of that information in the report on budgets scheduled for publication in March next year.

3 According to the legislation applicable to LCs and their attached entities classified in the GG sector, they can arrange new long-term loan operations for investment whenever their net saving is positive and their outstanding capital to current revenue ratio is not higher than 100%. Should that ratio be higher than 75% but lower than 100% the local entities would require authorisation to take on more debt from the body that exercises financial oversight over them (MINHAP or Autonomous Region).

4 Final provision thirty-one of Law 17/2012 on the State General Budget for 2013, which is a provision with indefinite validity.

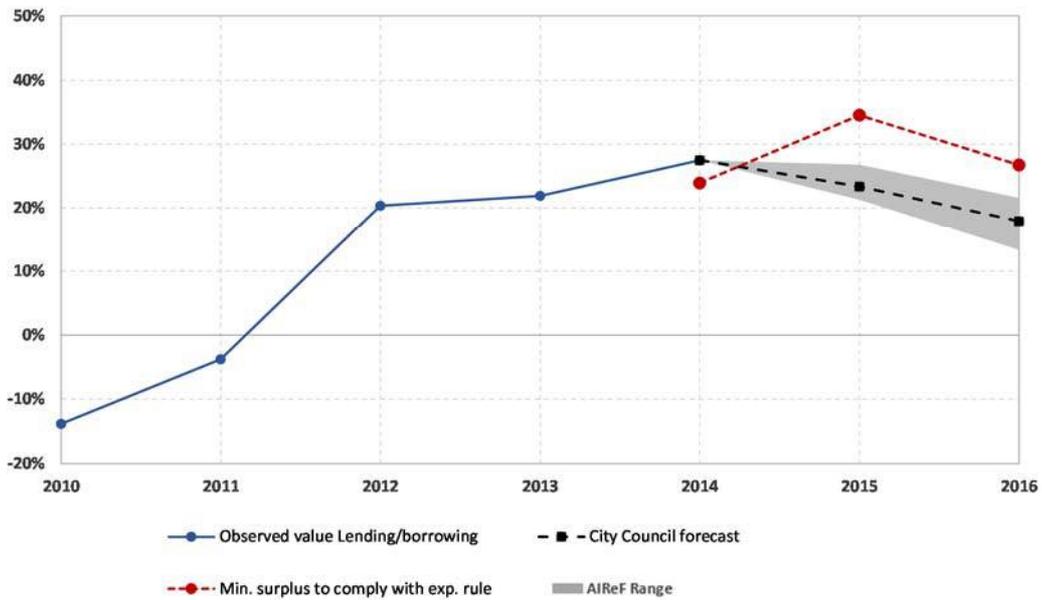
A. Madrid City Council budget stability target and expenditure rule

It is highly likely that the Madrid City Council will comply with the stability target in 2015 and 2016, although the margin by which it will surpass the target will be reduced in both years. In 2015 AIReF estimates that the Madrid City Council will obtain a surplus that will be slightly lower than the figure recorded in 2014. In 2016, it is highly likely this local government will significantly reduce its surplus or net lending in national accounts terms. This estimate made by AIReF matches the forecasts made by the local government itself. In the latest information published corresponding to the second quarter in 2015 Madrid City Council has reported a significant 20% increase in its non-financial revenue and a 4.4% reduction in its non-financial expenditure compared against the same period of the previous year. Nevertheless, the local government is not forecasting a consolidation of this trend in the second half of the year as it has reported a forecast surplus at year-end 2015 12% down on the surplus obtained in 2014. For 2016, Madrid City Council is forecasting a 30% reduction in its surplus or net lending in national accounts terms compared with 2015. These forecasts match AIReF's estimates given in graph 5, which shows the observed development of the Madrid City Council's net lending/borrowing in the reference period 2010-2014 as well as AIReF's forecasts for the years 2015 and 2016. The graph also includes AIReF's estimates of the minimum surplus or net lending in national accounts terms required for the Madrid City Council to comply with the expenditure rule in 2015 and 2016.

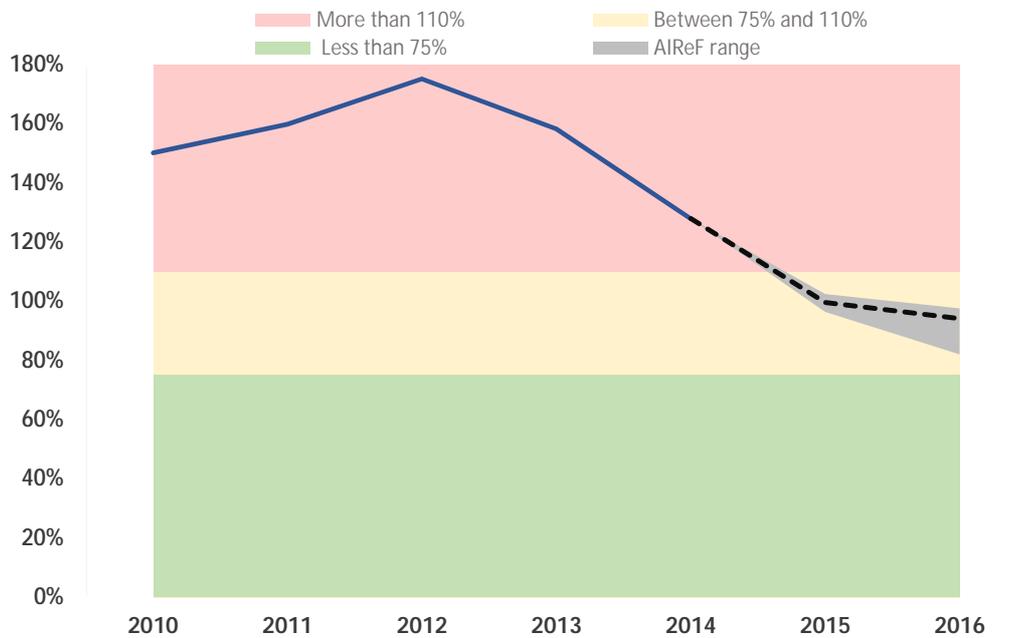
It is highly likely that the Madrid City Council will not comply with the expenditure rule in 2015 and 2016. This estimate by AIReF matches the forecasts made by the local government itself. According to AIReF's estimates, the minimum surplus or net lending in national accounts terms needed for that compliance falls outside the upper limit of the confidence band of the surplus forecast for both years.

It is highly likely that the Madrid City Council will achieve in 2015 an outstanding debt-to-current revenue ratio of below 100%. The downward trend that started in 2012 is likely to continue in 2016. These estimates by AIReF show the same trend as the local government itself has reported. Both forecasts appear in graph 6.

**GRAPH 5. MADRID.
NET LENDING/BORROWING
AS A % OF CONSOLIDATED NON-FINANCIAL REVENUE**



**GRAPH 6. MADRID. OUTSTANDING DEBT RATIO
AS A % OF CONSOLIDATED CURRENT REVENUE (CCR)**



Source: Data supplied by the city councils, Banco de España, SGCAL and AIReF estimates.

B. Barcelona City Council

It is highly likely that the Barcelona City Council will comply with the stability target in 2015 and 2016. In 2016 it will obtain a surplus similar to the figure achieved in 2014. In 2015 AIReF estimates that the local government will obtain a surplus or net lending in national accounts terms that will be much higher than in 2014. In 2016 it is highly likely that this local corporation will substantially reduce its surplus or net lending in national accounts terms compared to the figure obtained in 2015, and will end the year at a similar level to 2014. These estimates made by AIReF show the same trend as reported by the local government itself. In the latest information published corresponding to the second quarter of 2015 Barcelona City Council has reported a 5% reduction in its non-financial revenue and a 3% reduction in its expenditure compared to the same period in 2014. Nevertheless, it does not expect this situation to be consolidated in the second half of the year as it has reported a forecast surplus for the year-end 2015 four times higher than the figure obtained in 2014. For 2016, the local government is forecasting a 70% reduction in its surplus compared to 2015 although it has not explained the specific reasons for this development. According to the information supplied to MINHAP by the local government this reduction is primarily the outcome of the combined effect of the reduction in all the non-financial revenue items (current revenue falls by 4% compared to the forecast year-end figure for 2015 and capital revenue by 54%) with a 5% rise in current expenditure.

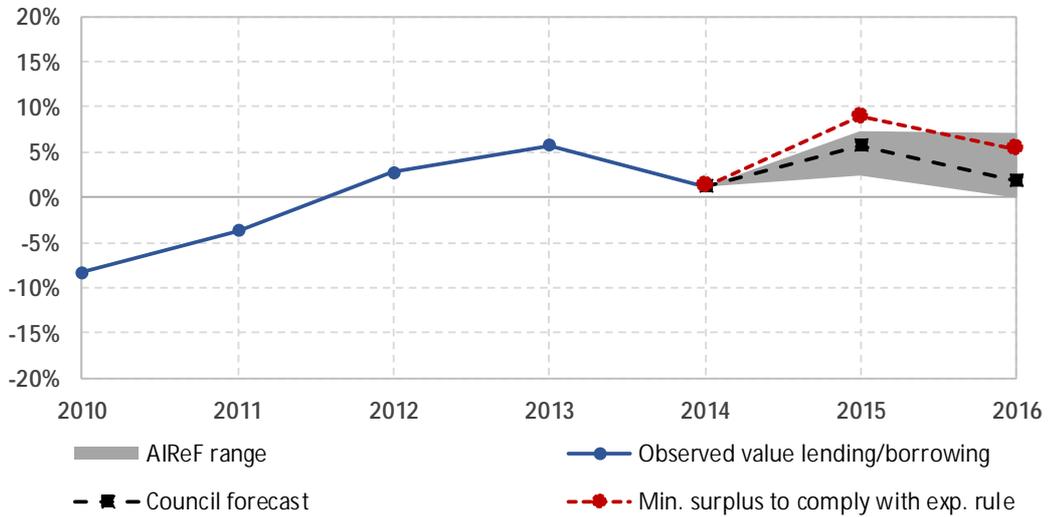
Barcelona City Council's own forecasts for both years fall within the confidence range of AIReF's estimates shown in graph 7, which records the observed development of the local government's net lending/borrowing in the reference period 2010-2014, as well as the forecasts made by AIReF for the years 2015 and 2016. Furthermore, the graph includes AIReF's estimates of the minimum surplus or net lending in national accounts terms required by the Barcelona City Council to comply with the expenditure rule in 2015 and 2016.

It is highly likely that the Barcelona City Council will not comply with the expenditure rule in 2015. AIReF estimates that there is a risk of it failing to meet the rule again in 2016. Compliance in 2016 is possible within the confidence interval of AIReF's estimates but is not very likely given that the local corporation would need to make a surplus almost twice the size of its own forecast. According to AIReF's forecasts, in 2015, the minimum surplus or net lending in national accounts terms required for compliance with this rule lies outside the higher bound of the confidence band of the forecasts for a surplus for this year for the local corporation. For 2016, that minimum surplus for compliance with the expenditure rule is substantially higher than forecast

by the Barcelona City Council but falls within the upper section of the confidence range of the estimates made by AIReF.

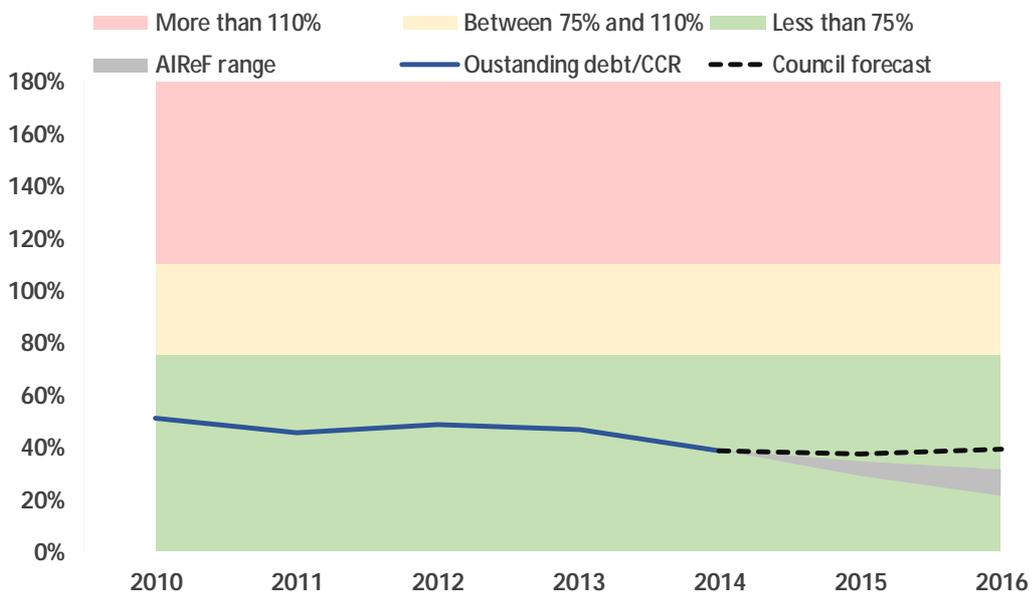
It is highly likely that the Barcelona City Council will achieve in 2015 an outstanding debt-to-current revenue ratio of 30%. In 2016 AIReF estimates a consolidation of the downward trend in debt that started in 2013. Both forecasts appear in graph 8.

**GRAPH 7: BARCELONA.
LENDING/ BORROWING
AS A % OF CONSOLIDATED NON-FINANCIAL REVENUE**



Source: MINHAP, city council and AIReF estimates

**GRAPH 8. BARCELONA. OUTSTANDING DEBT RATIO
AS A % OF CONSOLIDATED CURRENT REVENUE (CCR)**



Source: MINHAP, city council, Banco de España and AIReF estimates.

C. Valencia City Council

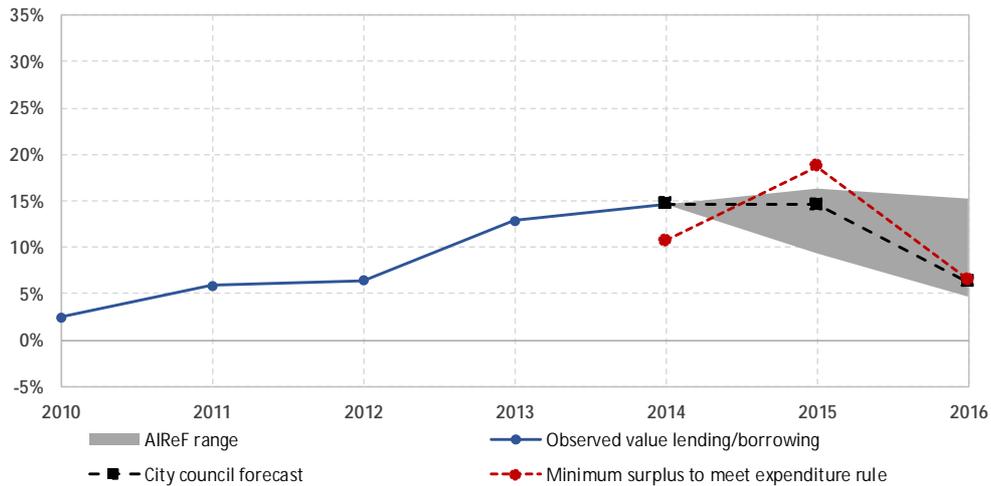
It is highly likely that the Valencia City Council will comply with the stability target in 2015 and 2016, although in 2016 the margin by which it will surpass the target will be lower than the previous year In 2015 AIReF estimates that Valencia City Council will obtain a surplus or net lending in national accounts terms similar to the figure obtained for 2014. In 2016 it is highly likely that this local government will substantially reduce its surplus or net lending in national accounts terms. These estimates made by AIReF show the same trend as reported by the local government itself. In the latest information published corresponding to the second quarter of 2015 Valencia City Council has reported a 2% increase in its non-financial revenue and a 7% reduction in its non-financial expenditure compared to the same period of 2014. In line with this data, the local corporation is forecasting a 3% higher surplus at year-end 2015 than the surplus obtained in 2014. For 2016, Valencia City Council is forecasting a reduction of almost 60% in its surplus or net lending in national accounts terms compared to 2015. These forecasts fall within the confidence range of AIReF's estimates as shown in graph 9, which gives the observed development of the local corporation's net lending/borrowing in the reference period 2010-2014 as well as the forecasts made by AIReF for the years 2015 and 2016. In addition, the graph includes AIReF's estimate of the minimum surplus or net lending required for the Valencia City Council to comply with the expenditure rule in 2015 and 2016.

It is highly likely that the Valencia City Council will not comply with the expenditure rule in 2015. AIReF estimates that there is some risk of non-compliance in 2016. In 2016, compliance would be possible within the confidence interval of AIReF's estimates but it would require the local government to obtain a slightly higher surplus than it is forecasting. The risks identified in this case are not so much related to the additional surplus but rather to the apparent lack of consistency between the increased expenditure forecast in the budgetary scenario and the reduction in the eligible expenditure reported by the local government for the purposes of the expenditure rule. According to AIReF's estimates, in 2015 the minimum surplus or net lending required for compliance with this rule lies beyond the upper limit of the confidence interval of the surplus forecast for this year by the local corporation. For 2016, that minimum surplus required for compliance with the expenditure rule falls within the confidence range of AIReF's forecasts although slightly above the City Council's own forecasts.

It is highly likely that the Valencia City Council will achieve an outstanding debt-to-current revenue ratio of around 85% in 2015. In 2016,

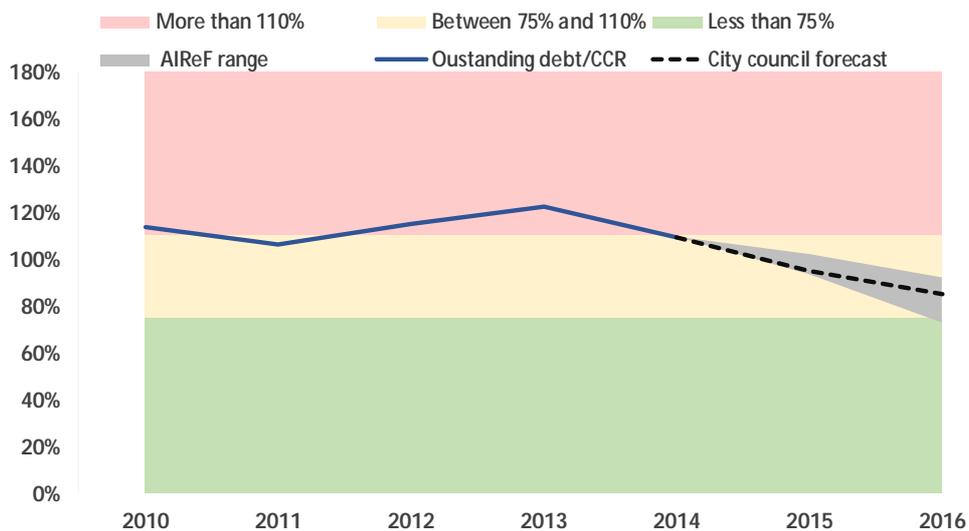
if AIReF's most favourable forecast is confirmed, the outstanding debt ratio could fall below 75%. These estimates made by AIReF are on the same debt reduction path reported by the local corporation. Both forecasts appear in graph 10.

**GRAPH 9: VALENCIA.
LENDING / BORROWING
AS A % OF CONSOLIDATED NON-FINANCIAL REVENUE**



Source: MINHAP, City Council and AIReF estimates

**GRAPH 10. VALENCIA. OUTSTANDING DEBT RATIO
AS A % OF CONSOLIDATED CURRENT REVENUE (CCR)**



Source: MINHAP, City Council, Banco de España and AIReF estimates.

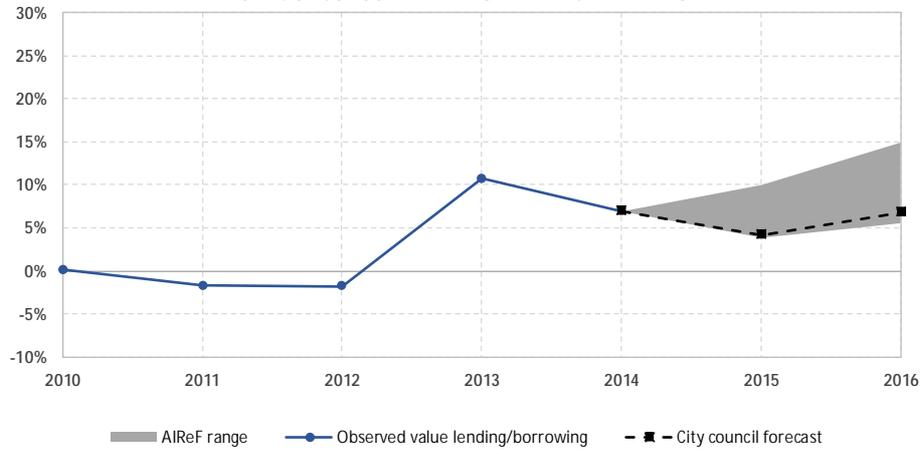
D. Seville City Council

It is highly likely that the Seville City Council will comply with the stability target in 2015 and 2016, although it is possible that the margin by which it will surpass the compliance target will be reduced substantially in 2015 compared to the margin achieved in 2014, although it will improve in 2016. These estimates made by AIReF show the same trend as reported by the local government. In the latest information published corresponding to the second quarter of 2015 the Seville City Council has reported a 14% reduction in non-financial revenue and a 26% reduction in non-financial expenditure compared to the same period of 2014. However, the local corporation does not expect this trend to be consolidated in the second half of the year as the forecast surplus it has reported for the end of 2015 is 37% down on the surplus obtained in 2014. These forecasts are within the confidence range of AIReF's estimates, as shown in graph 11, which records the observed development in the net lending/borrowing for the local corporation in the reference period 2010-2014, as well as AIReF's forecasts for 2015 and 2016.

No information is available for AIReF to assess the expenditure rule. Unlike the analysis made for all the other city councils, graph 11 does not include AIReF's estimate of the minimum surplus or net lending in national accounts terms required for the Seville City Council to comply with the expenditure rule in 2015 and 2016 as no information on this has been received so far.

It is highly likely that the Seville City Council will achieve an outstanding debt-to-current revenue ratio of between 50% and 60% in 2015. In 2016 this ratio might continue to fall to around 30%. Both forecasts appear in graph 12.

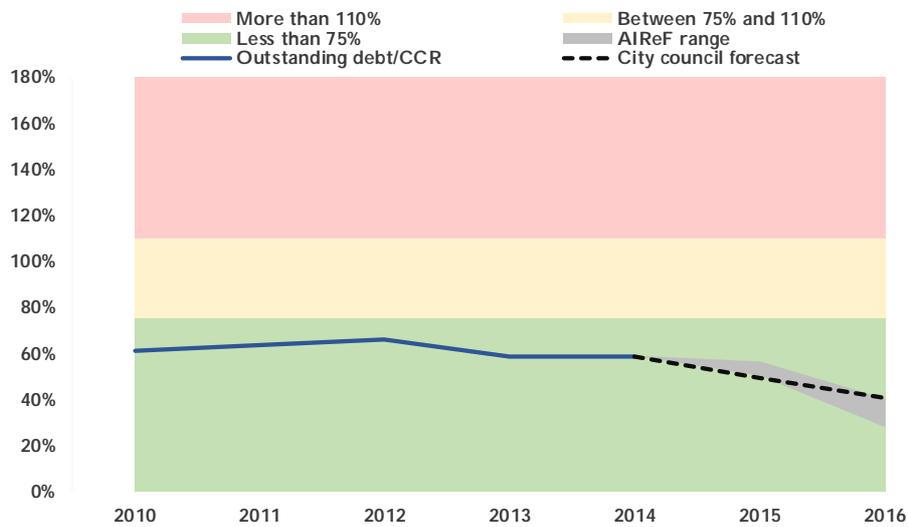
GRAPH 11: SEVILLE.
LENDING / BORROWING
AS A % OF CONSOLIDATED NON-FINANCIAL REVENUE



Source: MINHAP, City Council and AIReF estimates

GRAPH 12. SEVILLE. OUTSTANDING DEBT RATIO

ASA % OF CONSOLIDATED CURRENT REVENUE (CCR)



Source: MINHAP, City council, Banco de España and AIReF estimates.

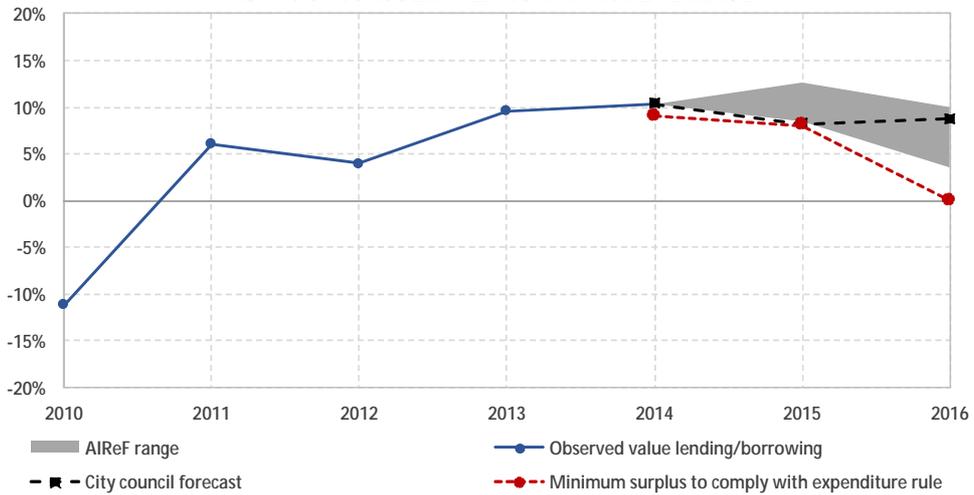
E. Malaga City Council

It is highly likely that the Malaga City Council will comply with the stability target in 2015 and 2016 and will surpass the target by a margin similar to the figure achieved in 2014. These estimates made by AIReF are in the same line as those reported by the local government. In the latest information published corresponding to the second quarter of 2015 Malaga City Council has reported a 7% increase in its non-financial revenue and a 20% increase in its non-financial expenditure compared to the same period of 2014. Nevertheless, the local government has reported a forecast surplus at year-end 2015 6% up on the surplus recorded in 2014. For 2016 the local corporation is forecasting a 5% reduction in its surplus or net lending in national accounts terms compared to 2015. These forecasts are in line with the estimates made by AIReF, as shown in graph 13, which records the development observed in the local corporation's net lending/borrowing in the reference period 2010-2014, as well as AIReF's forecasts for the minimum surplus or net lending in accounts terms required by Malaga City Council to comply with the expenditure rule in 2015 and 2016.

It is likely that the Malaga City Council will comply with the expenditure rule in 2015 and 2016. This estimate by AIReF matches the forecasts made by the local corporation itself. According to AIReF's estimates the minimum surplus or net lending in accounts terms required for that compliance falls within the confidence band limits of the surplus forecasts for both years. Nevertheless, the reduction in this minimum surplus or net lending in national accounts terms that could reach a balanced budget in 2016 requires the forecasts made by the local government for a 10% reduction in its expenditure eligible for inclusion in the expenditure rule to be met. This variation is sustained by only 4% in the reported budget scenario.

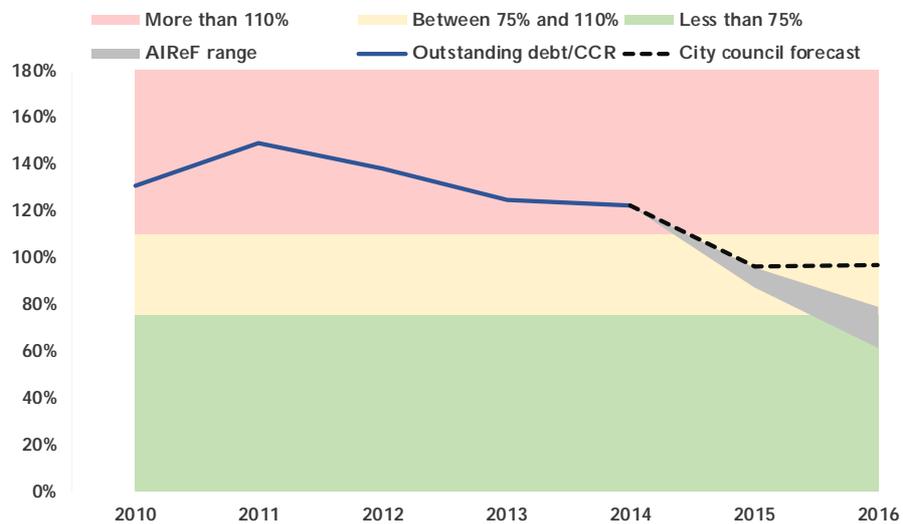
It is highly likely that the Malaga City Council will achieve in 2015 an outstanding debt-to-current revenue ratio of less than 100%. Under the most favourable assumption made by AIReF, this ratio could fall below 75% in 2016. Both forecasts appear in graph 14.

GRAPH 13. MALAGA. LENDING / BORROWING AS A % OF CONSOLIDATED NONFINANCIAL REVENUE



Source: MINHAP, City Council and AIReF estimates

GRAPH 14. MALAGA. OUTSTANDING DEBT RATIO AS A % OF CONSOLIDATED CURRENT REVENUE (CCR)



Source: MINHAP, City Council, Banco de España and AIReF estimates.

F. Zaragoza City Council

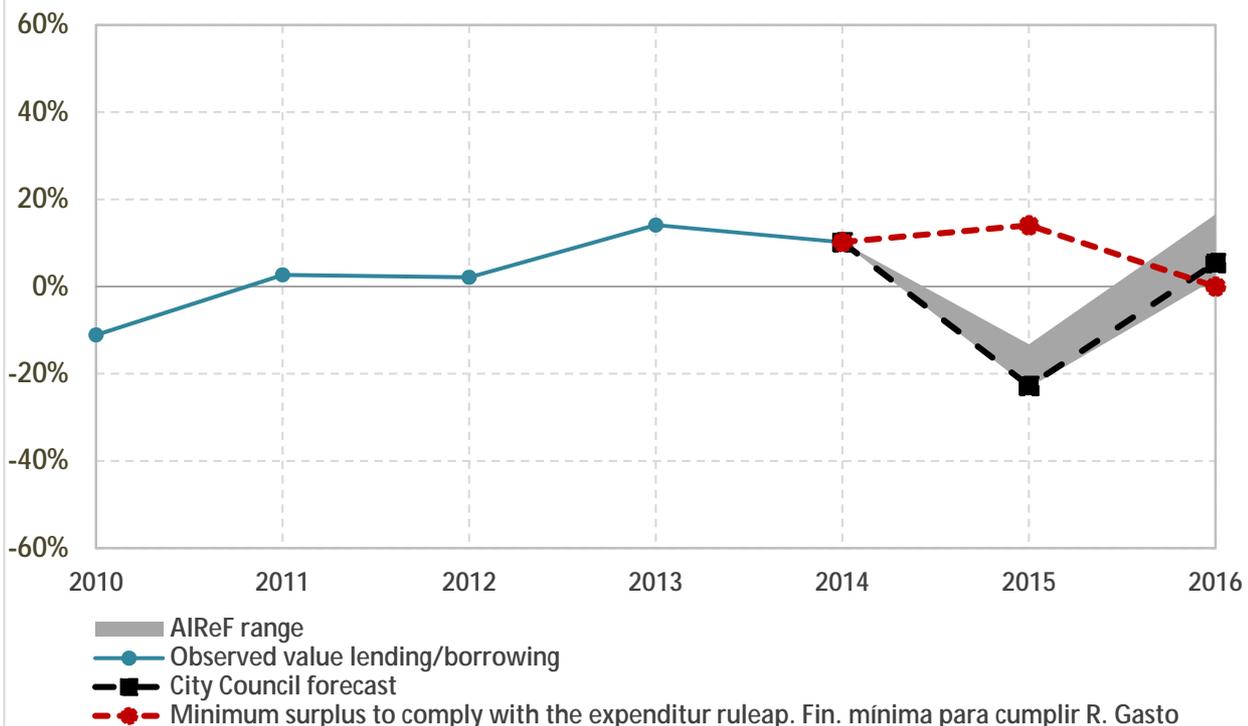
It is highly likely that the Zaragoza City Council will not comply with the stability target in 2015 and there is a high probability of non-compliance in 2016. In 2015 compliance with the stability target by the Zaragoza City Council will be negatively impacted by the accounting in 2015 on the instructions of Eurostat of the almost €200 million public investment in the form of a public-private partnership (PPP) contract for the city's tramline. If it were not for this circumstance, Zaragoza City Council might comply with the stability target in 2015. In 2016, it is highly likely that this local government will comply with the budget stability target. These estimates by AIReF (with the proviso of the abovementioned expense item) show the same trend as reported by the local corporation itself. In the latest information published corresponding to the second quarter of 2015 Zaragoza has reported a 3% increase in non-financial revenue and the same rate of reduction in its non-financial expenditure compared to the same period of 2014. However, it does not expect this situation to be consolidated in the second half of the year as the surplus or net lending in national accounts terms reported for year-end 2015 is 43% down on the result obtained the previous year. The negative impact of the recording of the investment in the local government's accounts this year as explained in the paragraph above would have to be added to this trend, putting the local government into a position in which it will fail to comply by around 20% with its forecasts of non-financial revenue.

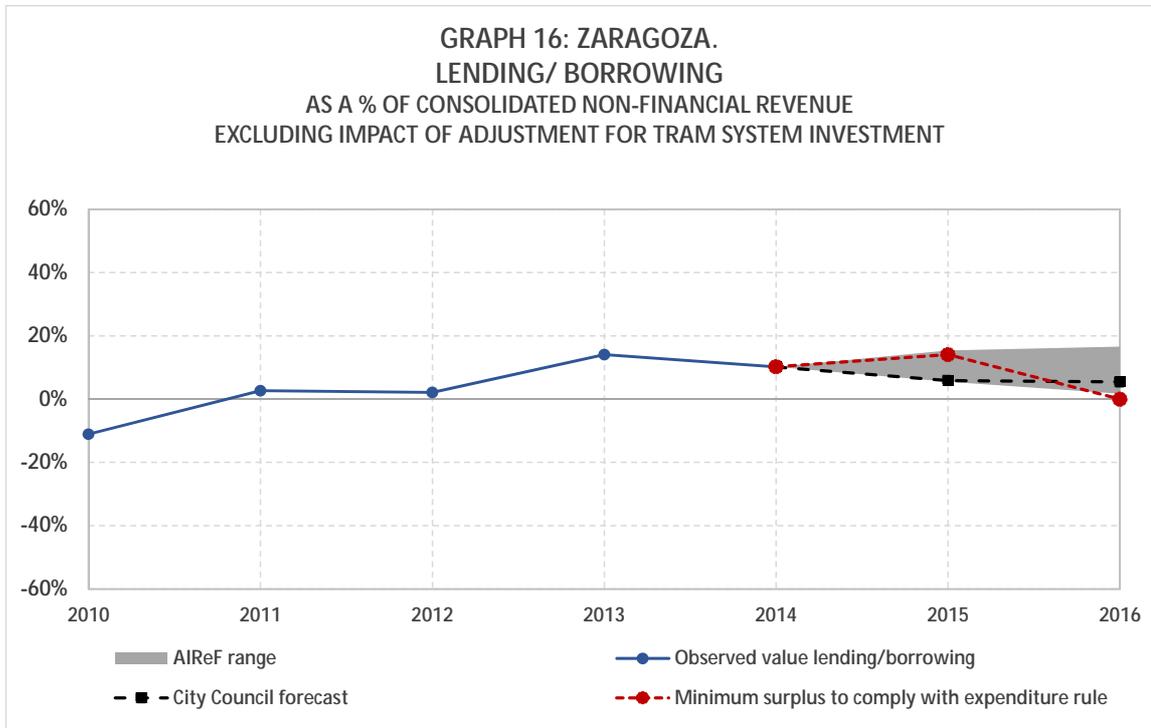
These forecasts are within the confidence range of AIReF's estimates as shown in graph 15, which gives the development observed for the net lending/borrowing of the local corporation in the reference period 2010-2014, as well as AIReF's forecasts for 2015 and 2016 (taking into account the tramline investment item). In addition, this graph includes AIReF's estimate of the minimum surplus or net lending in national accounts terms required for the Zaragoza City Council to comply with the expenditure rule in 2015 and 2016, after taking into account that adjustment. Graph 16 shows the same information but does not include in the forecasts for 2015 and 2016 the effect of the tramline investment.

It is highly likely that the Zaragoza City Council will not comply with the expenditure rule in 2015 due to the negative impact of the increase in its expenditure arising from the city tramline investment. In 2016 compliance with the expenditure rule is highly likely. According to AIReF's forecasts, in 2015 the minimum surplus or net lending in national accounts term required for compliance with this rule falls outside the upper limit of the confidence band of the surplus forecasts for this year by the local government.

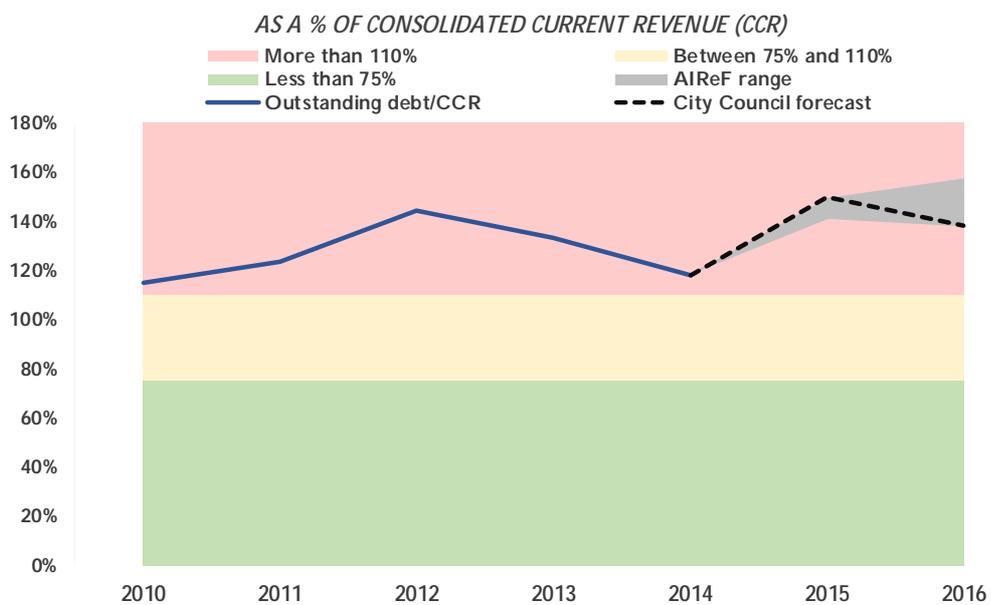
If the expenditure on the tramline were not recorded in the accounts in 2015, compliance with the expenditure rule by Zaragoza City Council this year would have been highly likely. **It is highly likely Zaragoza City Council will achieve in 2015 and 2016 an outstanding debt-to-current revenue ratio higher than 110%.** In these forecasts made by AIReF the debt corresponding to the loan booked for the investment in the tramline is included in both years. These data would mean it would be impossible for this local government to take on any further debt under final provision thirty-one of Law 17/2012, on the SGB for 2013 (a provision that has indefinite validity). If this adjustment had not been made, the local corporation might reach in 2016 a debt-to-current revenue ratio of around 110%. These AIReF estimates and the estimates reported by Zaragoza City Council appear in graph 17.

GRAPH 15: ZARAGOZA LENDING/ BORROWING
 AS A % OF CONSOLIDATED NON-FINANCIAL REVENUE
 TAKING INTO ACCOUNT THE IMPACT OF THE TRAMLINE ADJUSTMENT





GRAPH 17. ZARAGOZA. OUTSTANDING DEBT RATIO



Source: MINHAP, City Council, Banco de España and AIReF.

Recommendations

AIReF makes the following recommendations.

As highlighted already in section II.1 of this report, the budgeted expenditure of the Local Corporations in Spain does not match actual implementation. In general, the local corporation budgets are approved with balanced revenue and expenditure. This means that there are hidden surpluses in the budgets because actual implementation of expenditure ends up being much lower than the appropriations approved, primarily because of the application of the expenditure rule.

That is the reason why the evaluation of compliance with the fiscal rules in the main lines of the budgets of the LCs is not conclusive when assessing the outcome of actual budget implementation. As a result, it is impossible to take preventive action to avoid to any future situations of non-compliance. **AIReF makes the following recommendation:**

-
- 1. Budgets should be drawn up to be in line with the real forecasts for implementation so that within the stability target set for the Local Corporations as a whole and the requirement imposed by the LOEPSF for either fiscal balance or surplus in this subsector, each local corporation should set the stability target of its budgets by taking into account the expenditure rule in the terms set out in article 15 of that law.**
-

Unlike the procedure for the budget stability target and the government debt target, the information to be reported to MINHAP on the main lines of the LC budgets does not include the assessment of the expenditure rule, following the amendment made in 2014 to Order HAP/2105/2012, developing the obligations to supply information established in the LOEPSF, although this Law does not exclude compliance with this rule in the initial budgets.

AIReF has already made recommendations in several of its reports highlighting the increasing importance of this rule in a context of economic growth, above all in the general government sector where the public administrations have a balanced budget or surplus. For instance it has recommended in previous reports on the drafts and budgets approved that the economic-financial reports that accompany those documents should contain

information on the calculation of the expenditure rule. Consequently, **AIReF makes the following recommendation:**

2. The information needed to calculate the expenditure rule and an analysis of the consistency of this rule with the budget balance or surplus inferred from the budget scenario of revenue and expenditure assessed in national accounts terms should be incorporated into the information on the main budgetary lines and approved budgets.

AIReF has already recommended in several previous reports that the financing system of the different subsectors in the General Government sector should be analysed in a comprehensive way so that it can be brought into line with the level of expenditure —assessed with efficiency parameters— associated with the competences each one of them exercises. The capacity of each subsector to take actions to bring in more or less revenue and the compliance with the expenditure rule regulated in the LOEPSF are additional elements. Likewise, AIReF has indicated in these reports that it is not sustainable for governments to be continuously making surpluses and that these surpluses can lead to an inappropriate composition of government expenditure.

In particular, the LCs have a wide-ranging capacity to collect tax revenue that they can materialise through municipal taxes, some of which bring in high revenue amounts. Besides this revenue and other revenues such as from the rates paid by citizens for the provision of municipal services and fines, they have a share in the tax collection by the State. As AIReF has already noted in this report, the stability target that is set for all the LCs overall is for fiscal balance, even though this subsector has been recording a surplus that has not been depleted because of the limitations to increase expenditure arising from the application of the expenditure rule.

It does not seem reasonable in the current context of still very demanding deficit targets in some subsectors to maintain recurring surpluses in others. These surpluses have not only been built up through considerable efforts to contain expenditure in 2011 and 2012, which led to a 2% reduction in the reference period 2008-2014, but were also due to the fact that the level of revenue has not risen and on average in the same period has increased by only 0.4%. In addition, the readjustment of competences proposed in the local government reform is conditional on a revision of the autonomous regional and local financing systems. The intention is for this financing to match the competences legally assigned to and exercised by each subsector.

That is the reason why it would be advisable to review the financing of local corporations—which includes transfers from the State totalling €17 billion—so that their financing falls more in line with the budget stability target and the application of the expenditure rule, thus guaranteeing the consistency of both fiscal rules. **AIReF makes the following recommendation:**

3. The regional and local financing systems should be analysed together and any normative modifications necessary made that will allow the financing system to be brought into line with the expenditure level and the financial capacity of each subsector, thus contributing to a more efficient distribution and use of public resources.

The following recommendations are made on transparency:

- ✓ The assessment of the stability target requires the analysis of the national accounting criteria adjustments that allow the budget figures to be related to the net lending (+)/borrowing (-) to be added into the budget analysis. The information published currently within the scope of national accounts for the LCs does not provide a breakdown of those adjustments and this gap limits the analysis of compliance with that target. In particular, the assessment of expenditure requires information about the obligations pending accounting in the budget in each period and about the obligations incorporated into the budget data that were accrued in earlier years. The unavailability of this information is a constraint on the examination of the development and forecast of the expenditure made and estimated.
- ✓ Furthermore, an assessment of the expenditure rule of the LCs requires knowledge of all the elements that have to be taken into account in its calculation under article 12 and additional provision six of the LOEPSF. That is why it would be a good idea to include in the publication of the national accounting data a breakdown of those elements in order to guarantee the transparency of the calculation made as far as the expenditure rule is concerned.
- ✓ Lastly, to be consistent with the publication of information on the individualised budget implementation figures for the six largest city councils in Spain the individualised information in national accounts terms should be incorporated into MINHAP publications. This information would make it possible to find out whether those six local corporations are complying or not with the stability target and the expenditure rule as the budget is being implemented. **AIReF makes the following recommendation:**

1. All the necessary actions should be taken to publish all the required data, such as the national accounting adjustments for the verification of compliance with the stability target and the expenditure rule of the LCs; these publications should be completed with individualised information in national accounts terms of the six largest city councils.

- ✓ If AIReF is to properly discharge the duties assigned to it by Organic Law 6/2013 to verify strict compliance by the General Government sector of the budget stability and financial sustainability targets and of the expenditure rule, it requires the information to be available to it that these public administrations —especially the local corporations— report to MINHAP, as they are required to do so under the provisions of Order HAP/2105/2012, which specifies the obligations on the supplying of information laid down in the LOEPSF.

Real-time access to this information is available for the regional oversight bodies so that they can fulfil the duties assigned to them in the framework of the budget stability legislation in Spain. Likewise, AIReF also needs to know this information so that it can perform the functions it has been assigned in the framework of the stability legislation. Therefore, AIReF asks MINHAP to take any actions necessary and make the required normative modifications in order to facilitate similar access for AIReF to the information necessary for the proper compliance with its competences.

2. MINHAP should take all necessary actions and make the normative modifications as required in order to facilitate an access to the information from the LCs that is necessary for AIReF to properly fulfil its functions and establish a system of access to the information that should be similar to the access that exists for the financial oversight bodies.
