Independent Authority for Fiscal Responsibility

Report

5 December 2016

Report on the Projects and Main Budgetary Lines of Public Administrations: Local Corporations 2017

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.

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Table of Contents

Executive summary

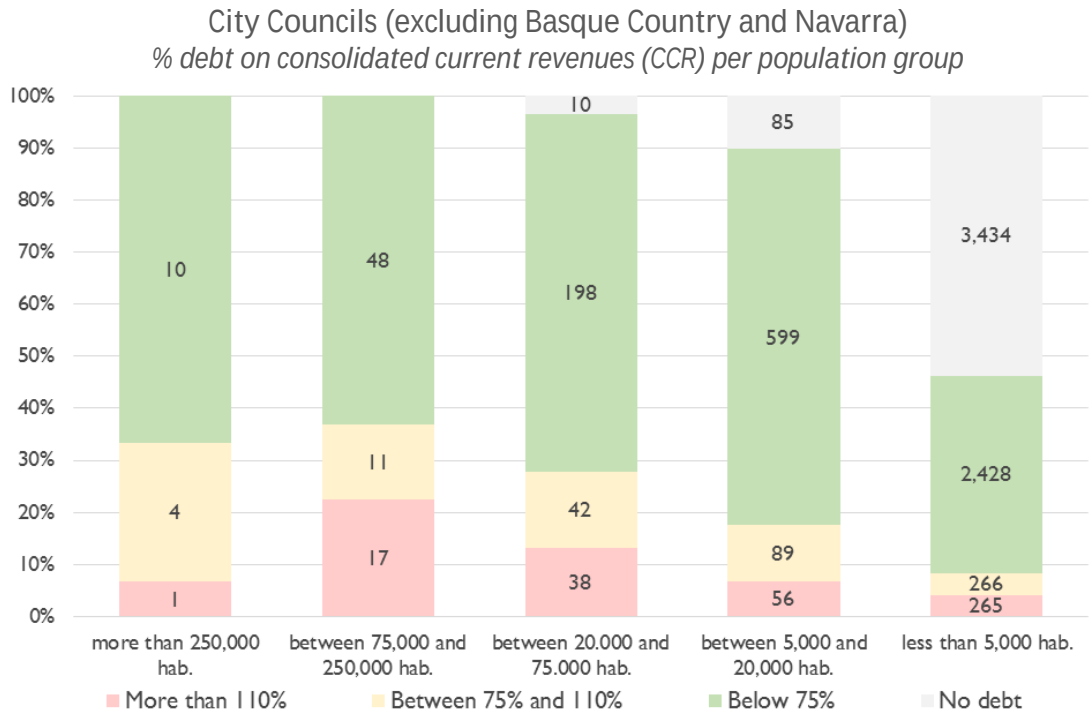
The aim of this report is the assessment of the main lines of Local Corporations' (LC) budgets for 2017 from the viewpoint of their suitability to guarantee compliance with the budget stability and Government debt targets, as well as the year-end expenditure rule. In this report, AIReF has extended the subjective scope of its analysis, which has been conducted both for the LC subsector overall and for the 21 bodies individually studied: the 16 City Councils with a population greater than 250,000 inhabitants, 3 Provincial Councils, 1 *Cabildo* (Canary Islands Council) and 1 Island Council.

AIReF deems very likely that the LC subsector will comply with the budget stability target in 2017, although the fiscal surplus may turn out to be smaller than in previous years. Implementation of the expenditure rule, consolidating the expenditure overruns for the latest available year, along with non-continuity in State fiscal consolidation measures regarding revenue, could determine the smaller margin reached on the equilibrium target. This conclusion is likewise obtained by extrapolating to this subsector the performance of the 21 LCs analysed, whose surpluses over the last three years, on average, amount to almost 40% of the total.

As for the debt level throughout the subsector, AIReF estimates for 2017 allow us to conclude that the 2.9% of GDP target is feasible. In fact, in 2016, should the declining path commenced in 2012 be maintained, the 3% of GDP target would be met, as established –to coincide with the target for 2020– in article 13 of the Organic Law on Budget Stability and Financial Sustainability (LOEPSF).

However, over and above the assessment of the subsector, which overall has plenty of slack in its deficit and public debt targets, compliance with which is guaranteed by the level and nature of revenues and the implementation of the expenditure rule, it must be borne in mind that the LOEPSF is applied individually to each Local Entity (LE). Viewed from this angle, a lax implementation of the law on the grounds of the subsector's overall favourable results cannot be accepted.

Thus, despite the subsector coming close to the debt target of 3%, 789 Corporations have a debt to current revenue ratio of over 75%, obliging them to request authorisation before engaging in new debt, and that almost half, 377, are unable to engage in new debt due to exceeding the limit of 110%.



The diversity within this subsector makes it necessary, as in the Autonomous Regions (AR), to implement individual monitoring as provided for in the LOEPSF through the prevention and correction mechanisms. However, in accordance with the most recently published data, of the 973 LEs due to draft an Economic and Financial Plan (EFP) in 2015 after failing to comply with the stability target in 2014, only half did so. In many cases, this was because of difficulties encountered for having the EFPs approved at the corporations' plenary meetings.

In this context, AIReF proposes general recommendations regarding implementation of the LOEPSF, expenditure rule and Government debt.

For the first of these, AIReF recommends the establishment of a procedure or legal mechanism to allow any obstacles hindering approval of EFPs to be overcome, and insists on the need for coordination among the LCs' various supervisory agencies and on the establishment of a common action framework overseen by MINHAFP.

With regard to the expenditure rule, AIReF is of the opinion that the budget stability target and the expenditure rule should mutually reinforce each other, and therefore recommends that the main lines and budgets approved for the LCs contain information on expenditure rule calculations, insisting that clarification be given on the conditions and criteria used for its calculation and implementation within the current legal framework. All the above, without

prejudice to conducting a review of the design in the coming months by the working group envisaged by MINHAFP for this purpose, with the participation of the Ministry itself, the Autonomous Regions and Local Corporations, and AIReF.

Concerning indebtedness, AIReF recommends an individual debt limit to be set, non-compliance with which would trigger the correction mechanisms provided for in the LOEPSF. On analysing the information published by MINHAFP, about 30% of LEs with a ratio of outstanding debt to current revenue greater than 75% have been found to lack coverage through a plan (EFP or adjustment plan) containing a commitment to reduce debt. For this reason, AIReF deems it necessary for the these limits to be defined at the individual level, and that in the event of non-compliance, as in the other two fiscal rules, implementation of the LOEPSF measures be mandatory.

- **Individual assessment**

Individual assessment of the 21 Local Entities analysed reveals a general pattern of compliance with the stability target, whether this is 0% or the target committed to in the current EFP, but tending toward smaller surpluses in comparison to those reached in previous years.

Eight of the LEs studied have an approved EFP in force after non-compliance with the expenditure rule in 2015 (in that year, the Provincial Government of Barcelona likewise failed to meet the stability target). In these cases, the targets are those established in the plan, which are more demanding than the budgetary equilibrium. In this regard, it must be said that the City Councils of Alicante, Málaga, Palma de Mallorca, Sevilla and Zaragoza have followed the recommendation made by AIReF in July this year, giving final approval to the EFP. At present, the City Council of Madrid, having received the same recommendation, has an EFP approved by the Council plenary but not approved by the financial supervision agency (MINHAFP).

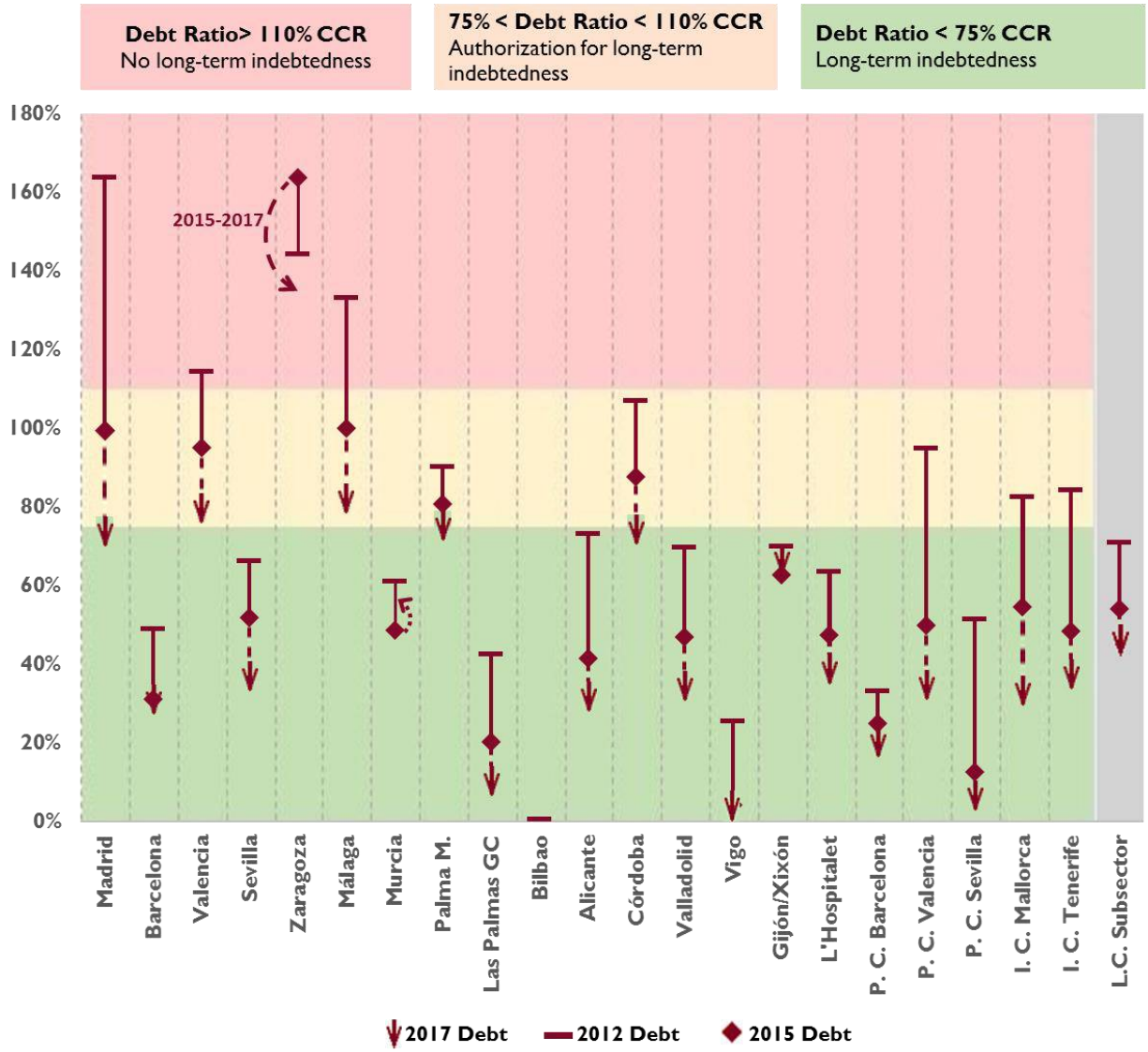
COMPARED VIEW OF AIREF'S FORECAST OF compliance with the stability target AND THE expenditure rule, BY Local Corporations studied				
Local Corporations	EFP APPROVED AND IN FORCE	Stability Target (OE)		Expenditure rule (RG)
		2016 year-end forecast	2017 Forecast	2016 year-end forecast
Madrid	Non-compliance with RG15. EFP approved by the plenary, not approved by MINHAFP	✓	✓	✗
Barcelona	Non-compliance with RG15. EFP revised and approved	✓	✓	✗
Valencia		✓	✓	✓
Sevilla	Non-compliance with RG15. EFP approved	✓	✓	✓
Zaragoza	Non-compliance with RG15. EFP approved	✓	✓	✓
Málaga	Non-compliance with RG15. EFP approved	✓	✓	✓
Murcia		✓	✓	✓
Palma de Mallorca	Non-compliance with RG15. EFP approved	✓	✓	✓
Las Palmas de Gran Canaria		✓	✓	✓
Bilbao		✓	✗	✓
Alicante	Non-compliance with RG15. EFP approved	✓	✓	✓
Córdoba		✓	✓	✗
Valladolid		✓	✓	✓
Vigo		✓	✓	✓
Gijón		✓	✓	✓
L'Hospitalet de Llobregat		✓	✓	✓
Provincial Council of Barcelona	Non-compliance with OE and RG15. EFP approved	✓	✓	✓
Provincial Council of Valencia	Non-compliance with RG15. EFP approved	✓	✓	✓
Provincial Council of Sevilla		✓	✓	✓
Island Council of Tenerife		✓	✓	✓
Island Council of Mallorca		✓	✓	✓
✓	Compliance			
✗	Non-compliance			

According to the information available, non-compliance with the stability target for 2017 by the City Council of Bilbao is deemed very likely, unless correction measures are taken in the implementation of its budget. Similarly, non-compliance with the expenditure rule for 2016 is deemed likely in the case of the City Councils of Barcelona, Córdoba and Madrid. AIReF proposes recommendations to the above City Councils for correcting the risks of deviation notified by these Corporations.

Considerable effort has been made to reduce debt by the 21 LCs analysed since the LOEPSF has come into force, as reflected in the chart below.

OUTSTANDING DEBT 2012 AND FORECAST FOR 2017

% CONSOLIDATED CURRENT REVENUES (CCR)



Source: Data provided by City Councils, Bank of Spain and MINHAFP

I. Object of the report and limitations to its scope

The object of this report is to assess, at the local level, the likelihood of compliance in 2017 with the budget stability and Government debt targets and with the expenditure rule. To this end, the main lines of the 2017 budgets are assessed, both for the Local Corporations (LC) subsector and for the 16 City Councils in provincial capitals with more than 250,000 inhabitants and the 5 Provincial Councils or equivalent bodies (*Cabildos* and Island Councils) with the greatest non-financial budgets.

The information for the LEs has been provided by the Ministry of Finance and Civil Service (MINHAFP), who incorporates the data submitted by the Local Corporations to the national data bank in compliance with the Order that establishes the duties deriving from the LOEPSF regarding provision of information. This information, given that the representativeness of the submitted data is around 65% of all LEs (this percentage increases to 77% if small municipalities are omitted), allows AIReF to issue an estimate regarding the likelihood of compliance with fiscal rules in this subsector at year-end 2017.

AIReF has extended the scope of individually analysed entities with respect to previous reports, including in this assessment the 16 City Councils with populations of more than 250,000 inhabitants and, for the first time, owing to their special characteristics, the five provincial councils or equivalent bodies with the greatest non-financial budgets. The individual assessments include the City Councils of Madrid, Barcelona, Valencia, Sevilla, Zaragoza, Málaga, Murcia, Palma de Mallorca, Las Palmas de Gran Canaria, Bilbao, Alicante, Córdoba, Valladolid, Vigo, Gijón and L'Hospitalet de Llobregat. As a further innovation, the analysis includes the Provincial Councils of Barcelona, Valencia and Sevilla, which present the greatest non-financial budgets, and also the *Cabildo Insular* of Tenerife and the *Consejo Insular* of Mallorca, selected from among similar bodies on the same criteria.

In view of the fact that individual assessments include local entities other than city councils, the table below shows an overview of the different revenue and expenditure structures for the most representative types of local entities within the subsector.

COMPARISON OF THE REVENUE AND EXPENDITURE STRUCTURE OF LOCAL ENTITIES THAT MAKE UP THE LC SUBSECTOR

The following table shows a comparative overview of the structure for non-financial revenue and expenditure in major LEs within the common regime AR, as a percentage of non-financial revenue/expenditure and as the average from the available data for 2014 and 2015.

STRUCTURE OF REVENUE AND EXPENDITURE (% of non-financial revenue/expenditure)					
		City Councils (in common regime ARs)	Canary Islands Councils	Balearic Islands Councils	Provincial Councils (in common regime ARs)
REVENUE	LOCAL TAXES	43%		1%	3%
	FINANCING SYSTEM	24%	20%	26%	72%
	TRANSFERS TO AUTONOMOUS REGIONS	7%	23%	65%	7%
	SPECIAL TAX REGIME Canary Islands		46%		
	OTHER NON-FINANCIAL REVENUE	25%	11%	8%	18%
EXPENDITURE	PERSONNEL AND CURRENT ASSETS	74%	48%	60%	47%
	CURRENT TRANSFERS	10%	32%	13%	24%
	INVESTMENTS	11%	13%	21%	14%
	CAPITAL TRANSFERS	1%	6%	5%	14%
	OTHER NON-FINANCIAL EXPENDITURE	3%	1%	2%	1%

The above data show that significant differences exist both in the structure of revenues and that of expenditure. Thus:

- In the City Councils, the largest percentage of financing comes from local taxes (most notably land value tax), followed by revenue deriving from the financing system paid by the State and by revenue from taxes and prices. As regards expenditure, 74% goes to personnel and current goods and services.
- In the Provincial Councils, or *Diputaciones*, most funding (72%) consists of revenue obtained from the financing system. Nearly half of their expenditure budgets are dedicated to personnel expenses and goods and services, while significant amounts are also destined to current and capital transfers (38%).
- In the Canary Island Councils, around 50% of funding originates from taxes in the economic and fiscal regime of the Canary Islands, with transfers from the Autonomous Region accounting for a further percentage. The structure for expenditures is similar to that of the Provincial Councils (similar weights for personnel expenses, goods and services, and transfers).
- At the Balearic Island Councils, the greater part (65%) of funding is received from the Autonomous Region. The largest percentage of expenditure (60%) is used for personnel and current expenses, with a significant percentage funding investments (21%).

Individual assessments are made chiefly on the basis of information submitted by the selected Local Entities, subsequently complemented with information received from MINHAFP Information Centre. Only the Provincial Council of Sevilla and the Island Council of Mallorca have failed to submit information. AIReF requested information on the 21 selected LEs from the Information Centre (IC) and, on receiving a non-satisfactory response, contacted those entities directly asking for the necessary data to issue its report. All of the local entities complied in a proper and timely manner with the duty to collaborate, with the exception of the provincial Council of Sevilla and the Island Council of Mallorca.

One month after the initial request, the president of AIReF addressed an application in writing for information to MINHAFP, to the provincial Council of Sevilla and to the *Consell* of Mallorca notifying them that their failure to comply with the duty of collaboration could give rise to the warning foreseen in article 4.3 of Organic Law 6/2013. The ministry replied to the request and submitted the required information as far as this was available. To date, however, the Island Council of Mallorca and the provincial Council of Sevilla have submitted no information whatsoever.

This circumstance has motivated the publication, on the AIReF website, of a warning notice to the Provincial Council of Sevilla and the Island Council of Mallorca of non-compliance with the duty to collaborate, as per the procedure set forth in the above mentioned article 4.3 of Act 6/2013, on the creation of AIReF.

II. Results of the assessment

II.1 Local Corporations Subsector

Budget stability target and expenditure rule

AIReF deems very likely that the LC subsector will comply with the budget stability target in 2017, although the potential surplus may follow the downward trend started in 2015 and turn out to be smaller than in 2016. The information provided by MINHAFP, obtained by incorporating to the national total the data submitted by the entities themselves on the main lines of their budgets for 2017, envisages a smaller surplus in 2016 and a further reduction in 2017 of about 10% per cent for each of these years[1].

The implementation data for Q2 2016, and the year-end forecast submitted by the Government to the EU in September, points to a decline in the surplus for 2016 of between 10% and 15% against 2015. From a financial standpoint**,** the latest data published by Spain on Excessive Debt Protocol debt variation and variation in financial assets appear to confirm these forecasts.

The easing in the implementation of the expenditure rule and the discontinuity in some of the revenue measures established in State regulations to guarantee compliance with the joint General Government sector targets may have a negative effect on the consolidation of the surplus reached by the local corporations in previous years. As stated in the AIReF report published in July this year on the 2016 year-end forecast, within this subsector, where a surplus has been reached since 2012, implementation of the expenditure rule has a greater restraining effect than compliance with the stability target, although both rules guarantee sustainability in the long term. As of September 2015, MINHAFP eased the implementation of the expenditure rule allowing expenditure overruns incurred within the year with respect to the maximum permitted by this rule to be deferred for consolidation in the future. This interpretation contributes to reducing the potential surplus for 2016 and 2017, insofar as all expenditure, including the excess over the permitted limits, follows the trend set by the reference rate for the economy in the medium term.

In this regard, it is important to point out that, in 2015, for the first time since the current LOEPSF came into force, the LC subsector failed to comply with the expenditure rule.

[1] The surplus in the LC subsector in 2015 was 0.47% of GDP, according to the compliance report issued by MINHAFP.

In relation to measures on revenue to guarantee the correction of the joint General Government sector deficit, the additional rise in land value tax rates established as a State regulation since 2012 ceased to be in force in 2016[2] which, unless offset with increments in rates by fiscal ordinance or with uses from other types of revenue, will contribute to reducing the surplus.

If the data provided by the 21 individually assessed LEs is extrapolated to the national total, **the conclusion entailing a downward trend in LCs' surpluses for 2016 and 2017 is confirmed.** The data gathered from these LEs, whose joint surplus amounts to an average over the last three years of almost 40% of the subsector surplus, show for 2016 a reduction in the joint financing capacity of around 13% with respect to the previous year. This trend is also found in the data forecast for 2017, which show a decline in the joint surplus of around 15% on average with respect to the 2016 year-end estimate.

Tables 1 and 2 below show, respectively, the representativeness of the 21 LEs analysed against the national total average over the last three available years, and the variation in the estimated surplus for each of these LEs.

TABLE 1. REPRESENTATIVENESS OF THE 21 ENTITIES STUDIED IN THE LOCAL CORPORATION SUBSECTOR'S TOTAL FINANCING CAPACITY

(in €m)

	Financing Capacity		% of representativeness of the 21 entities in the subsector overall
Year	Local Corporations subsector[1]	21 entities [(2)]	
2013	5,689	2,113	37.2%
2014	5,472	2,166	39.6%
2015	5,094	1,893	37.2%
Average 2013-2015			38.0%

(1) Source: IGAE Publication "ONF de Administración Local" (S.1313)

(2) Aggregate data from the information rendered by the LEs

[2] For 2012 and 2013, Royal Decree Law 20/2011, on urgent budgeting tax and financial deficit correction measures, established the increase in land value tax rates depending on the year in which the value assessments were approved; this measure was extended to 2014 and 2015.

TABLE 2. 2017/2016 VARIATION IN NET LENDING/BORROWING ON NON-FINANCIAL REVENUES FORESEEN PER LOCAL CORPORATION STUDIED

Local Entity	Fiscal year 2016 %	Fiscal year 2017 %
Madrid	18.7%	15.4%
Barcelona	1.6%	0.7%
Valencia	11.7%	18.8%
Sevilla	10.4%	15.5%
Zaragoza	4.3%	7.7%
Málaga	9.8%	0.7%
Murcia	2.9%	0.0%
Palma de Mallorca	3.8%	6.1%
Las Palmas de Gran Canaria	9.5%	13.2%
Bilbao	4.0%	-7.8%
Alicante	8.6%	13.3%
Córdoba	13.4%	4.9%
Valladolid	8.5%	4.4%
Vigo	6.3%	1.2%
Gijón	8.0%	2.9%
L'Hospitalet de Llobregat	8.6%	3.7%
Provincial Council of Barcelona	4.5%	3.4%
Provincial Council of Sevilla	21.2%	19.9%
Provincial Council of Valencia	7.1%	3.8%
Island Council of Mallorca	8.5%	6.1%
Island Council of Tenerife	7.6%	7.6%
Group total	10.2%	8.5%

Source: Information provided by the City Councils and MINHAFP

The most recently published implementation data and information on the Main Lines suggest that the surplus in 2016 and 2017 will be slightly smaller than in 2015. Chart 1 shows the LC subsector's financing capacity from 2012 (the first year in which the new law on stability was applied) to 2015, and AIReF's range of estimates for 2016 and 2017, as well as the likelihood that the year-end surplus for these years will be smaller than in 2015 (0.5% of GDP), the last year available. According to these estimates, the likelihood of reaching a surplus smaller than 0.5% in 2016 and 2017 is approximately 60% in 2016, increasing to more than 70% in 2017. Charts 2 and 3 are also provided, showing identical structures for non-financial revenue and uses.

Chart 1: LC subsector financing capacity as % of GDP

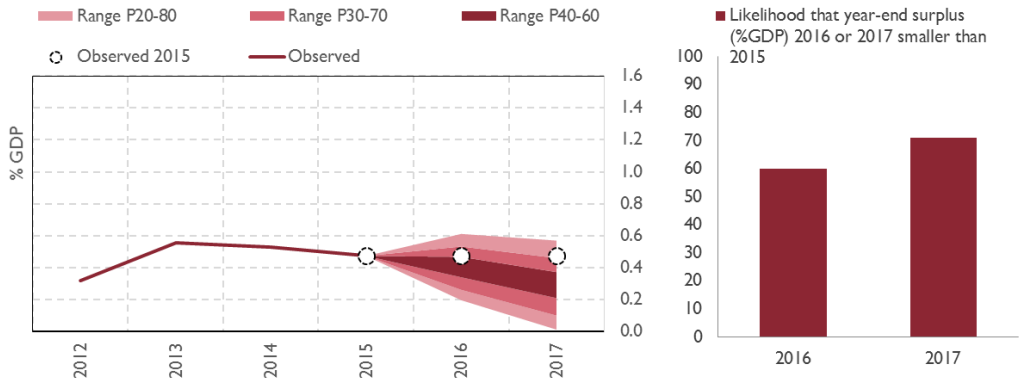


Chart 2. LC subsector non-financial revenue as % of GDP

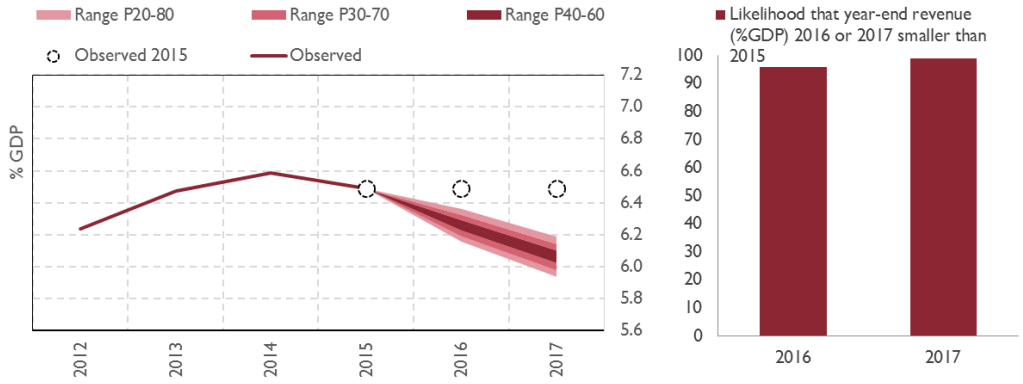
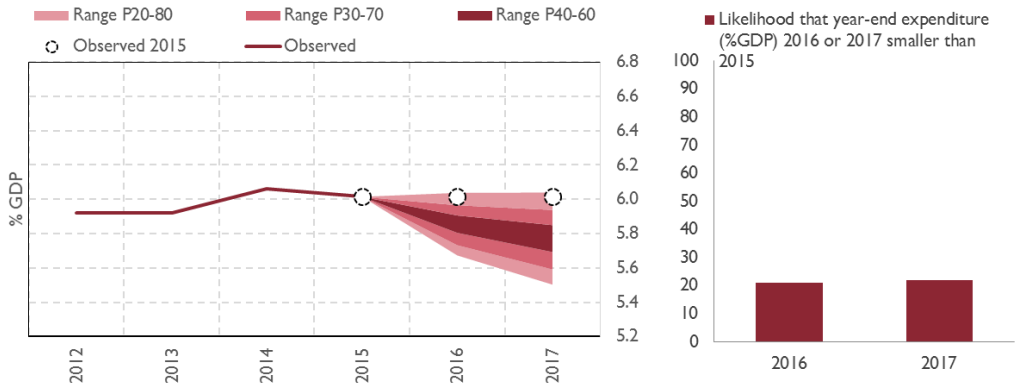
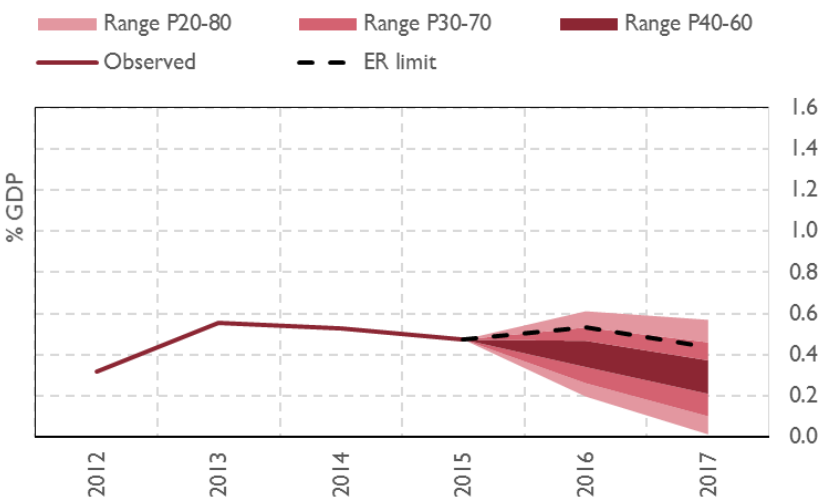


Chart 3. LC subsector non-financial expenditure as % of GDP



The minimum financing capacity that, in 2016 and 2017, would allow the Local Corporations subsector to comply with the expenditure rule is in the region of 0.5% of GDP, a percentage on the upper limit of the interval estimated by AIReF. Although compliance with the expenditure rule is the responsibility of each LC studied individually, AIReF has made estimates for the subsector overall, in line with the calculations included by MINHAFP in each of its reports issued in accordance with the requirements in article 7 of the LOEPSF on compliance with fiscal rules within each subsector. AIReF's estimates for maximum non-financial expenditure that, in 2016 and 2017, will allow compliance with the expenditure rule are grounded on the data given in the latest report on compliance published in October 2016. The calculation is made taking into account AIReF's central estimate for year-end 2016 and 2017 and the constancy hypothesis regarding exclusions provided for in article 12 and in Additional Provision Six of the LOEPSF, apart from interests (foreseen as a function of the primary balances and the accumulation of debt) and transfers (estimated for 2017 on the basis of macroeconomic forecasts for tax revenues) related to the system of financing. In accordance with the above estimates, should the subsector reach a financing capacity in 2016 and 2017 of around 0.5% of GDP, this surplus would guarantee compliance with the expenditure rule for both years. This percentage is close to the upper limit in the interval forecast by AIReF (chart 4).

CHART 4. FINANCING CAPACITY IN THE SUBSECTOR ALLOWING COMPLIANCE WITH THE EXPENDITURE RULE



The data rendered at the last National Commission for Local Government on EFPs presented in 2015 to the various supervisory agencies by Local Corporations show that only 54% of global corporations under the obligation to present an EFP have a plan that is approved and in force. The information published by the MINHAFP IC regarding Local Entities under the obligation to present an EFP after having incurred a deficit in 2014 brings their number to 973, although the EFPs submitted in 2015 are almost 46% fewer than the number of non-compliant bodies. Such cases of non-compliance without the required EFP may be due, mainly, to their non-ratification by the Corporation Plenary or the absence of final approval by the agency responsible for supervising each local entity. The LOEPSF establishes the corrective and enforcement measures applicable to cases of non-submission or non-approval of an EFP, which range from the need to adopt a Non-Availability Agreement to, in the case of recurring and serious non-compliance, the dissolution of the Local Corporation.

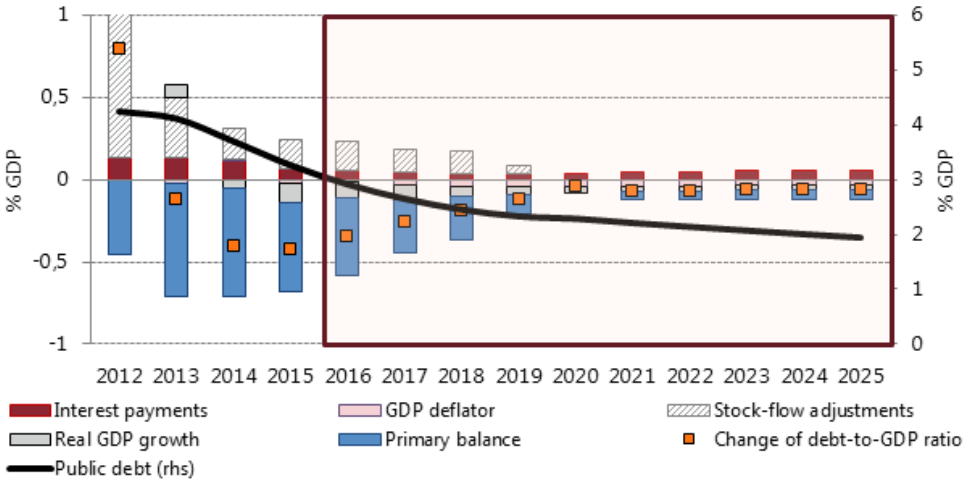
Government debt target

It is likely that by the end of this year the Local Corporations subsector will meet the target agreed at the Council of Ministers on 2 December 2016 of 3% of GDP. This subsector closed 2015 with debt at 3.3% of GDP, that is, with a reduction of almost 11% with respect to 2014. According to the latest data published by the Bank of Spain, for the situation in September 2016, the outstanding debt in the subsector reached €34,756m, equivalent to 3.1% of GDP and very close to compliance with the target for this year (3% of GDP), making it possible to consider it very likely to close the year with a level of debt in the region of 3%.

In 2017, according to AIReF's estimates, this declining path will continue allowing the debt-to-GDP ratio to meet the target of 2.1% of GDP. AIReF's forecasts enable the conclusion that the target for 2017 is feasible, and that the outstanding debt to GDP ratio at year-end may fall below the target.

A downward trend is foreseen for debt in the Local Corporations subsector, with a highly sustainable profile. A declining debt dynamic is expected within the subsector in the medium term, to reach a level below 3% of GDP by 2016 (the reference limit to be reached by 2020) and below 2% in 2025, in agreement with the central scenario projected by AIReF and shown in chart 5.

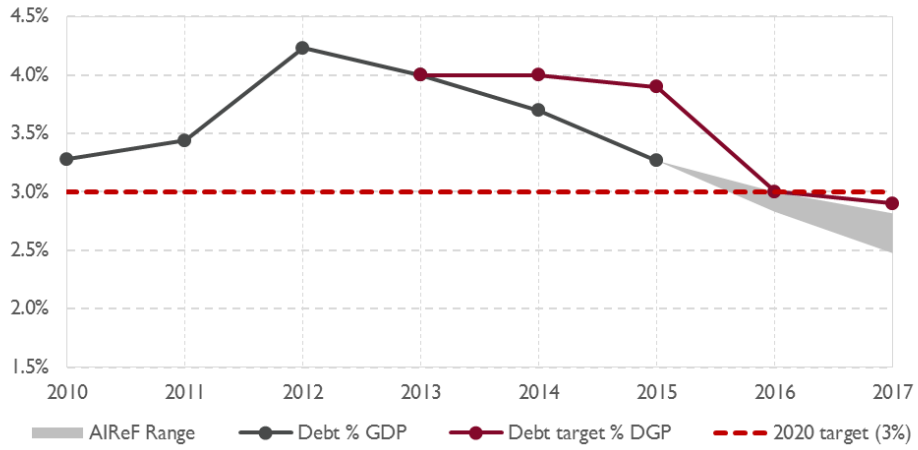
CHART 5. DEBT RATIO DYNAMICS FOR LOCAL ENTITIES AND CONTRIBUTIONS BY THE MAIN DETERMINANTS



Source: Bank of Spain and AIReF estimations

Chart 6 shows the evolution of the observed outstanding debt data (as a percentage of GDP), and the year-end forecast for 2016 and 2017 estimated by AIReF for the most favourable assumption[3], i.e., that the surplus obtained is destined entirely to writing off debt. It includes the relative position with regard to the target agreed for 2013 and subsequent years, and the target to be reached by 2020 (article 13 of the LOEPSF), namely, 3% of GDP.

CHART 6. DEBT IN THE SUBSECTOR (as % of GDP)



The targets for 2013-2017 do not include indebtedness deriving from extraordinary supplier payment mechanisms.
Source: Bank of Spain and AIReF estimations

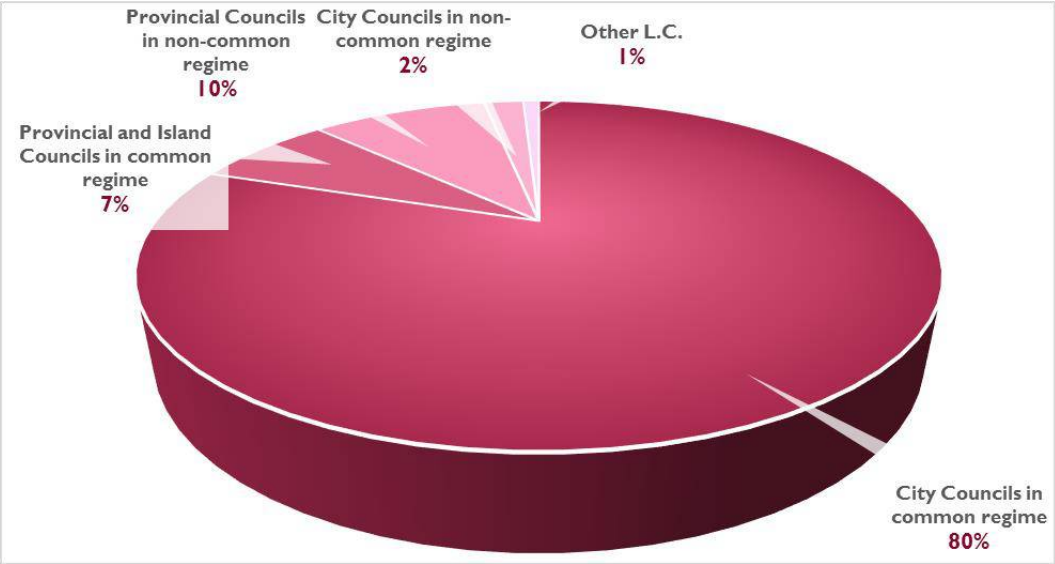
This consolidated and sustainable situation, in aggregate terms, is highly heterogeneous within each LC. Local debt is concentrated in 80% of City Councils belonging to common regime ARs, of which 10% present a debt to current revenues ratio of over 75%. This report includes, as a new feature, a study of the distribution of outstanding debt in the subsector according to the type of entity: City Councils (common and non-common regime ARs), Provincial Councils (common and non-common regime ARs), *Cabildos* and Councils in the island Autonomous Regions and the rest of Local Entities; and in the case of City Councils, per population size. The baseline data in the analysis of those published by the Bank of Spain and MINHAFP, relating to 2015 which is the last year available.

3 This hypothesis has been drawn up without knowledge of the surplus obtained available for financially sustainable investments (Additional Provision Six of the LOEPSF governing the special rules applicable to the Local Corporations regarding budget surplus spending) and is, therefore, not applied to reducing indebtedness.

As shown in Chart 7, around 80% of debt in the subsector is concentrated in City Councils belonging to common regime ARs: €27,989m of the €35,131m for the subsector at 2015 year-end.

The assessment includes the debt ratio analysis that determines Local Entities' ability to engage in debt.[4] As shown in Chart 8, among the City Councils belonging to common regime ARs, 10.4% present a debt to current revenue ratio greater than 75%. This analysis reveals that 5% of these City Councils present debt ratios greater than 110% (barring them from engaging in new credit operations), and that 5.4% lie between 75% and 110% (requiring authorisation from the supervisory agency to engage in debt).

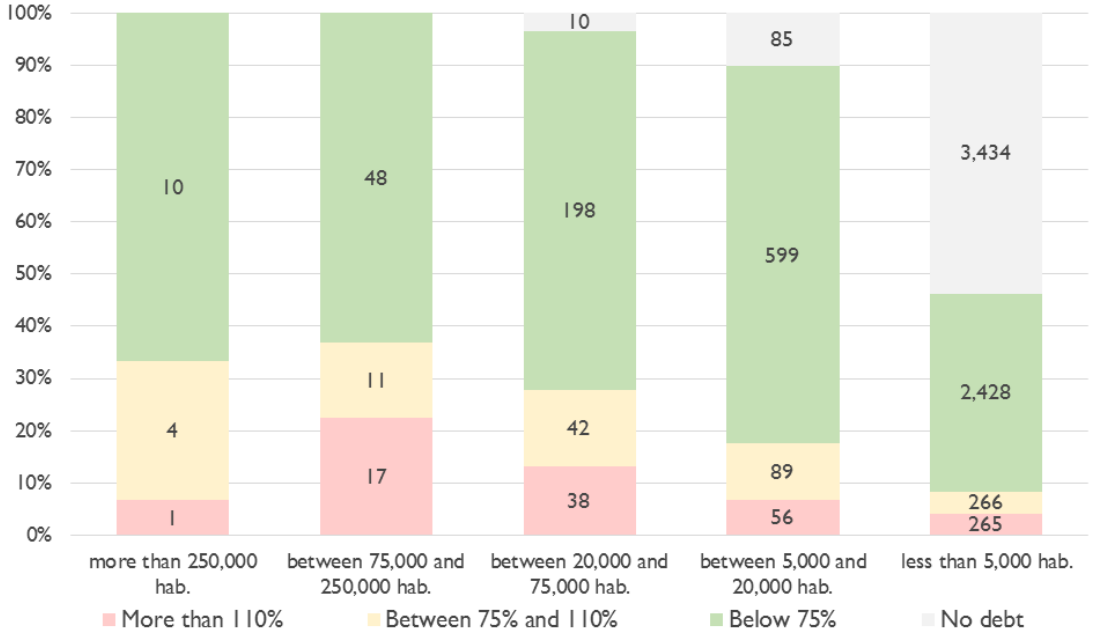
Chart 7. 2015 DEBT PER TYPE OF LOCAL ENTITY
(% of the subsector total)



4 Final Provision Thirty-one of Law 17/2012, on the General State Budget for 2013, in force for an indefinite duration.

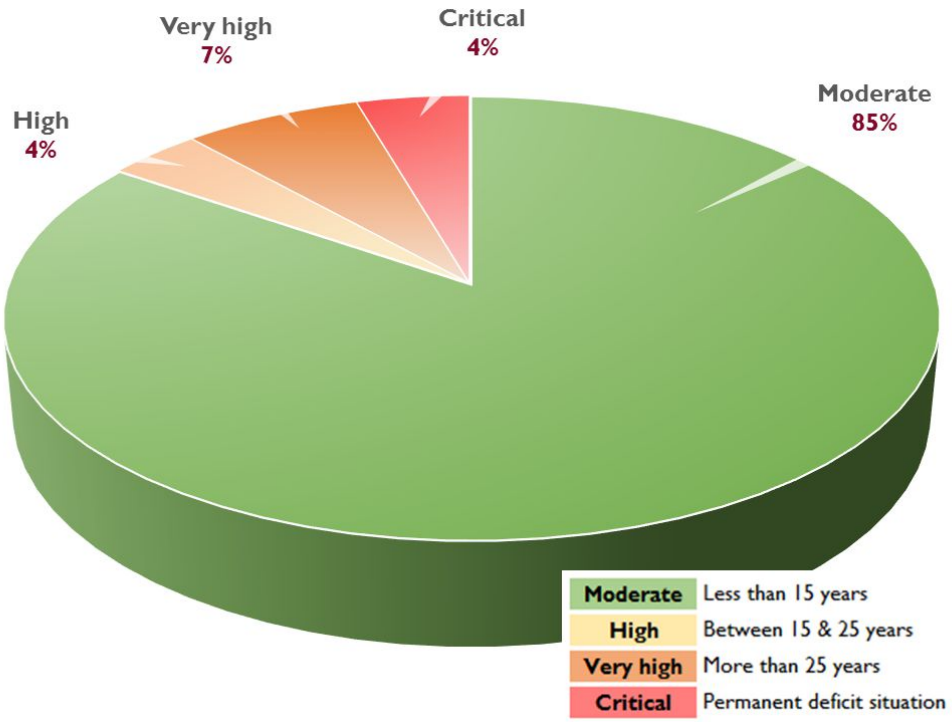
CHART 8. City Councils (excluding Basque Country and Navarra)

% debt on consolidated current revenues (CCR) per population group



11.4% of Local Entities with a debt to current revenue ratio above 75% will not generate a sufficient surplus to return to a sustainable situation in the medium-term under "no policy change" conditions. If the analysis of the capacity of LEs with a ratio exceeding 75% to return in the medium term (less than 15 years) to a level of indebtedness below the mentioned limit is incorporated to the assessment, in the hypothesis of a no-change policy for revenue and expenditure and under the most favourable assumption of using the entire non-financial balance for this purpose, it is observed that 90 entities would not reach this target within this deadline, and of these, 66 would not be able to return to a sustainable level of debt in less than 25 years.

CHART 9. DEBT RISK
CITY COUNCILS AND PROVINCIAL COUNCILS BELONGING TO COMMON REGIME ARs
WITH DEBT GREATER THAN 75% OF CONSOLIDATED CURRENT REVENUE (CCR)
Volume of debt distribution according to the feasibility of its reduction to reach 75% CCR
Criticality ratio: (Debt2015 – 75%CCR)/SNF



The 90 Local Entities that, should they maintain their policies, will be unable to return to an indebtedness situation below 75% in the medium term are those shown in chart 3 by population tranches.

TABLE 3. LOCAL ENTITIES WITH DEBT RATIOS >75% OF CONSOLIDATED CURRENT REVENUE (CCR)

Local Entities with debt in 2015 > 75% ICC Classified according to the risk of reaching 75% ICC: High, very high and critical			
Population group	Debt risk		
	High	Very high	Critical
More than 250,000 inhabitants	---	---	---
Between 75,000 and 250,000 inhabitants	Alcorcón (263 %) Algeciras (185 %)	Jerez de la Frontera (249 %) Parla (533 %)	Gandía (372 %) Jaén (421 %)
Between 20,000 and 75,000 inhabitants	San Andrés del Rabanedo (257 %)	Aranjuez (211 %) Los Barrios (612 %) Puerto Real (180 %)	Navalcarnero (414 %)
Between 5,000 and 20,000 inhabitants	El Álamo (179 %) Albox (314 %) Dúrcal (89 %) Valverde del Camino (278 %)	Chipiona (147 %) Macael (277 %) Torrejón de la Calzada (259 %) Vilanova de Arousa (115 %) Villamartín (224 %)	Albuñol (143 %) Almadén (297 %) Moraleja de Enmedio (482 %) Moratalla (135 %)
smaller than 5,000 inhabitants	17 Local Entities	14 Local Entities	35 Local Entities

By Autonomous Regions, the concentration of these 90 Local Entities with sustainability problems is diverse, although in relative terms larger population groups are affected in the ARs of Andalusia and Madrid. This conclusion is also reached by analysing the relationship between current revenue in these LEs with sustainability problems and the current revenues in all the LEs in each AR. If the number of entities is also analysed, the mentioned Autonomous Regions and Murcia are those with the highest number of LEs with sustainability problems. These findings are shown in table 4.

TABLE 4. PERCENTAGE REPRESENTED BY THE LEs IN TABLE 3 AGAINST THE TOTAL OF LEs WITHIN EACH AUTONOMOUS REGION

(Population, number of entities and entities' current revenue)

Autonomous Region	% Entities per Autonomous Region		
	Town or City of Local Enti		ICC
Andalusia	7.2%	2.8%	5.6%
Aragón	0.1%	0.8%	0.1%
Asturias	0.1%	2.6%	0.2%
Balearic Islands	0.3%	1.4%	0.1%
Cantabria	0.0%	1.0%	0.0%
Castilla y León	1.5%	0.4%	0.9%
Castilla-la Mancha	0.8%	1.8%	0.5%
Catalonia	0.0%	0.2%	0.0%
Extremadura	0.1%	0.5%	0.1%
Galicia	0.6%	1.3%	0.4%
Madrid	6.4%	7.3%	3.9%
Murcia	0.7%	4.4%	0.7%
La Rioja	0.0%	0.6%	0.0%
Valencia	1.6%	1.3%	1.4%

II.2. Individual analysis of Local Corporations

Budget stability target and expenditure rule

This report includes individual assessments of 16 City Councils with a population greater than 250,000 inhabitants. It also includes the five Provincial Councils or equivalent bodies with the largest non-financial budgets, on the grounds of their special competences and financing methods. This report, as in those issued since April, comprises individual assessments of the City Councils of Madrid, Barcelona, Valencia, Sevilla, Zaragoza, Málaga, Murcia, Palma de Mallorca, Las Palmas de Gran Canaria, Bilbao, Alicante, Córdoba, Valladolid, Vigo, Gijón and L'Hospitalet de Llobregat. In addition, as a new feature, it includes an analysis of the Provincial Councils of Barcelona, Valencia and Sevilla, as those presenting the greatest non-financial budgets, and also of the *Cabildo Insular* of Tenerife and the *Consejo Insular* of Mallorca, selected from among similar bodies on the same grounds.

To guarantee homogeneity in this assessment, and in view of the fact that information from MINHAFP is not forthcoming within the requested timeframe, AIReF distributed a standard form to the Local Corporations studied with a request for information on performance in Q2 2016; estimated year-end for this year including the expenditure rule calculation; and the main lines of the budget for 2017. All LEs have complied in a proper and timely manner with their duty to collaborate, with the exception of the Provincial Council of Sevilla and the Island Council of Mallorca, as stated in section I in this report. With a delay of one month after the request, and at the behest of the President of AIReF, MINHAFP rendered the available information on these LCs. Therefore, the assessment of the two entities that failed to comply with the duty of collaboration has been drafted on the basis of this information, with the exception of compliance with the expenditure rule at year-end 2016, which has not been verified.

No risk of non-compliance with the 2017 stability target has been appreciated in any of the 16 City Councils examined, with the exception of the City Council of Bilbao; in general, however, the margin over the target may diminish with regard to previous years' margins. AIReF's estimates for the surplus/deficit range these entities are expected to reach in 2016 and 2017 are based on an econometric model that takes into account the behaviour over time of the quarterly implementation of revenue and expenditure, and in which the results are corrected with the estimated financial impact of policies declared by the LEs for the years studied. According to these forecasts, all the LCs studied could meet the stability target in 2016, although the Provincial Councils of Barcelona and Valencia estimate for this year a surplus below their EFP forecasts, which would lead to non-compliance with the committed targets. Nevertheless, AIReF considers their

estimates to be very prudent and deems it likely that by year-end these targets will be met.

In 2017, only the City Council of Bilbao is found to have a high likelihood of non-compliance with the stability target, given that investment expenditure increased by 104% with respect to the previous year, as reflected in the draft budget and notified by the Corporation.

AIReF deems non-compliance by the City Councils of Madrid, Barcelona and Córdoba with the expenditure rule in 2016 to be likely. It can be deduced from the information provided by the Local Corporations that these City Councils also foresee non-compliance with the rule at year-end this year.

Non-compliance with any of the fiscal rules requires local corporations to draft an EFP, to which the relevant financial supervisory agency, in the 21 corporations studied, gives final approval. In accordance with the provisions of the stability rule, the Corporation Plenary in the LCs that fail to comply with the fiscal rules must approve an EFP. This EFP will not come into force until final approval is granted by the financial supervisory agency, which is the corresponding Autonomous Region if the latter has assumed this competence within its Statute of Autonomy (10 ARs) or MINHAFP, in the remainder of cases (17 ARs).

The approved EFP must allow, in the current and in the following year, compliance with the objectives and the expenditure rule. As established in article 21 of the LOEPSF and in the handbook published by MINHAFP in February 2016 on the model for EFPs, for this document to be valid all fiscal rules must be complied with for each year covered by the EFP.

The city councils of Madrid, Barcelona, Sevilla, Málaga, Zaragoza, Palma de Mallorca and Alicante, and the Provincial Councils of Barcelona and Valencia, failed to comply with the expenditure rule in 2015 and have been obliged to prepare an EFP stating their commitments for each year. These nine LEs have had to draft an EFP in which they assume specific commitments for compliance with fiscal rules, and therefore their assessment has been carried out with relation to the limit established for each LE in its EFP, once it has been given final approval and is in force. The Provincial Council of Barcelona also failed to comply with the stability target in 2015, closing the year with a deficit. All the LEs have been given final approval by their supervisory agencies, with the exception of the City Council of Madrid where, although the Plenary has approved the document, this has not yet been approved by MINHAFP in its capacity of financial supervisor, for which reason it has not come into force yet.

All EFPs for the Local Corporations studied contain surplus commitments for 2016 and 2017 and limits to eligible expenditure, with the exception of the Provincial Council of Barcelona whose EFP concludes in 2016. According to the information provided by the Local Corporations, only the Provincial Councils of

Barcelona and Valencia envisage finishing the year with a smaller surplus to that stated in their EFP, though recognising that their year-end estimates may be excessively prudent.

The City Council of Barcelona approved, in Q4 2015, an EFP on appraising potential non-compliance with the expenditure rule at the end of that year. This EFP was adjusted in 2016 with the approval of a credit modification that was unforeseen before. The new limits for each one of the fiscal rules included in the revised EFP now in force are not published on the MINHAFP website, but have been provided by the City Council. Both the initial EFP and the one currently in force, approved by the Autonomous Region supervisory agency, allow non-compliance with the rule in the first year; however, as pointed out in the foregoing paragraphs, the LOEPSF and, logically, the MINHAFP handbook on the standard model for financial and economic plans (EFP), do not consider this possibility.

Debt Target

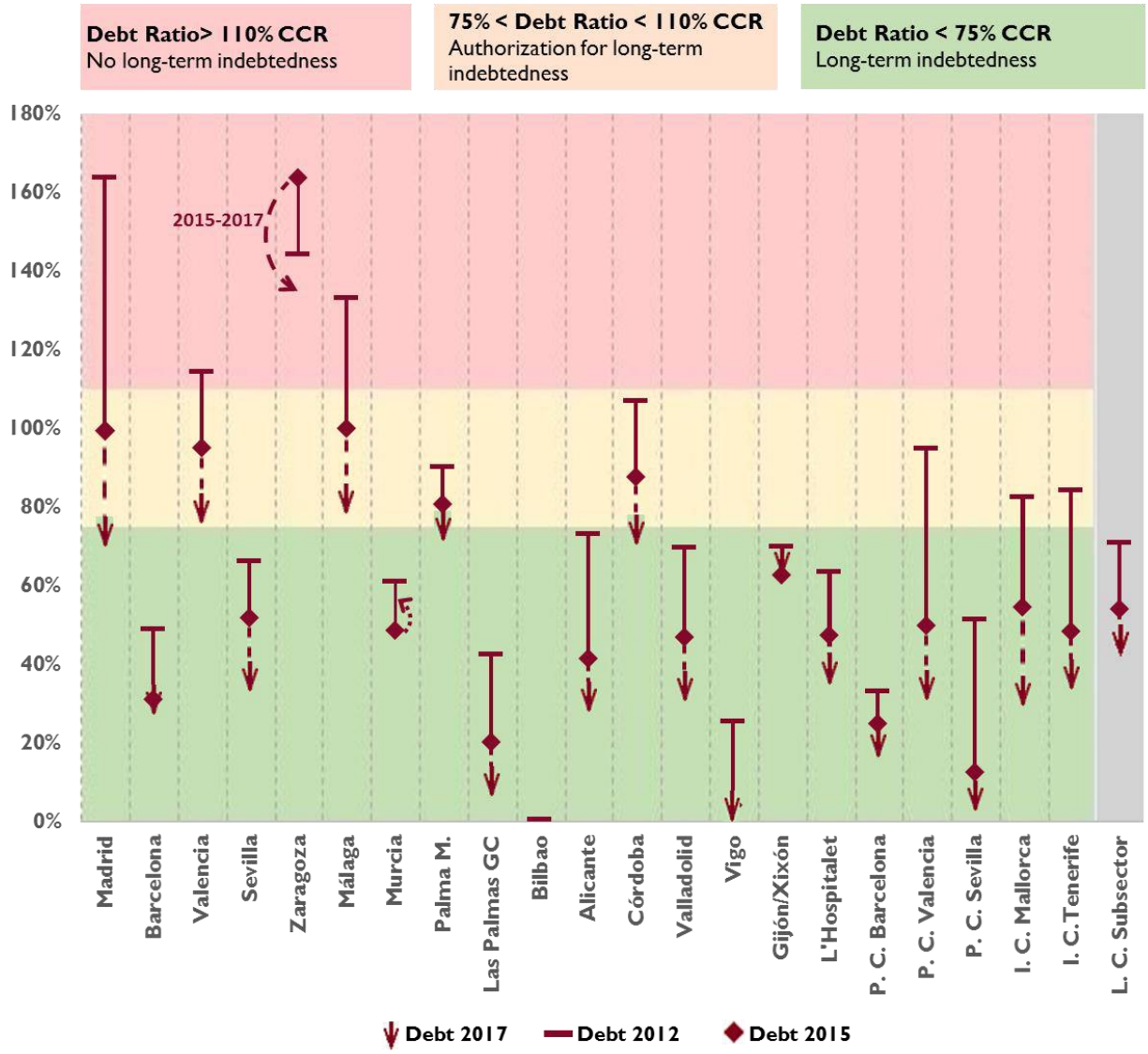
Out of the 21 Local Corporations studied, only Zaragoza is expected to submit, at 2017 year-end, an outstanding debt to consolidated current revenues ratio of more than 110%, due to which it will be barred from new long-term credit operations.

The assessment includes, for each LE, the 2016 year-end forecast and the City Councils' and AIReF's 2016 estimates for 2017, the latter taking the most favourable assumption in which the surplus generated is dedicated entirely to debt write-off. According to this assessment, in 2017, only Zaragoza will generate a debt ratio exceeding 110%, as has been the case for this entity since 2012. As pointed out in previous reports during 2015, the debt limit for this City Council has increased by more than 30 percentage points as a consequence of the debt resulting from the loan charged against investment in the city's tramline system. By year-end 2016, this city council's debt ratio is estimated at 143%, whereas without the indebtedness stemming from the tramline system this ratio would have been close to 110%.

All the Local Corporations studied have made a major effort to reduce debt since 2012, especially the City Council of Madrid and the Provincial Council of Valencia. This conclusion is shown in chart 10 which gives a compared overview of the relative position, according to the various positions regarding agreements for new credit operations, of the 21 Local Corporations from 2012 to 2015, and forecasts for these corporations to the end of 2017. The chart likewise offers a comparison against the subsector's overall debt ratio, calculated with relation to the total national non-financial revenue.

CHART 10. OUTSTANDING DEBT 2012 AND FORECAST FOR 2017

% of consolidated current revenue (CCR)



Source: Data provided by City Councils, Bank of Spain and MINHAFP

In summary, chart 5 below shows a compared overview of AIReF's forecast for compliance by these 21 LCs of the three fiscal rules in 2016 and 2017.

TABLE 5: COMPARED OVERVIEW OF AIREF'S FORECAST FOR COMPLIANCE WITH THE FISCAL RULES BY THE LOCAL CORPORATIONS STUDIED

Local Corporations	EFP APPROVED AND IN FORCE	Stability target (OE)		Expenditure rule (RG)	Outstanding debt to consolidated current revenues ratio	
		2016 year-end forecast	2017 Forecast	2016 year-end forecast	2016 year-end forecast	2017 Forecast
Madrid	Non-compliance with RG15. EFP approved by the plenary, not approved by MINHAFP	✓	✓	✗	Between 75% and 110%	Between 75% and 110%
Barcelona	Non-compliance with RG15. EFP revised and approved	✓	✓	✗	Below 75%	Below 75%
Valencia		✓	✓	✓	Between 75% and 110%	Between 75% and 110%
Sevilla	Non-compliance with RG15. EFP approved	✓	✓	✓	Below 75%	Below 75%
Zaragoza	Non-compliance with RG15. EFP approved	✓	✓	✓	Above 110%	Above 110%
Málaga	Non-compliance with RG15. EFP approved	✓	✓	✓	Between 75% and 110%	Between 75% and 110%
Murcia		✓	✓	✓	Below 75%	Below 75%
Palma de Mallorca	Non-compliance with RG15. EFP approved	✓	✓	✓	Between 75% and 110%	Between 75% and 110%
Las Palmas de Gran Canaria		✓	✓	✓	Below 75%	Below 75%
Bilbao (1)		✓	✗	✓	Below 75%	Below 75%
Alicante	Non-compliance with RG15. EFP approved	✓	✓	✓	Below 75%	Below 75%
Córdoba		✓	✓	✗	Between 75% and 110%	Below 75%
Valladolid		✓	✓	✓	Below 75%	Below 75%
Vigo (1)		✓	✓	✓	Below 75%	Below 75%
Gijón		✓	✓	✓	Below 75%	Below 75%
L'Hospitalet de Llobregat		✓	✓	✓	Below 75%	Below 75%
Provincial Council of Barcelona	Non-compliance with OE and RG15. EFP approved	✓	✓	✓	Below 75%	Below 75%
Provincial Council of Valencia	Non-compliance with RG15. EFP approved	✓	✓	✓	Below 75%	Below 75%
Provincial Council of Sevilla		✓	✓	✓	Below 75%	Below 75%
Island Council of Tenerife		✓	✓	✓	Below 75%	Below 75%
Island Council of Mallorca		✓	✓	✓	Below 75%	Below 75%

✓	Compliance
✗	Non-compliance
Below 75%	No authorisation required for new debt operations
Between 75% and 110%	Authorisation from the supervision agency required for new debt operations
Above 110%	No borrowing capacity
(1)	*The City Councils of Bilbao and Vigo foresee debt close to 0 by the end of 2016 and 2017.*

Recommendations

A. General recommendations

- ***Implementation of the LOEPSF***

The latest data communicated to the National Commission for Local Government (CNAL) regarding the EFPs presented by the LCs to the pertinent supervisory agencies in 2015, demonstrate that there are cases of non-compliance without an approved EFP in force. The information published by MINHAFP IC regarding LEs under the obligation to present an EFP after having incurred a deficit in 2014 brings their number to 973; however, EFPs submitted total approximately half this figure. Such cases of non-compliance without the backing of an EFP, in many instances, result from the lack of approval by the Corporation Plenary. The LOEPSF establishes the corrective and enforcement measures applicable to cases of non-submission or non-approval of an EFP, which range from the need to adopt a Non-Availability Agreement to, in the case of recurring and serious non-compliance, the dissolution of the Local Corporation. In this respect, any adjustment or refinancing plans that may be in place cannot be seen as substitutes for the EFPs, insofar as they are not covered by the same processing and publication guarantees. As the measures foreseen in the LOEPSF must necessarily be effectively implemented, **AIReF recommends the following:**

1. ***MINHAFP should promote the establishment of a procedure or mechanism to overcome any obstacles that may arise during the EFP processing stages.***

The design and implementation of such a procedure would probably involve the supervisory agencies which, as recommended in previous reports, must necessarily act in a coordinated manner overseen by MINHAFP. The Ministry believes that a stable framework for institutional dialogue exists that allows monitoring of the competences granted to the supervisory agencies and at least one meeting to be held each year. In AIReF's opinion, this coordination should be developed further and it would be a good thing for the adopted agreements to be documented and duly published.

In this regard **AIReF reiterates its recommendation** given in the two previous reports:

2. ***MINHAFP should establish and supervise a common framework for the exercising the competences granted to the Local Corporations' supervisory agencies regarding stability and the expenditure rule, in which the criteria and procedures for taking action are clearly defined. To this end, AIReF recommends publicising the meetings held and the agreements reached therein.***

Regarding transparency and the provision of information within the scope of the LOEPSF, **AIREF recommends:**

3. ***MINHAFP should carry out the necessary actions to allow the publication of all the required data to verify compliance with the stability target and the expenditure rule within the LCs, and complete such publications with information for each LE individually in terms of national accounting and information from all EFPs in force.***
4. ***MINHAFP and the competent institutions in the Basque Country and Navarra should carry out the required actions to ensure compliance with the obligation to provide and publish information on the LCs within their territories.***

- ## *Expenditure rule*

Since the LOEPSF came into force in 2012, implementation of the expenditure rule has given rise to major debates, both on account of its actual legal definition and the need to clarify its instrumentation across the various Public Administrations. Today, more than three years have elapsed since it was launched and, in view of the growing importance of the rule on a national and European level, there is a need to reflect on its definition and implementation without losing sight of its intended aim. In this sense, at the CNAL celebrated on 30 November, the State Secretary for Budgets and Expenditure announced the creation of a working group formed by MINHAFP, the Autonomous Regions, the LEs and AIReF for the revision of this rule.

AIReF has highlighted in several previous reports the need for MINHAFP to revise its interpretation consisting of deferring deviations in expenditure for consolidation in the future, as well as demanding the provision in the short term of more extensive knowledge of the calculation and implementation conditions and criteria, without prejudice to a medium-term review of the design. The Ministry claims to agree on the importance of the expenditure rule in order to guarantee budget stability, although it considers that it has not performed any easing or interpretation of the

expenditure rule that may distort the definition given in the LOEPSF or its developing regulations.

AIReF does not share this opinion, and insists on the need to clarify criteria in the short term, since the creation of the announced group and the pursuit of its tasks may delay the achievement of a document containing conclusions and proposals that, probably, will also require modification or legal development.

Consequently, **AIReF reiterates its recommendation given in previous reports:**

5. ***MINHAFP should revise its interpretation regarding calculation of the expenditure rule, according to which deviations in expenditure arising each year are deferred for consolidation in the future, and should define clearly the methodological elements required to plan and monitor the expenditure rule and to appraise compliance with it.***

As stated in the Report on the Main Lines of the Local Corporations' budgets for 2016, unlike for budget stability and Government debt targets, the information to be communicated by MINHAFP on the main lines and budgets for Local Entities does not include an assessment of the expenditure rule. This is the case since the modification in 2014 of Order HAP/2105/2012 on developing the duty to provide information as established in the LOEPSF, despite the fact that this law does not exclude compliance with the rule in these stages of the budget cycle.

Therefore, **AIReF recommends the following:**

6. ***MINHAFP should incorporate the information communicated by the Local Corporations on the main lines and approved budgets to the calculation of the expenditure rule, as well as an analysis of the consistency of this rule with the situation of equilibrium or surplus deduced from the planned revenue and expenditure scenario, valued in terms of national accounting.***

On the subject of preventive and corrective measures to be applied by the LCs, the LOEPSF does not grant equal treatment to the expenditure rule as it does to the other two targets. Regarding automatic corrective measures, for instance, article 20.2 of the mentioned law establishes that only in the event of non-compliance with the budget stability or Government debt target, LCs that perceive their participation in State taxes via transfer will require authorisation from the financial supervision agency to engage in any long-term debt operations.

Therefore, **AIReF recommends the following:**

7. ***MINHAFP should promote the necessary normative modifications to ensure equal treatment with regard to preventive and corrective measures for the three fiscal rules, and particularly the expenditure rule with the other targets, with the aim of ensuring their compliance.***

- ***Debt***

The LOEPSF establishes a limit to Government debt in terms of GDP for the LC sector overall of 3%, which is coherent with the 60% limit for the General Government sector. However, compliance with the fiscal rules is the responsibility of each Public Administration, none of which are exempted from the three fiscal rules by virtue of said law. The LOEPSF does not clarify the individual limits applicable to each LC and, therefore, application of the preventive, corrective and enforcement measures is not linked to any specific behaviour with regard to indebtedness. In the absence of this legal definition, individual limits have fallen back on the limits locally applied to agreements for new debt operations and which determine the eligibility for engaging in debt, and if so, whether authorisation is required. In other words, a Local Corporation with a debt/current revenue ratio greater than 110% cannot engage in new debt, but the presentation of an EFP containing the planned debt reduction measures is not required.

Therefore, **AIReF recommends the following:**

8. **MINHAFP should promote the necessary normative development to define individual debt limits in the local environment, non-compliance with which would give rise to the implementation of the measures foreseen in the LOEPSF.**

B. Individual recommendations

In the local environment it is common for EFPs to foresee a surplus path and/or a trend in eligible expenditure that is more restrictive than that resulting from the implementation of the criteria established in the LOEPSF, such that these become the Local Corporation's targets from the moment the plan is approved. Within the framework of EFPs approved by the municipal plenaries, and in those cases legally established by the supervisory agencies, **AIReF recommends**:

9. **That the City Councils of Barcelona, Córdoba and Madrid adopt the pertinent measures to guarantee compliance with the expenditure rule by year-end 2016. Should non-compliance with this rule be verified, these Councils would be obliged to approve an EFP guaranteeing compliance both within the year of approval and in the subsequent year.**
10. **That the supervisory agencies for these City Councils (Autonomous Region of Catalonia, Autonomous Region of Andalusia and MINHAFP) take the necessary steps to guarantee setting in motion the relevant EFPs for these City Councils, and that they meet current legal requirements.**
11. **That the City Council of Bilbao draws up and approves an EFP for failing to comply with the stability target in the Budget approved for 2017, and that the Provincial Council of Bizkaia takes the necessary steps to guarantee its final approval and coming into force.**

Annex:

Individual assessment of Local Corporations

As mentioned in the Report, the assessment is completed with an individual fact sheet per entity in which a joint view of its situation regarding compliance with the three fiscal rules is given. Each of these fact sheets comprises three charts displaying the following:

Chart 1: Compliance with the stability target since 2010 for each LE, LE forecasts for year-end 2016 and 2017, commitment to the stability target stated in the EFP (if approved and in force) and AIReF's range of estimates for this target in the two-year period.

Chart 2: Combined scenario of compliance with the stability target and expenditure rule at year-end 2016 according LE forecasts (shown by a triangle) showing, by areas, the four possible scenarios of compliance with one or both rules. These areas are outlined with a continuous red line (compliance with the stability target) or blue line (compliance with the expenditure rule according to MINHAFP's criterion of taking the previous year as the baseline year). This chart also shows the position of the LE had the expenditure rule been calculated from the last year of compliance, or from the first year this rule was applied (2013) and taking to the upper limit the eligible expenditure that would have been allowed by each year's reference rate.

In the event of a valid EFP (8 out of 11 LEs studied) the limits are those stated in the EFP; consequently, the lines for compliance and calculation of the expenditure rule on the basis of the last year of compliance coincide. In the event of having taken expenditure from the initial implementation of this rule to the limit, all three calculations are identical.

Chart 3: The evolution of debt ratio since 2010 for each LE, as forecast by the LEs for year-end 2016 and 2017 and AIReF's range of estimates under the theoretical assumption of dedicating the entire annual surplus to paying off the debt.

City Council of Madrid

CHART 1. NET LENDING/BORROWING (% NFR).

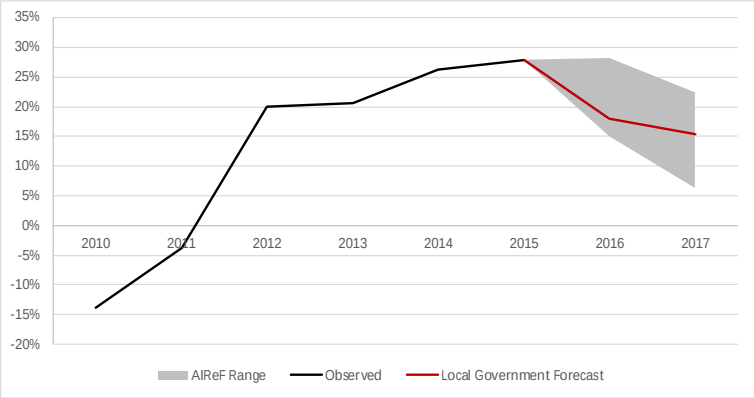


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

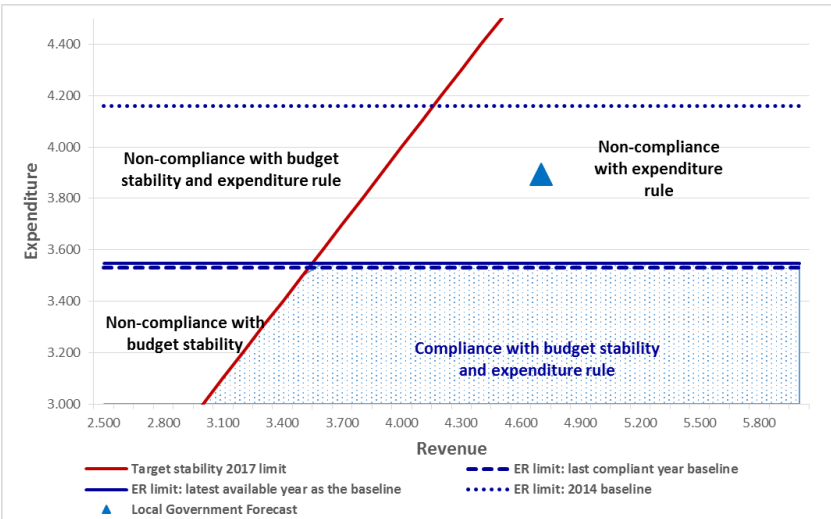
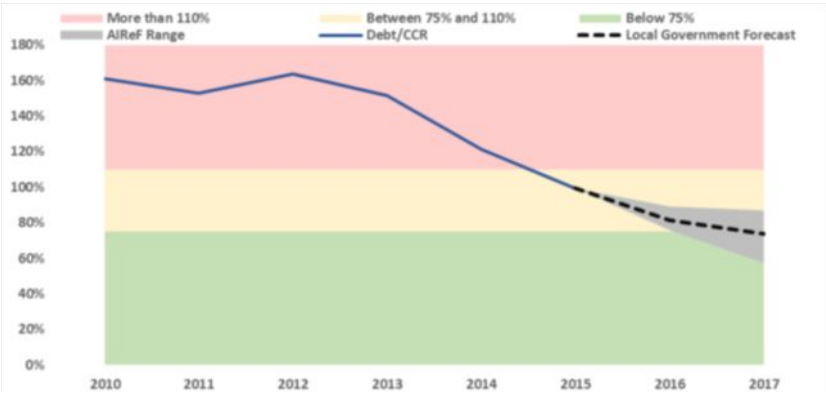


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Madrid will comply with the stability targets in 2016 and 2017, but with a reduction of around 50% in comparison to last year. Forecasts for the City Council fall within AIReF's confidence band, with those for 2016 coming closest to the band's lower limit.

The City Council foresees a 35% smaller surplus in 2016 than in 2015, mainly as a consequence of a 10% increase in current expenses and a 105% increase in capital expenditure, as well as a 2% decrease in revenue. The reduction in the surplus for the period 2016 to 2017, estimated at 19%, is the consequence of a 2% decrease in revenue, while expenditure increased by 10%.

Expenditure rule

As a consequence of non-compliance with the expenditure rule in 2015, after exceeding the expenditure limit by €17m, the City Council Plenary approved an Economic and Financial Plan (EFP) that has not yet been granted approval by the supervisory agency (MINHAFP). This EFP foresees non-compliance with the expenditure rule in 2016 and 2017, with a 17% and 11% increase, respectively, in eligible expenditure. This causes this City Council's uses to reach the levels it reached for expenditure in the year 2010.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 74% in 2017, which falls within the bands forecast by AIReF. This would imply a reduction of 87 percentage points since 2010.

City Council of Barcelona

CHART 1. NET LENDING/BORROWING (% NFR).

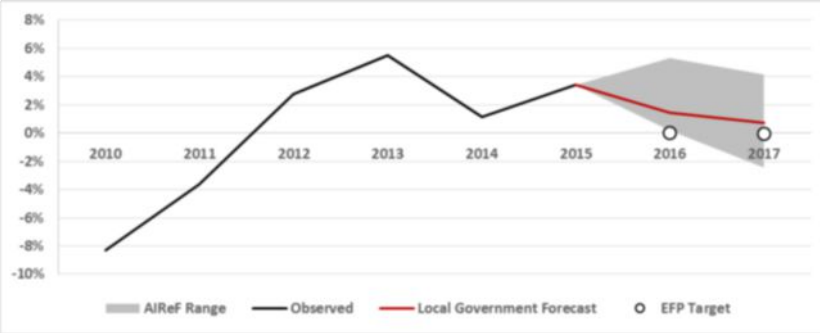


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-end 2016, **€m).**

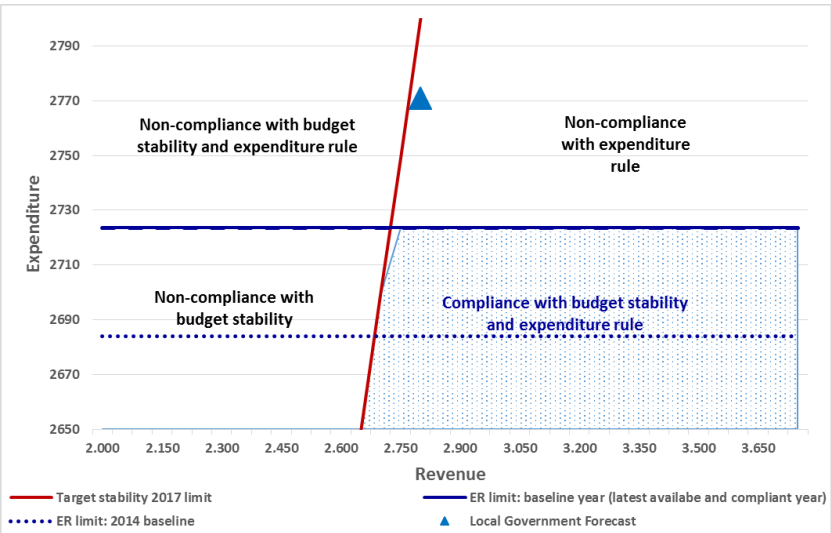
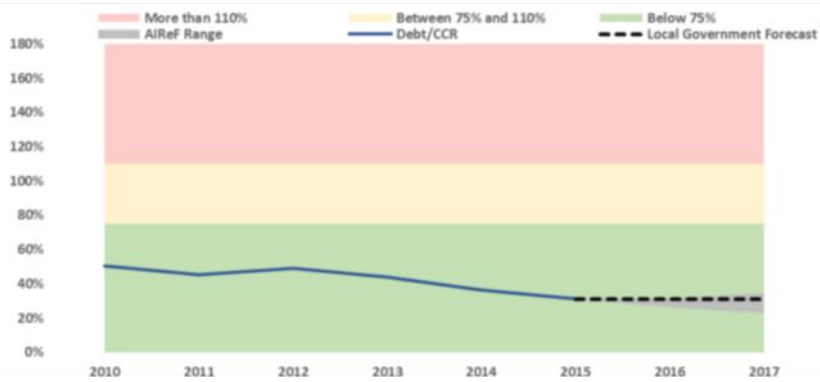


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Barcelona will comply with the 2016 stability target foreseen in the Economic and Financial Plan (EFP). In 2017, compliance is deemed feasible, albeit not without risks, given the narrow margin over the equilibrium envisaged by the City Council.

As potential non-compliance with the expenditure rule for 2015 was detected in the third quarter of the current year, this LC approved an EFP for 2015-2016 including the commitment to reach a surplus in 2016 of €105m that the City Council does not expect to achieve. This limit was revised down in 2016, owing to credit modification. According to the data provided by the City Council, it foresees complying with the commitment pledged in the modified EFP (surplus of €0.85m).

The City Council foresees a 56% smaller surplus in 2016 than in 2015, mainly as a consequence of an 6% increase in expenses (personnel and goods and services expenses increased 20%), while revenue remain stable. The surplus for 2016 and 2017 has decreased 56% as a consequence of an envisaged drop in revenue (1.3%) which does not compensate the reduction in foreseen expenditure (0.2%) and the increase in national accounting adjustments (13%).

Expenditure rule

The approved EFP envisages compliance with the expenditure rule in 2016 with an eligible expenditure overrun of €114m. Nevertheless, in the information provided, the City Council does not expect to comply with the rule, due to having failed to take into account the percentage of not-undertaken expenditure forecast in the EFP.

Debt ratio

The City Council foresees a stable debt ratio.

City Council of Valencia

CHART 1. NET LENDING/BORROWING (% NFR)

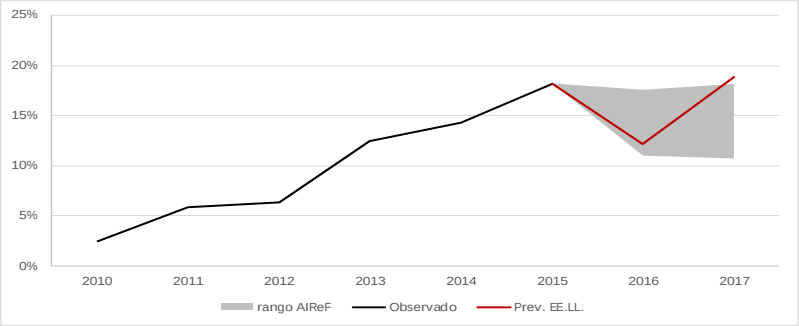


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

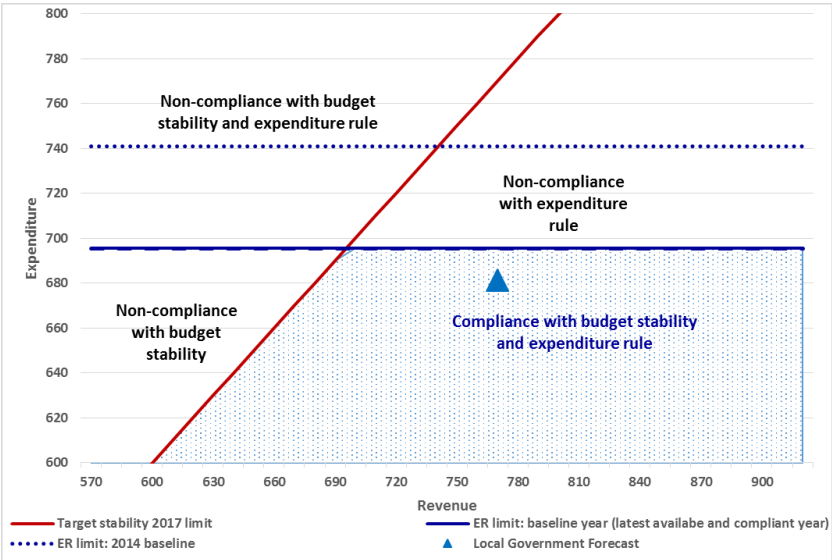
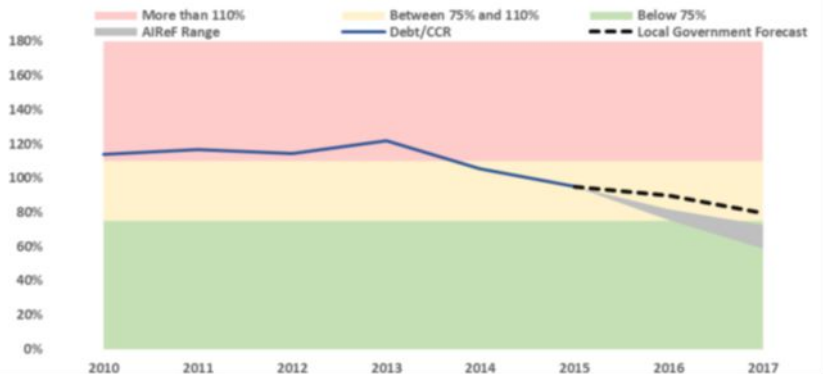


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems compliance by the City Council of Valencia with the stability target in 2016 and 2017 to be very likely.

The City Council foresees a 32% smaller surplus in 2016 than in 2015, mainly as a consequence of an 8% increase in current expenses (personnel expenses increased 9%), while revenue remain stable.

The 72% increase in the surplus for 2016 and 2017 estimated by the City Council is mainly the result of a 6% increase in current revenue and a 1% decline in current expenditure together with a 13% drop in capital expenditure, with respect to 2016. AIReF is of the opinion that the City Council's revenue forecast for 2017 may be optimistic, in the absence of measures for increasing revenue, and therefore it is likely that the 2017 surplus will be smaller than that forecast by the City Council.

Expenditure rule

The City Council expects to comply with the expenditure rule in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 79% in 2017. This would imply a reduction of 35 percentage points since 2010.

City Council of Sevilla

CHART 1. NET LENDING/BORROWING (% NFR)

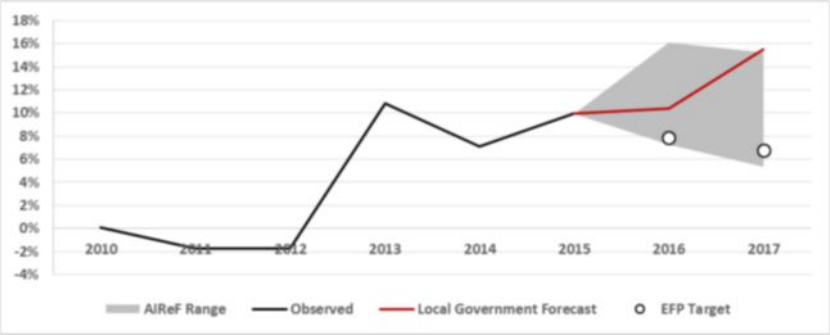


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

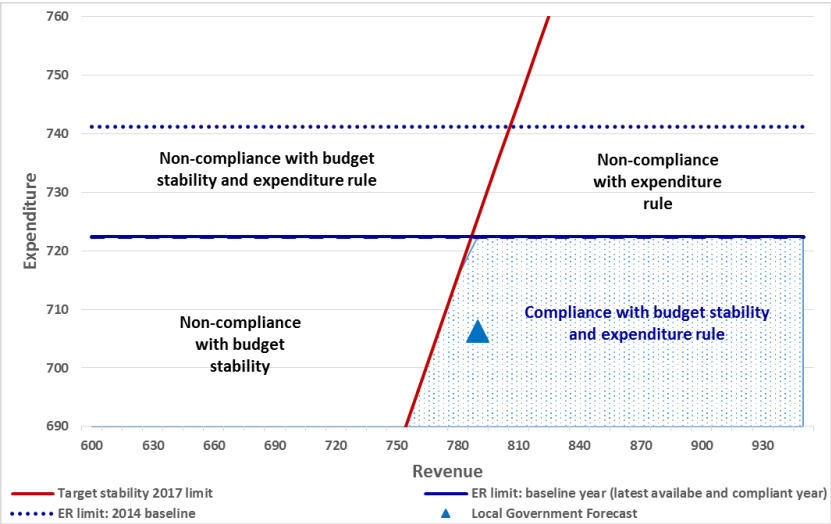
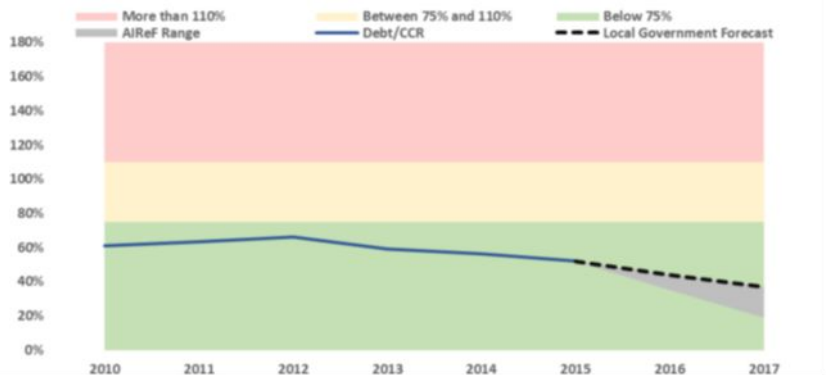


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Sevilla will meet the stability target forecast in its approved Economic and Financial Plan (EFP) in 2016 and 2017.

As a consequence of non-compliance with the expenditure rule in 2015, having exceeded the eligible expenditure by €21m, this Council has an approved EFP setting the stability targets for 2016 and 2017.

The City Council estimates the surplus in 2016 to be 3% larger than in 2015, and 59% larger in 2017 (doubling the surplus forecast in the EFP). The Council envisages a 7% increase during 2016 and 2017 in non-financial revenues (those deriving from taxes, fees and public prices increase by 7%, and current transfers by 22%) and a 16% increase in expenditure (current expenses increasing by 14%). A further factor causing the surplus to grow in 2016-2017 are the national accounting adjustments envisaged by the City Council, which double the non-financial balance.

The surplus increase estimated by the City Council for 2016-2017 would fall without the upper limit of AIReF's confidence band, chiefly on account of a possible higher forecast for of revenue.

Expenditure rule

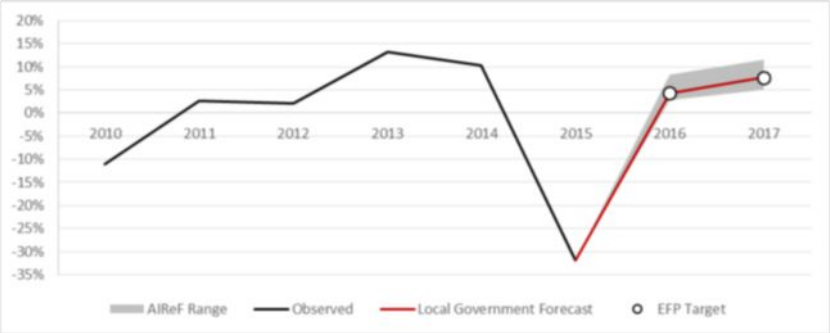
The City Council expects to comply with the eligible expenditure limit in 2016 as foreseen in the EFP.

Debt ratio

The City Council envisages reaching a debt-to-revenue ratio of 37% in 2017. This would imply a reduction of 24 percentage points since 2010.

City Council of Zaragoza

CHART 1. NET LENDING/BORROWING (as % NFR)



Graph 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

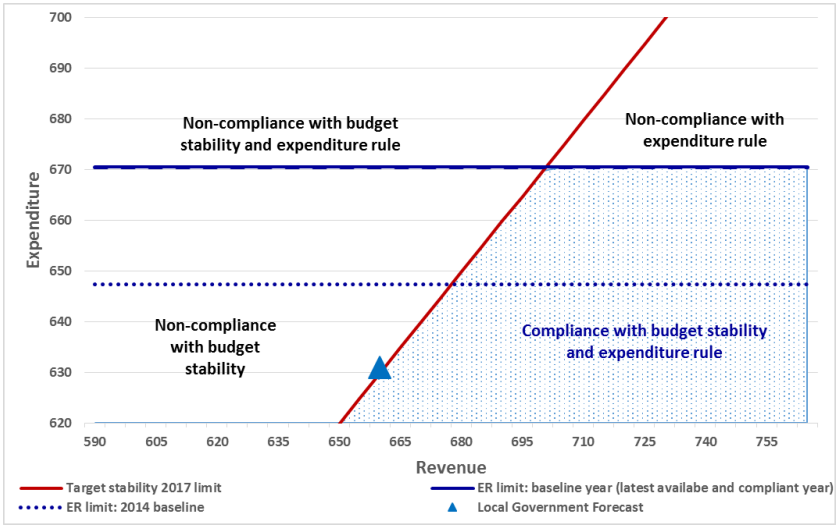
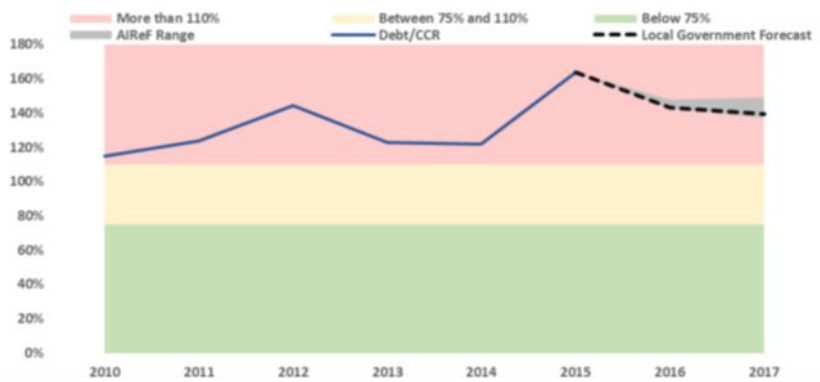


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems likely that the City Council of Zaragoza will comply with the stability target for 2016 and 2017 stated in its Economic and Financial Plan (EFP), though with a certain degree of risk given the narrow margin over its EFP.

As a consequence of non-compliance with the stability target and the expenditure rule in 2015, caused mainly by charging to that year the investments, conducted through a public-private collaboration contract, in a tramline system for the city (€256m), the Council has approved an EFP with its commitments for 2016 and 2017.

The City Council believes that the surplus in 2016 would be 134% greater than in 2015 if the tramline system operation were not taken into account, mainly as a consequence of a reduction in expenditure (expenditure in personnel and current expenses increased 7% while expenditure in investments decreased) greater than the decrease in revenue (mainly taxes and fees).

The City Council's estimate of an 80% increase in the surplus for 2016-2017 is a result of a 4% reduction in expenses, while revenue increased by 1%.

Expenditure rule

The City Council expects to comply with the eligible expenditure limit in 2016 as foreseen in the EFP.

Debt ratio

Since 2010, the City Council has maintained a level of indebtedness exceeding 110%, a ratio that increased considerably in 2015 (reaching 160%) owing to the tramline operation, and is forecasting a reduction of up to 140% by 2017.

City Council of Málaga

CHART 1. NET LENDING/BORROWING (% NFR)

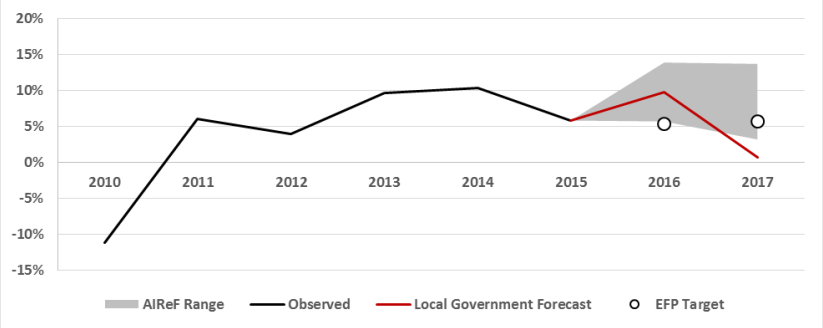


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

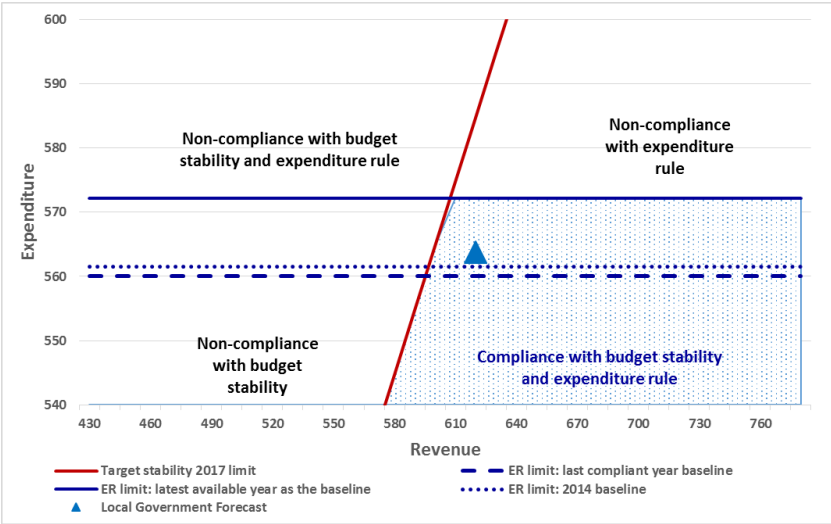
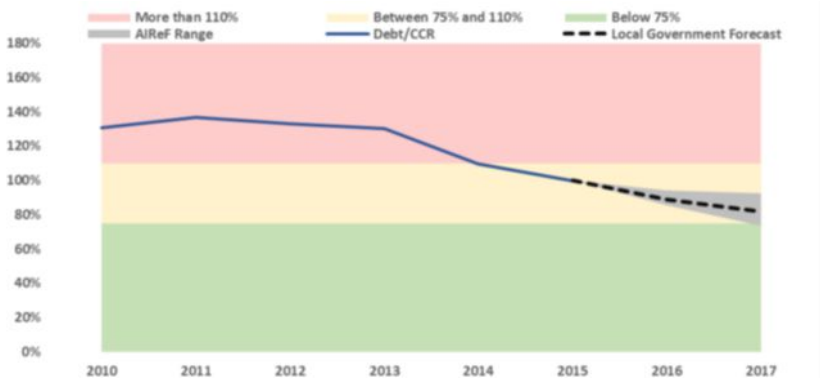


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Málaga will comply with the stability target for 2016 and 2017 as stated in its EFP.

As a consequence of non-compliance with the expenditure rule in 2015, having exceeded the eligible expenditure by €12m, this Council has approved an EFP setting the stability targets for 2016 and 2017.

The City Council estimates a 70% increase in the surplus for 2016, with regard to 2015, to reach levels similar to those of 2014.

The City Council envisages non-compliance with the stability target stated in its EFP for 2017, with a 93% decrease in its surplus. This reduction is the consequence of a 6% decrease in revenue (tax revenue decrease by 12%, fees and public prices by 22%) with no normative changes to justify the drop, and a 3% increase in expenditure.

AIReF finds that the City Council's estimate for revenue in 2017 may be undervalued, and therefore deems it probable that the surplus for 2017 will be greater than the City Council's forecast.

Expenditure rule

The City Council expects to comply with the expenditure rule in 2016. Compliance, in this case, is partly attributed to the consolidation of the expenditure overruns in 2015.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 82% in 2017. This would imply a reduction of 49 percentage points since 2010.

City Council of Murcia

CHART 1. NET LENDING/BORROWING (% NFR)

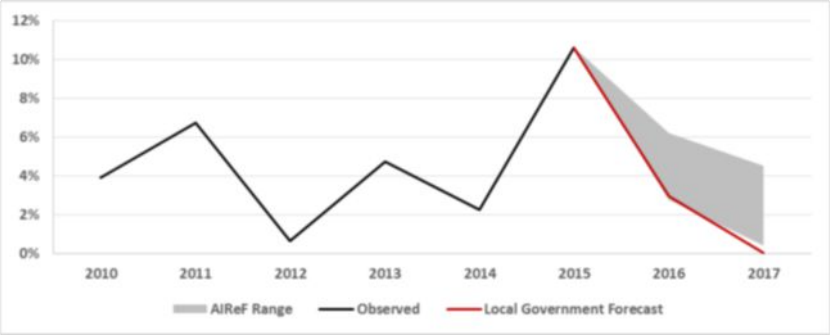


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

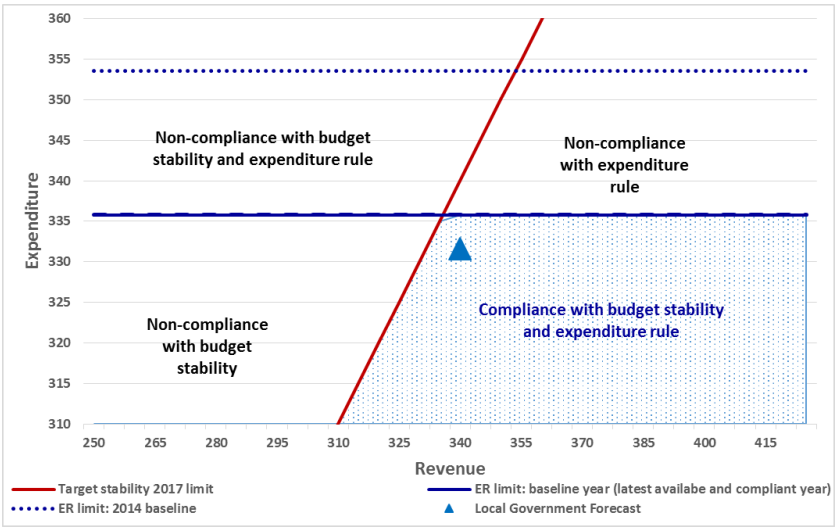
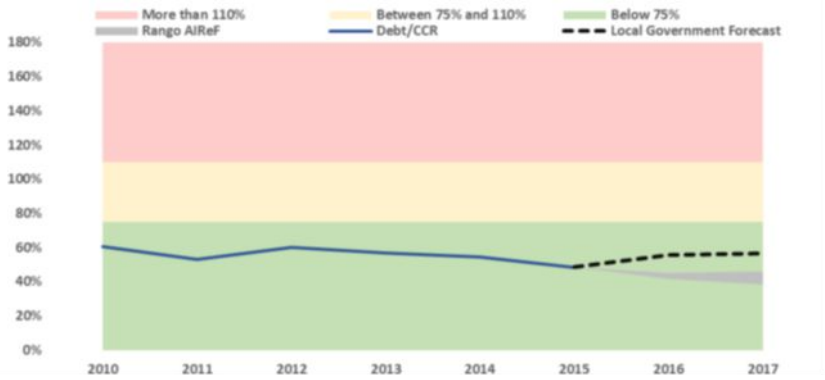


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems it very likely that the City Council of Murcia will comply with the stability target in 2016 and 2017, though with a significantly smaller surplus than in 2015.

The City Council foresees a 74% smaller surplus in 2016 than in 2015, mainly as a consequence of an 8% decrease in revenues.

The 98% reduction in the surplus for 2016 and 2017 estimated by the City Council is mainly the result of a 10% increase in current expenditure, whereas revenues have not varied with respect to 2016. AIReF finds that the City Council's expenditure forecast for 2017 may be overvalued, and therefore the surplus for next year may be greater than that forecast by the City Council, which is close to equilibrium.

Expenditure rule

The City Council expects to comply narrowly with the expenditure rule in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 57% in 2017, maintaining a similar ratio since 2010.

City Council of Palma de Mallorca

CHART 1. NET LENDING/BORROWING (% NFR)

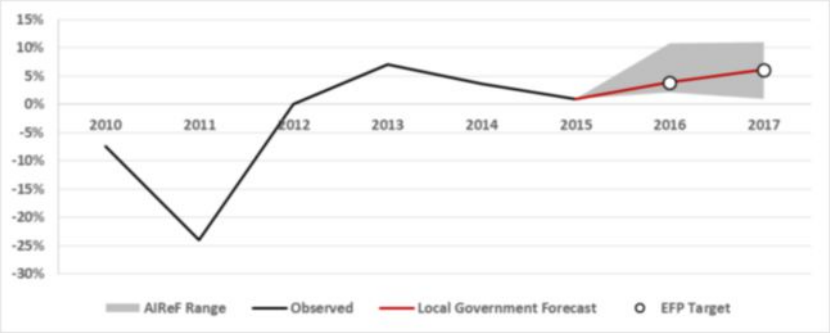


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

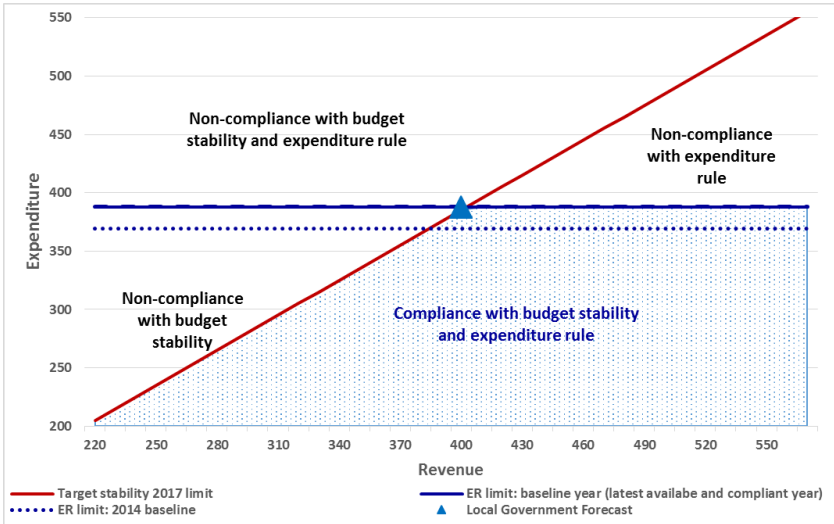
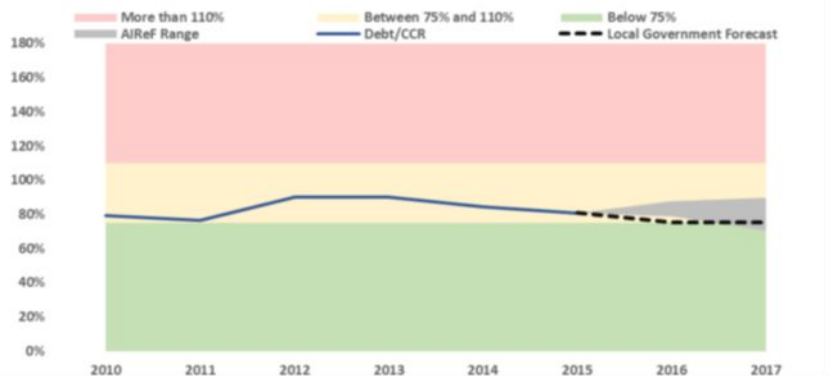


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Palma de Mallorca will meet the stability target for 2016 and 2017, forecast in the approved EFP, though with a certain risk of non-compliance given the narrow estimated margin regarding the surplus stated in the EFP.

As a consequence of non-compliance with the expenditure rule in 2015, having exceeded the eligible expenditure by €44m, this Council has approved an EFP setting its stability targets for 2016 and 2017.

The City Council estimates a surplus in 2016 and 2017 in line with the forecast given in the EFP and a 4% increase between 2016 and 2017 in non-financial revenues.

Expenditure rule

The City Council does not expect to comply with the eligible expenditure limit for 2016 foreseen in the EFP, but only by a narrow margin, and therefore may still adjust its performance before year-end.

Debt ratio

The City Council envisages reaching a debt-to-revenue ratio of 79% in 2017, maintaining a similar position since 2010.

City Council of Las Palmas de Gran Canaria

CHART 1. NET LENDING/BORROWING (% NFR)

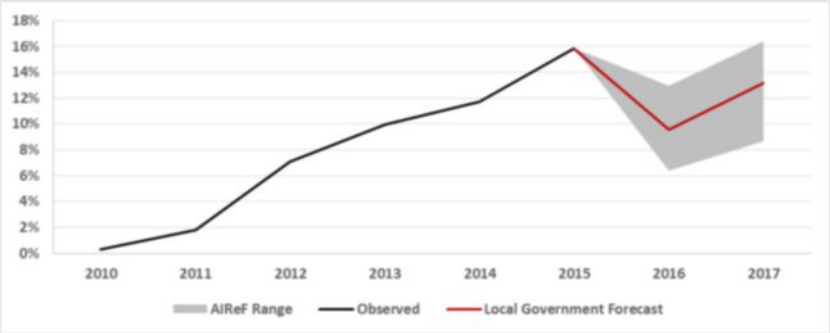


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

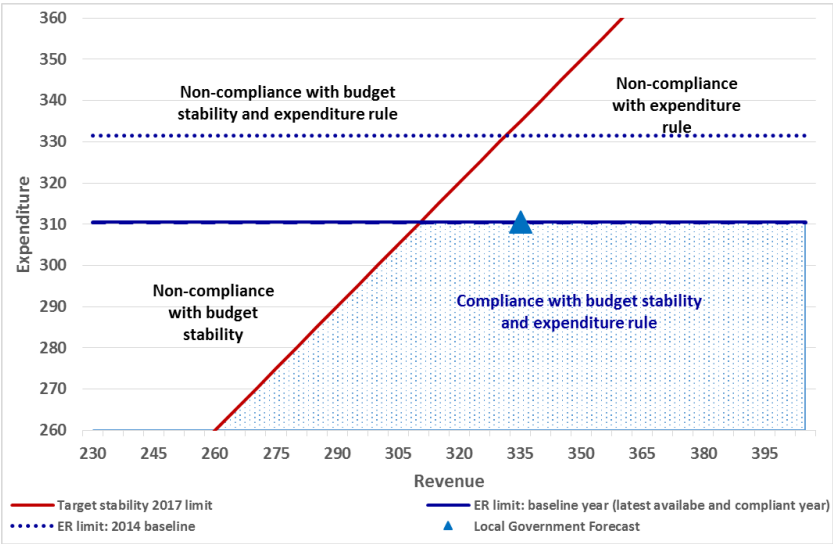
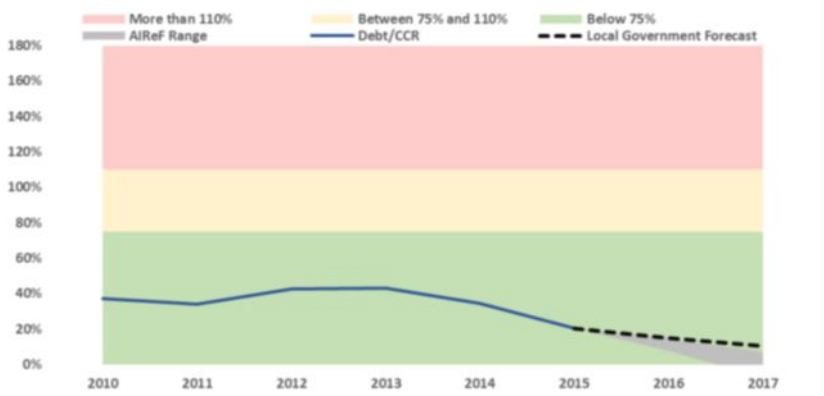


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Las Palmas de Gran Canaria will comply with the stability target in 2016 and 2017.

The City Council foresees a 53% smaller surplus in 2016 than in 2015, mainly as a consequence of an 83% increase in investments and a 13% increase in current expenses.

Similarly, the City Council estimates a 40% larger surplus for the period 2016-2017. The forecast for 2017 is the result of applying a constant increase of 2.2% (the reference rate currently approved for the expenditure rule), without having conducted revenue and expenditure planning.

Expenditure rule

The City Council foresees strict compliance with the expenditure rule in 2016, which may give rise to some risk of non-compliance in the event of any deviation.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 10% in 2017, which represents a drop of 27 percentage points since 2010.

City Council of Bilbao

CHART 1. NET LENDING/BORROWING (% NFR)

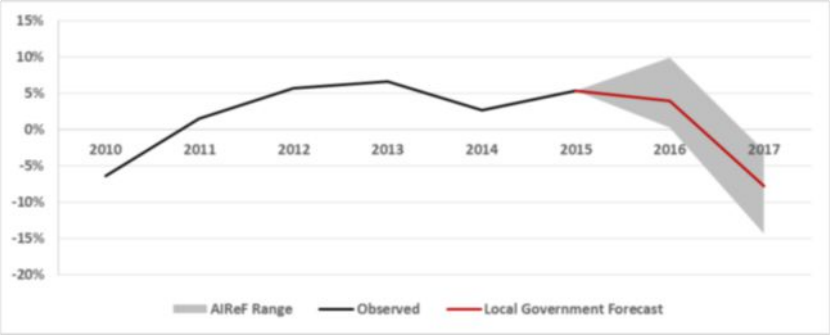


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

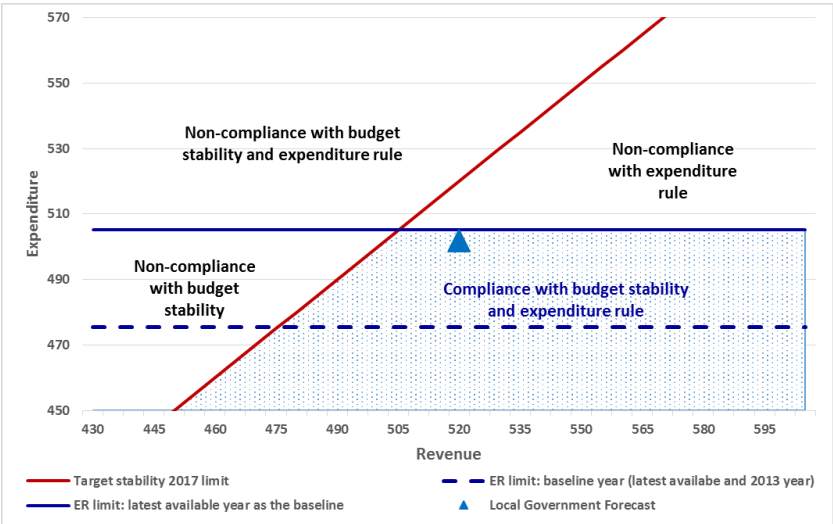
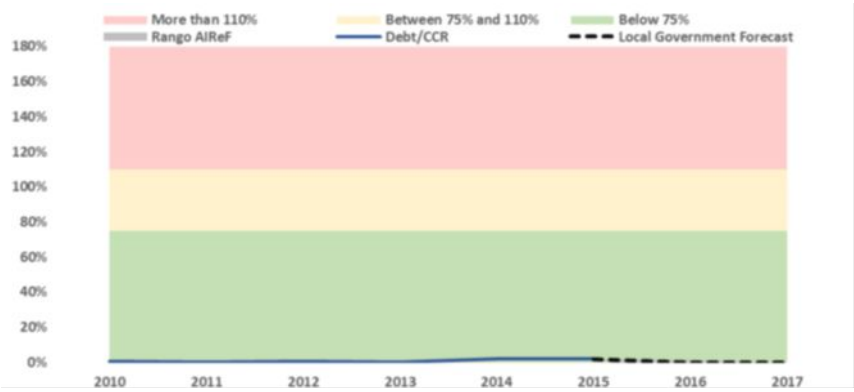


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Bilbao will not comply with the 2017 stability target, whereas compliance in 2016 is likely, with a slightly smaller surplus than in 2015.

The City Council itself foresees non-compliance with the expenditure rule in 2017, as a consequence of a 104% increase with respect to 2016 in capital expenditure and a 5% increase in current expenses, while revenue has remained practically unchanged.

As the 2017 Budget has been approved by the Plenary, the City Council is under the obligation to draft and approve an Economic and Financial Plan (EFP).

Expenditure rule

The City Council foresees strict compliance with the expenditure rule in 2016, which would not have been possible without consolidating its non-compliance with the rule in 2014.

Debt ratio

The City Council does not foresee any significant debt at year-end 2016 or 2017.

City Council of Alicante

CHART 1. NET LENDING/BORROWING (% NFR)

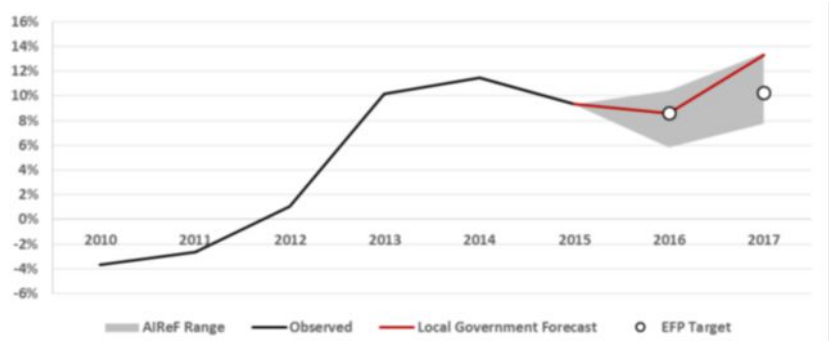


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

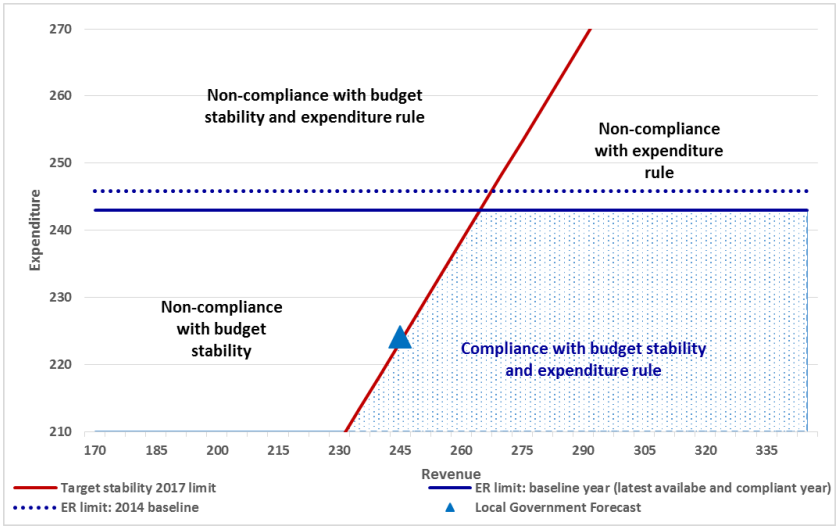
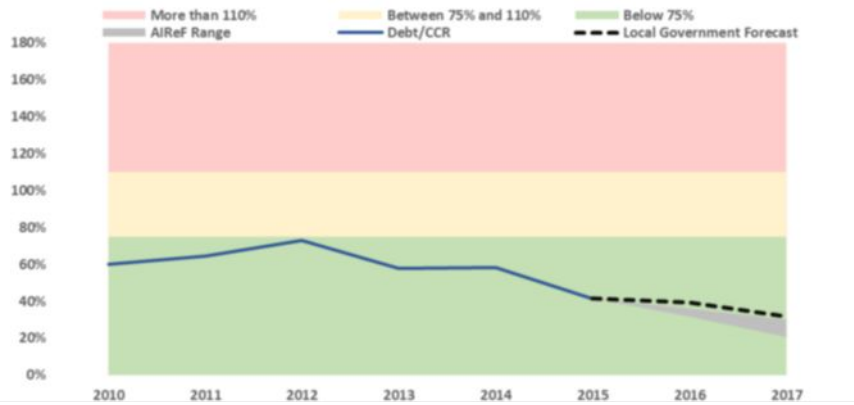


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems likely that the City Council of Alicante will comply with the stability target in 2016 and 2017, as stated in its EFP, though with some risk in 2016 due to forecasts more narrowly adjusted to the limit stated in the EFP. The City Council's forecasts fall within AIReF's confidence band, with those for 2017 being closest to the band's upper limit.

As a consequence of non-compliance with the expenditure rule in 2015, having exceeded eligible expenditure by €16m, this Council has approved an EFP setting the stability and expenditure rule targets for 2016 and 2017, which the Council expects to meet.

The City Council foresees a 14% smaller surplus in 2016 than in 2015, mainly as a consequence of a 7% decrease in current revenues, an 8% increase in current expenses and a 37% increase in expenditure in investments.

The City Council's estimate for a 49% increase in surplus for 2016-2017 is the consequence of an 8% reduction in expenses, while revenue dropped by 4%.

Expenditure rule

The City Council foresees compliance by a wide margin with the target established in its EFP for the expenditure rule in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 32% in 2017. This would imply a reduction of 28 percentage points since 2010.

City Council of Córdoba

CHART 1. NET LENDING/BORROWING (% NFR)

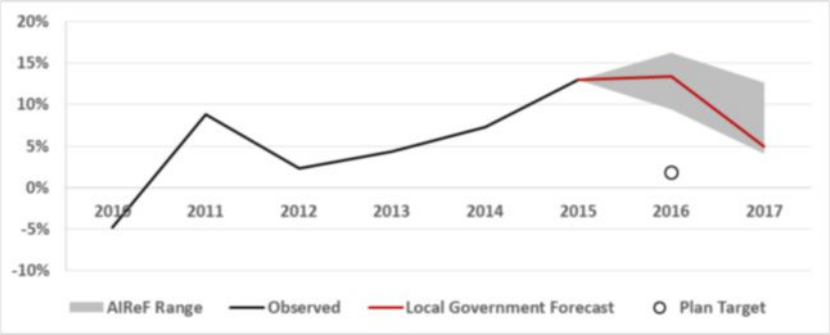


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

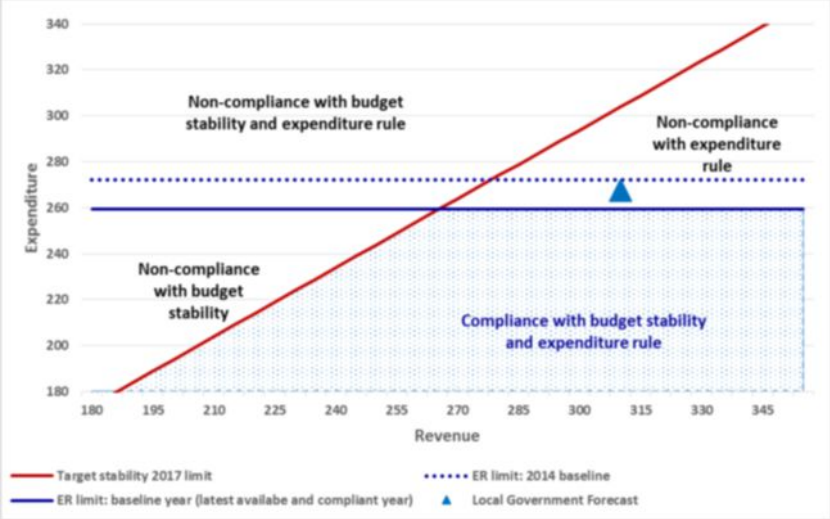
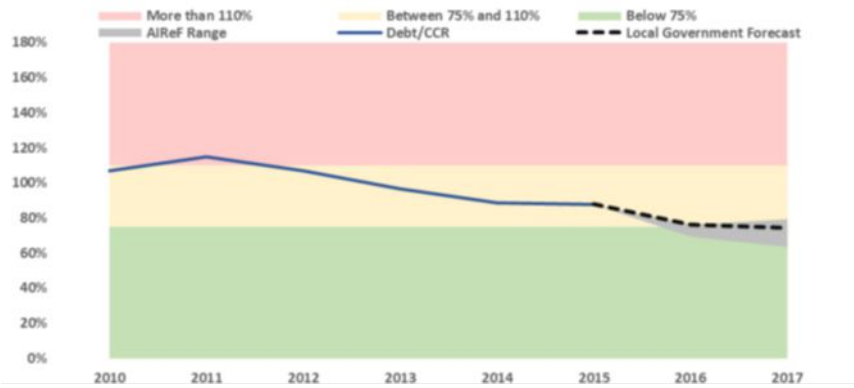


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Córdoba will comply with the stability target in 2016 and 2017.

The City Council drafted a refinancing plan for a debt operation, establishing the commitment to a surplus for 2016 which it expects to meet by a comfortable margin, reaching a figure similar to that achieved in 2015.

The 65% decrease in the surplus for 2016 and 2017 estimated by the City Council is the result of an 8% increase in current expenses and a 16% increase in capital expenditure, while revenues decrease by 4%, fundamentally as the result of a 17% drop in fees and public prices, estimated by the Council at 2015 values (the lowest in the last 7 years after approving downward normative modifications).

Expenditure rule

The City Council does not expect to comply with the expenditure rule in 2016. In 2015, compliance was achieved by a very narrow margin as a consequence of having enacted a normative reduction that has also affected compliance in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 74% in 2017. This would imply a reduction of 33 percentage points since 2010.

City Council of Valladolid

CHART 1. NET LENDING/BORROWING (% NFR)

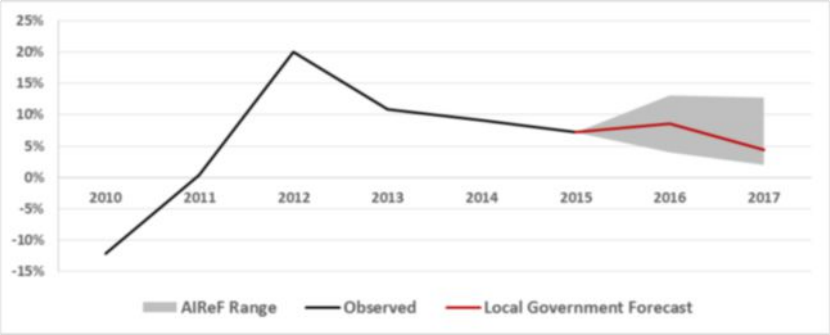


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

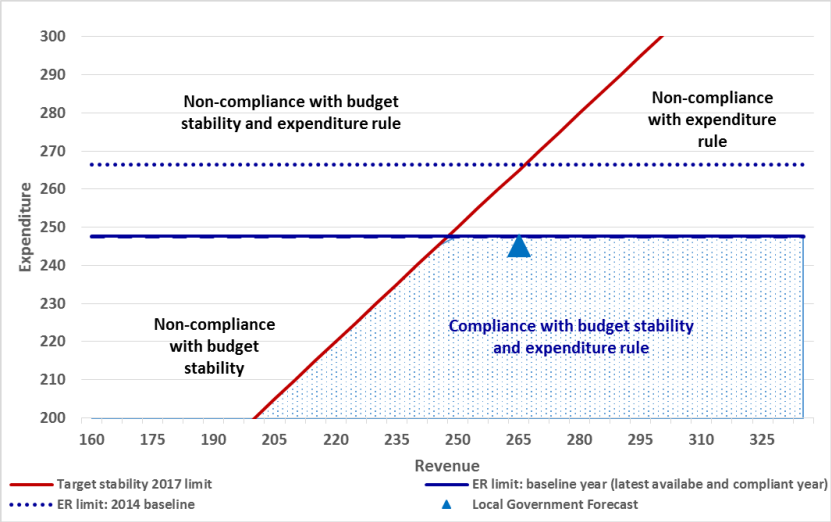
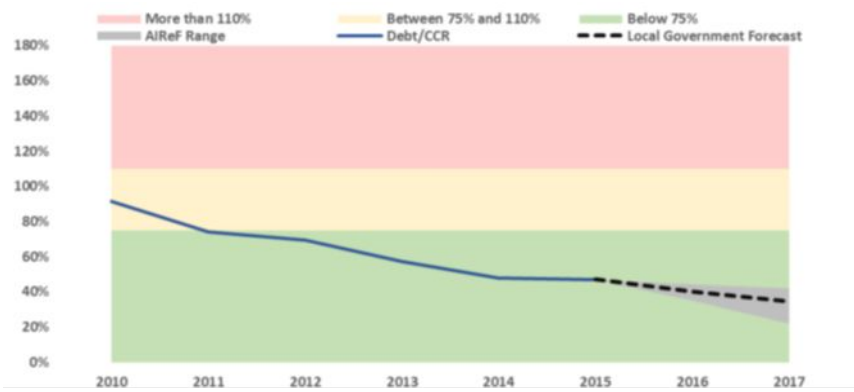


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Valladolid will comply with the stability target in 2016 and 2017.

The City Council estimates a surplus in 2016 that is 22% greater than that of 2015, mainly as a consequence of a 9% decrease in expenditure (capital expenditure decreased by 35%), and a 4% drop in revenue.

The 48% decrease estimated by the City Council in the surplus between 2016 and 2017 is mainly due to an 8% increase in expenditure (current expenses increase by 13%), while revenue remains unchanged.

Expenditure rule

The City Council expects to comply narrowly with the expenditure rule in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 34% in 2017. This would imply a reduction of 57 percentage points since 2010.

City Council of Vigo

CHART 1. NET LENDING/BORROWING (% NFR)

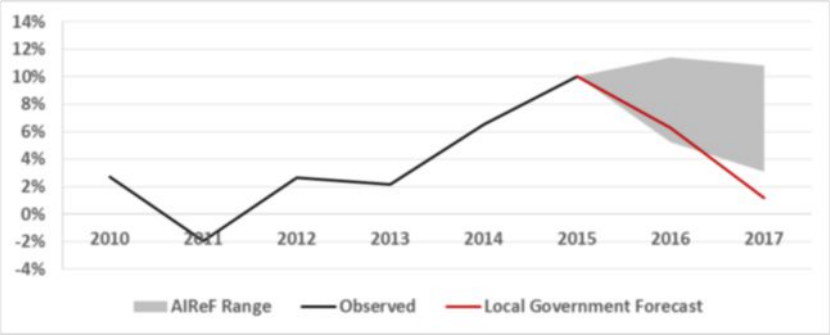


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

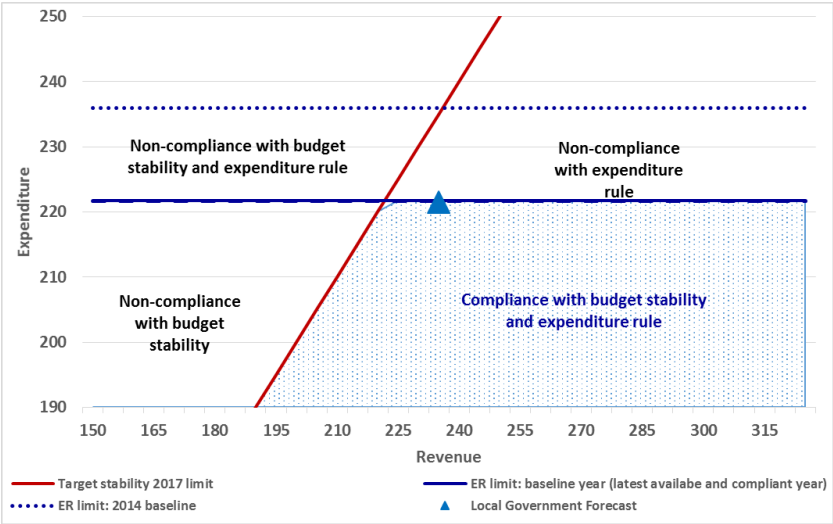
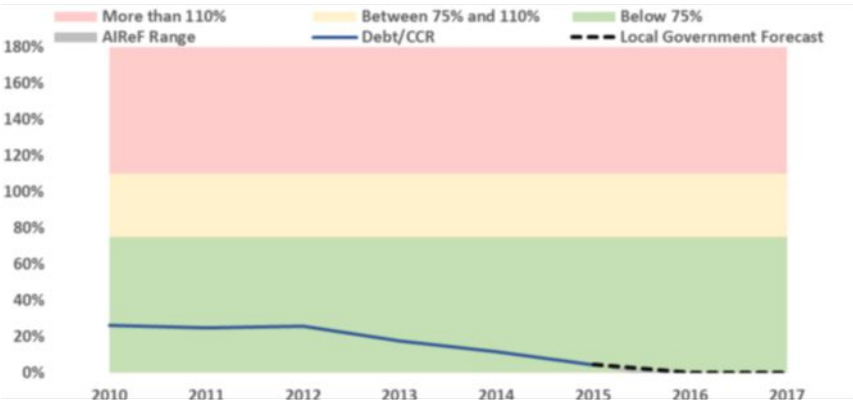


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of Vigo will comply with the stability target in 2016 and 2017.

The City Council foresees a 39% smaller surplus in 2016 than in 2015, mainly as a consequence of a 2% decrease in revenues and a 2% increase in expenses.

The 82% increase in the surplus for 2016 and 2017 estimated by the City Council is mainly the result of a 4% decrease in revenue and a 5% increase in current expenditure, with respect to 2016. The City Council's forecast falls without the confidence bands of AIReF, who finds that the City Council's revenue forecast for 2017 may be undervalued.

Expenditure rule

The City Council expects to comply by a narrow margin with the expenditure rule in 2016.

Debt ratio

The City Council points out that in 2016, it has already paid off the whole of its debt and does not foresee engaging in debt in 2017. This would imply a reduction of 26 percentage points since 2010.

City Council of Gijón

CHART 1. NET LENDING/BORROWING (% NFR)

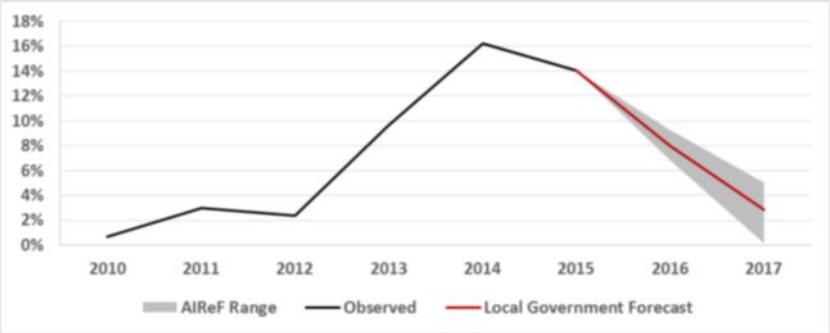


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

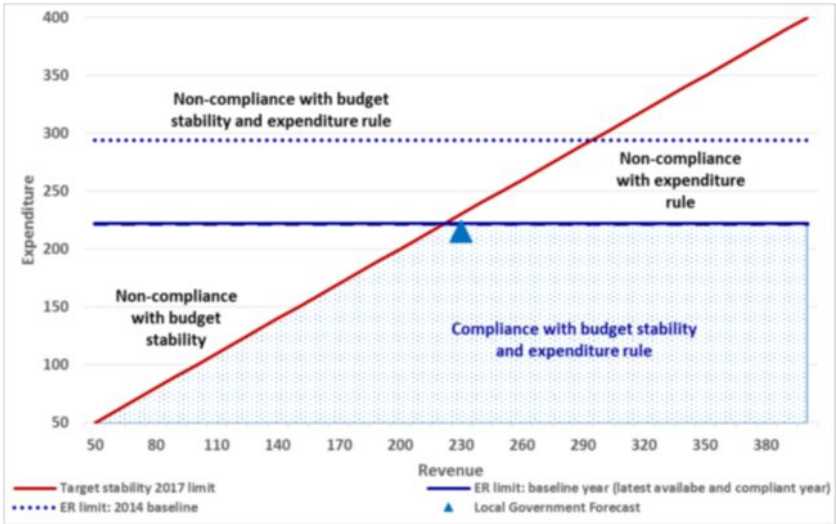
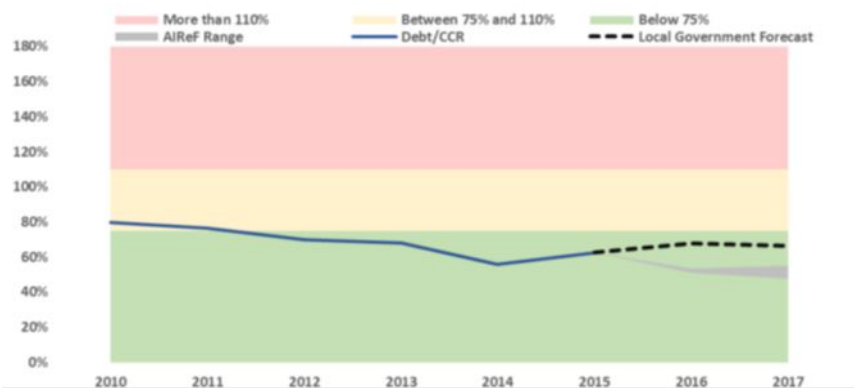


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems it very likely that the City Council of Gijón will comply with the stability target in 2016 and 2017, though with a significantly smaller surplus than in 2015.

The City Council foresees a 42% smaller surplus in 2016 than in 2015, mainly as a consequence of an 6% decrease in current revenues (transfers reduce these revenues by 12%).

The 64% reduction in the surplus for 2016 and 2017 estimated by the City Council is mainly the result of a 5% increase in current expenditure, whereas revenue has remained practically unchanged with respect to 2016.

Expenditure rule

The City Council expects to comply, albeit narrowly, with the expenditure rule in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 66% in 2017, maintaining a similar ratio to previous years, implying a reduction of 13 percentage points since 2010.

City Council of L'Hospitalet de Llobregat

CHART 1. NET LENDING/BORROWING (% NFR)

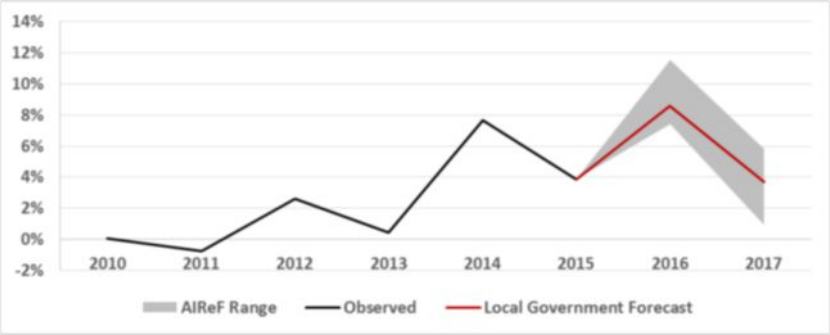


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

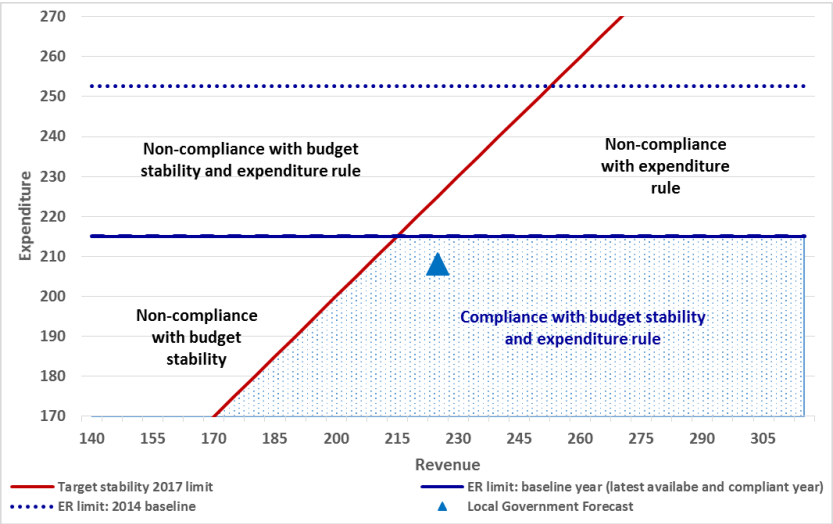
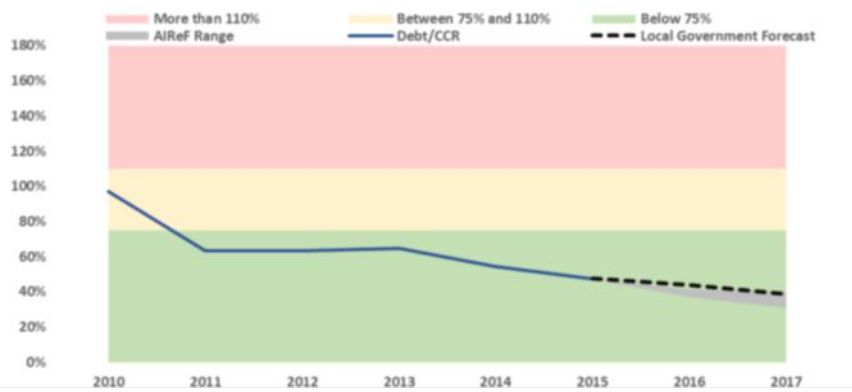


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the City Council of L'Hospitalet de Llobregat will comply with the stability target in 2016 and 2017.

The City Council estimates a surplus in 2016 that is 123% greater than that of 2015, mainly as a consequence of a 25% decrease in capital expenditure and a 1% drop in current expenses.

The 56% decrease estimated by the City Council for the surplus in 2016 and 2017 is the consequence of an 8% increase in current expenses (personnel and current assets rose 9%), while revenues are envisaged to rise just 1%.

Expenditure rule

The City Council expects to comply narrowly with the expenditure rule in 2016.

Debt ratio

The City Council envisages reaching a debt-to-consolidated current revenue ratio of 39% in 2017, which represents a drop of 59 percentage points since 2010.

Provincial Council of Barcelona

CHART 1. NET LENDING/BORROWING (% NFR)

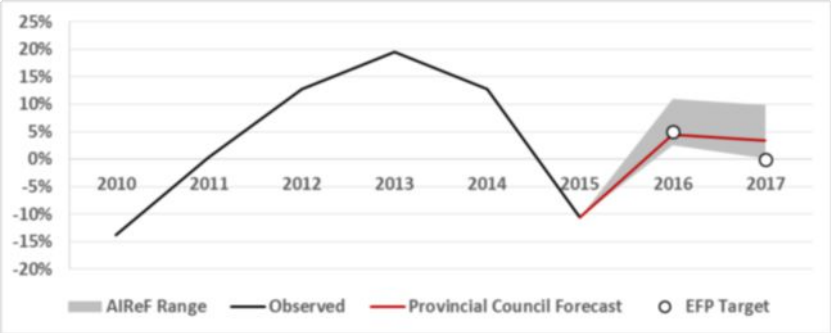


Chart 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

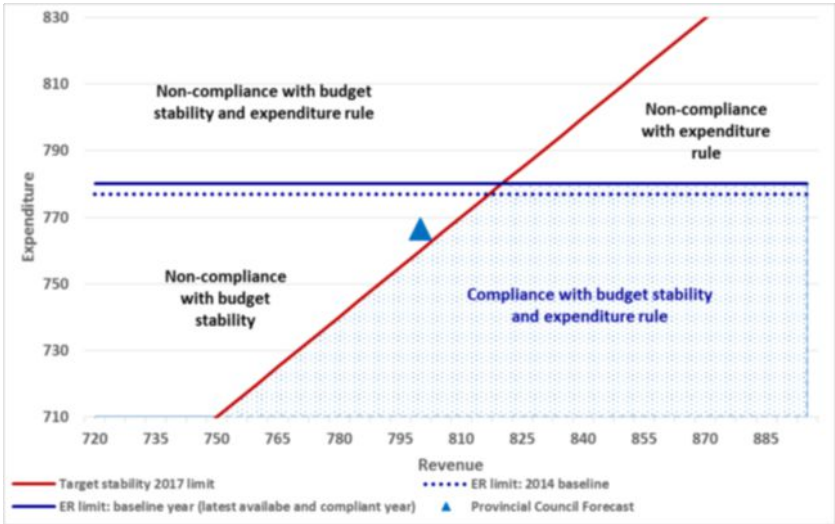
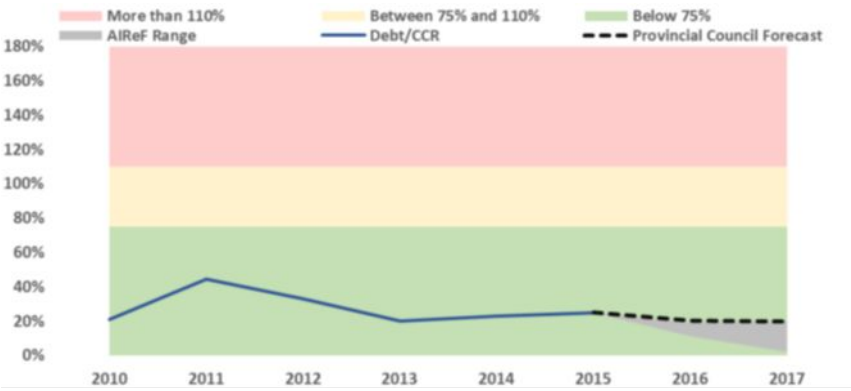


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems feasible for the Provincial Council (Diputación) of Barcelona to comply in 2016 with the stability target established in its EFP, albeit with some risks. In 2017, AIReF deems very likely that the equilibrium target will be met with a surplus slightly below that of 2016.

As the Diputación reached year-end 2015 with a deficit and non-compliance with the expenditure rule, it has an EFP in force establishing a surplus for 2016 and the expenditure rule target for 2016 and 2017.

The Diputación foresees non-compliance with the stability target stated in the EFP for 2016, albeit by a narrow margin. The Diputación foresees achieving a surplus in 2016, thus recovering from the deficit incurred in 2015, basically thanks to a 10% increase in current revenues. Expenditure is reduced slightly (current expenses increase by 3% but capital expenditure drops 15%).

The Diputación forecasts for 2017 a surplus 24% smaller than in 2016, as a result of an 8% increase in current expenses that is not offset by the envisaged 3% increase in current revenues.

Expenditure rule

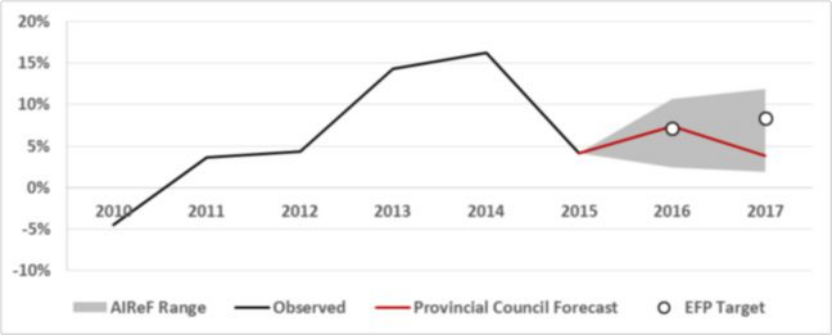
In 2016, this Local Entity estimates compliance with the expenditure rule target established in the EFP.

Debt ratio

The Diputación foresees reaching a debt-to-consolidated current revenue ratio of 20% in 2017, allowing it to maintain its debt ratio since 2010.

Provincial Council of Valencia

CHART 1. NET LENDING/BORROWING (% NFR)



Graph 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

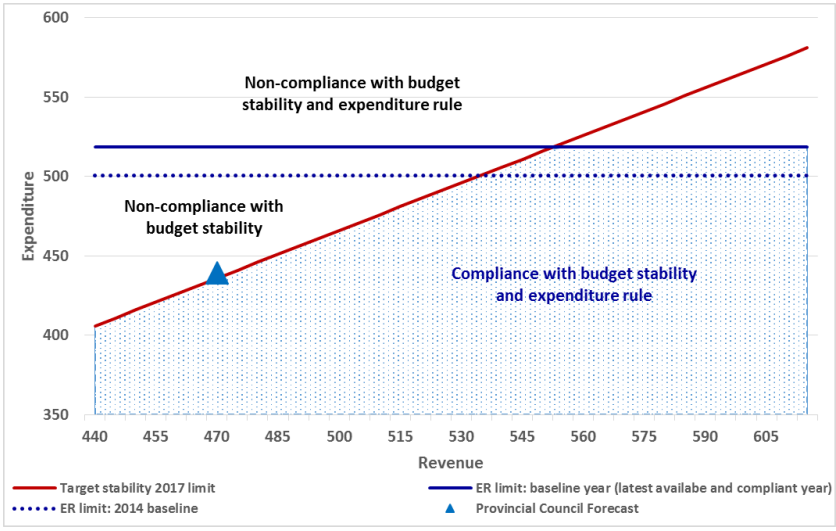
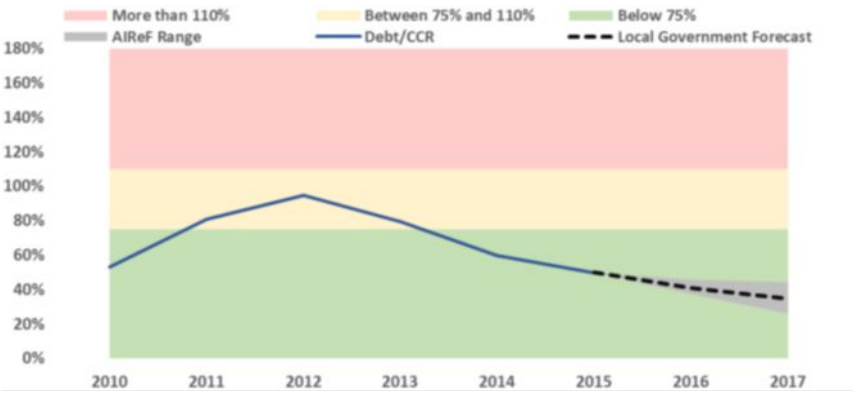


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems likely that the Provincial Council (Diputación) of Valencia will comply in 2016 with the stability target stated in its EFP. In 2017, AIReF deems compliance with the stability target stated in the EFP to be feasible, albeit with some risks.

As a consequence of non-compliance with the expenditure rule in 2015, having exceeded the eligible expenditure by €43m, this Council has an approved EFP in force setting the stability and expenditure rule targets for 2016 and 2017.

The Diputación foresees non-compliance with the stability targets for 2016 and 2017 established in the EFP, but underscores that it has made very prudent estimates.

The Provincial Council estimates the surplus in 2016 to be 86% larger than in 2015, mainly due to a 24% drop in capital expenditure (investments and transfers), but still insufficient to reach the stability target stated in the EFP for 2016.

The 46% reduction in the surplus for 2017, with respect to 2016, is due chiefly to the 2% increase in current expenses.

Expenditure rule

The Provincial Council estimates meeting the expenditure rule target stated in the EFP for 2016 with a wide margin.

Debt ratio

The Provincial Council envisages reaching a debt-to-consolidated current revenue ratio of 35% in 2017, which represents a drop of 19 percentage points since 2010.

Provincial Council of Sevilla

CHART 1. NET LENDING/BORROWING (% NFR)

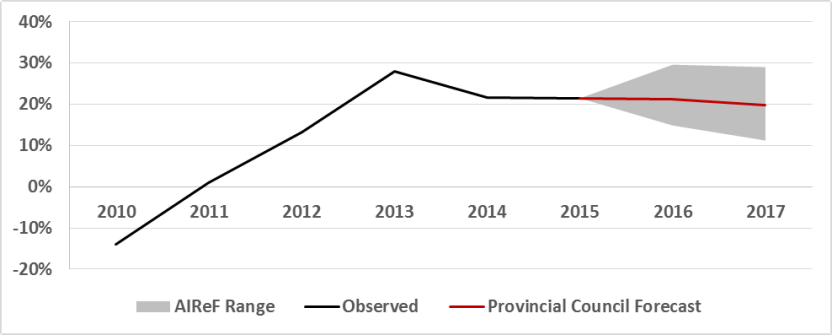
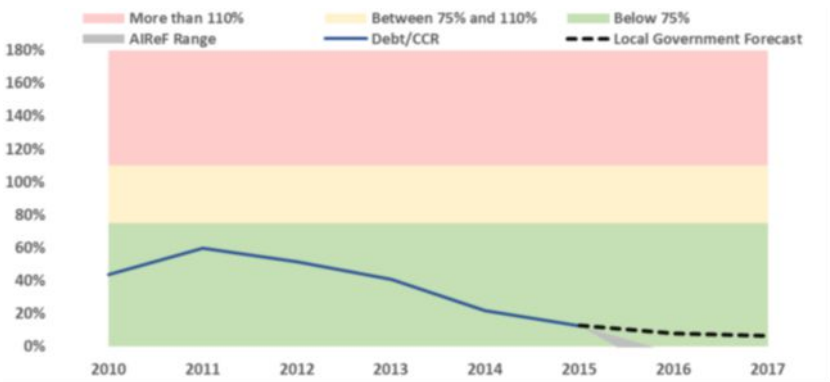


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

(This analysis cannot be conducted owing to the lack of information)

CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

The Provincial Council of Sevilla has failed to comply with its obligation to submit the information requested by AIReF. As this has not been forthcoming, the information provided by MINHAFP has been used which, being incomplete, has limited the assessment, in particular with respect to the expenditure rule.

AIReF deems very likely that the Provincial Council of Sevilla will comply with the stability target in 2016 and 2017.

The Provincial Council estimates that the surplus for 2016 will be 10% smaller than in 2015.

Similarly, the Provincial Council foresees the surplus in 2017 to decrease with respect to 2016 by 7%, as a consequence of a 14% increase in current expenses that is not offset by the expected 39% decrease in capital expenditure.

Expenditure rule

The Provincial Council foresees compliance with the expenditure rule in 2016.

Debt ratio

The Provincial Council envisages reaching a debt-to-consolidated current revenue ratio of 6% in 2017. This would imply a reduction of 37 percentage points since 2010.

Island Council of Tenerife

CHART 1. NET LENDING/BORROWING (% NFR)

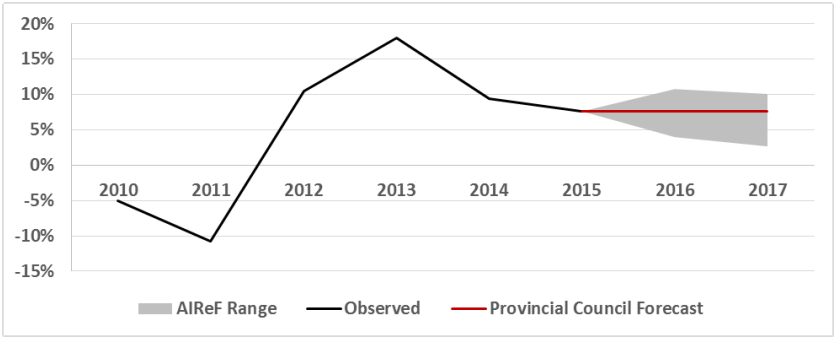


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

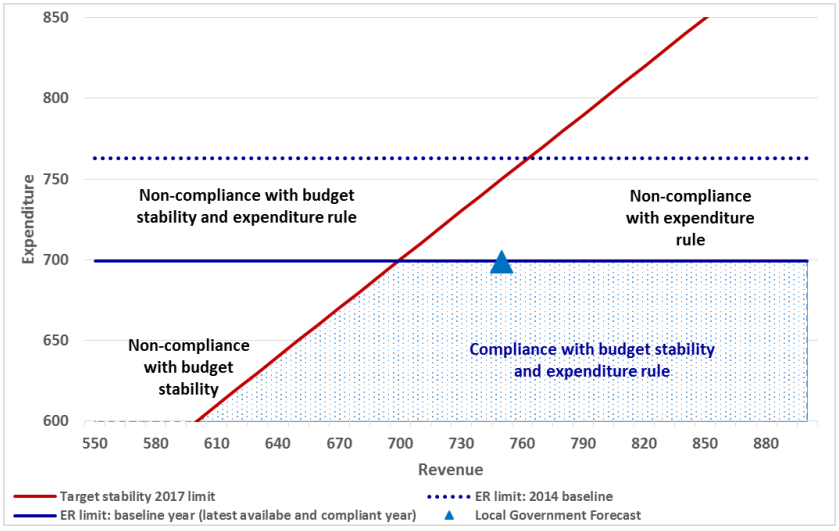
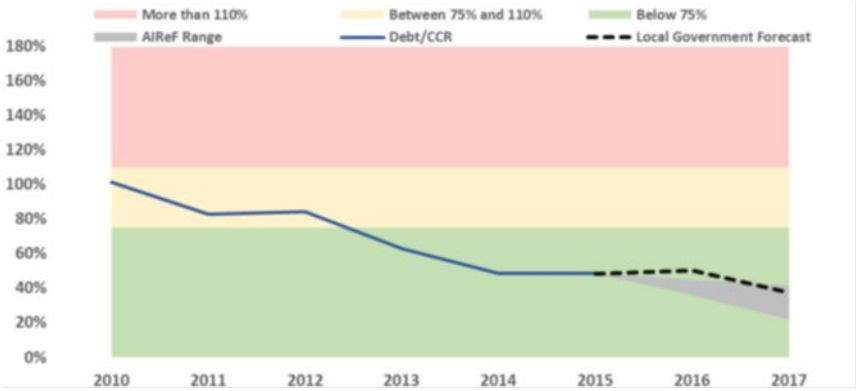


CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

AIReF deems very likely that the Cabildo (Provincial Council) of Tenerife will comply with the stability target in 2016 and 2017, maintaining a surplus similar to that reached in 2015.

The Cabildo foresees for 2017 a 9% increase in expenditure over 2016, mainly due to a 32% increase in capital expenditure and a 10% increase in revenue, especially tax revenue whose expected growth rate is 8%.

Expenditure rule

The Cabildo expects to comply with the expenditure rule in 2016, though with a substantially narrower margin with respect to previous years, which could lead to some degree of risk of non-compliance.

Debt ratio

Lastly, the Cabildo envisages reaching a debt-to-consolidated current revenue ratio of 37% in 2017. This would imply a reduction of 64 percentage points since 2010.

Island Council of Mallorca

CHART 1. NET LENDING/BORROWING (% NFR)

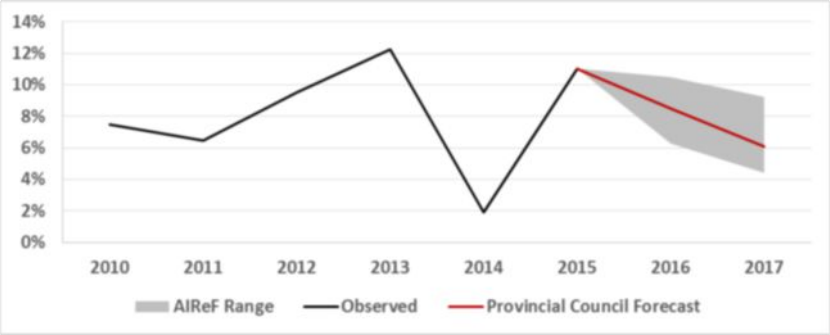
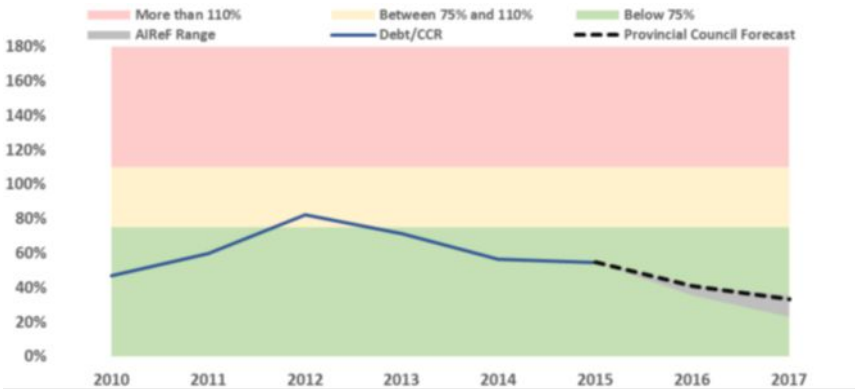


CHART 2. JOINT ANALYSIS OF COMPLIANCE WITH THE STABILITY TARGET AND THE EXPENDITURE RULE (year-**end 2016, €m).**

(This analysis cannot be conducted owing to the lack of information)

CHART 3. EVOLUTION OF DEBT TO CONSOLIDATED CURRENT REVENUE (CCR)



Stability target

The Island Council of Mallorca has failed to comply with its obligation to submit the information requested by AIReF. As this has not been forthcoming, the information provided by MINHAFP has been used which, being incomplete, has limited the assessment, in particular with respect to the expenditure rule.

AIReF deems very likely that the Council will comply with the stability target in 2016 and 2017.

The Council foresees for 2016 a 16% decrease in the surplus with respect to that of 2015, as a consequence of a 13% increase in expenditure that is not offset by the 9% increase in revenue.

The Council foresees for 2017 a surplus 25% smaller than in 2016, resulting from an 8% increase in expenditure that is not offset by the 5% increase in revenue.

Expenditure rule

The Council expects to comply with the expenditure rule in 2016.

Debt ratio

The Council envisages reaching a debt-to-consolidated current revenue ratio of 27% in 2017. This would imply a reduction of 20 percentage points since 2010.