USING XBRL FOR LOCAL GOVERNMENT BUDGET REPORTING IN SPAIN

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1. Introduction

The Spanish Public Administration Framework

Since 1978, when the Spanish Constitution was approved, the successive Central Governments have promoted a growing Public Administration decentralization process in favour of Autonomous Communities (regional governments). This strong decentralization in Spain has originated a complex process of competencies transfers in fields such as education, health, taxes, social security, etc.

Spain is divided into 17 autonomous communities and 2 autonomous cities (Ceuta and Melilla). The autonomous communities are also divided in 50 provinces (ruled by provincial governments[1] when more than one province form the community), and the provinces are constituted by more than 8.000 municipalities that configure the Spanish Public Administration framework.

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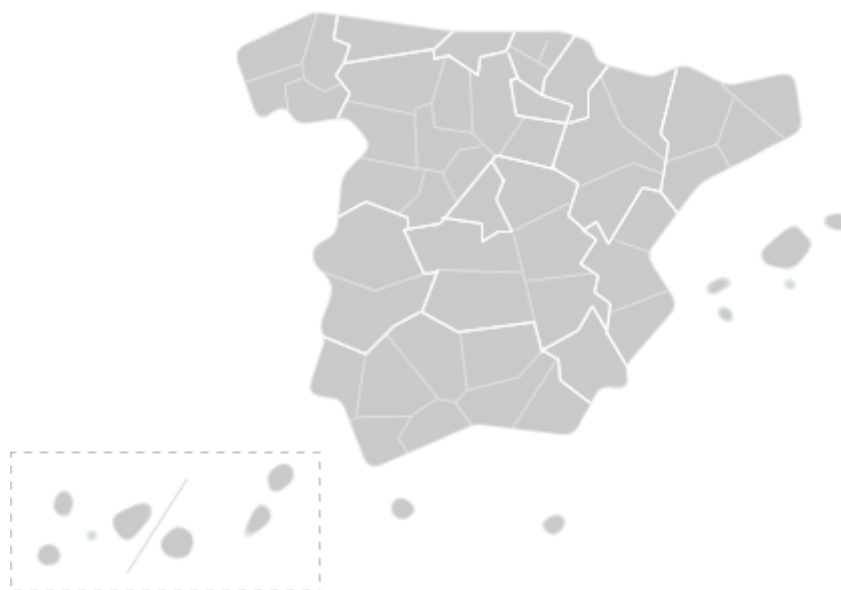
[1] Or equivalent kind of government, in case of the Canary and Balearic Islands.

Regarding that particular organization, the Spanish administrative structure is basically formed by a Central Administration, the Autonomous Communities, and the Municipalities, each one keeping its own responsibilities in different areas.

In all cases, the final goal is to provide high quality services to the citizens. In order to measure that quality, it is necessary to design a group of indicators. In this paper, we will refer concretely to one of these indicators, the local budget settlement, which is used in the decision making about local financing.

The administrative structure of each level of government also includes foundations, consortiums, autonomous organisms, agencies, companies and different organizations owned completely or in part by the Public Administrations, which provide different services. These entities must report some accounting and budgetary information to the Central Administration, following the public or private sector rules. Therefore, the number of organisms that have to submit financial information from the local public sector to the Central Administration grows until more than 10,000 organizations, so the amount of data turns to be enormous and the process of budgetary consolidation in the public framework becomes extremely difficult.

Spanish public sector represents around a 40% of the GDP. This proportion makes necessary to constantly improve the level of transparency and quality of the information used by public organisms to generate statistical data. These statistics are used by the Central Government to adjust the resources redistribution on services, education, health, R+D investment, public infrastructures, etc.

Financial Local Information

Royal Legislative Decree 2/2004, of 5 March 2004, which approves the revised text of the Local Tax Offices Regulatory Law (LTORL), forms the basis of the local financing system. These regulations revise the legislation in time for it to include recent reforms that were instrumented through Law 51/2002, of 27 December 2002 and Law 62/2003, of 30 December 2003, for tax, administrative and social arrangement measures which have affected both financial and tax spheres.

The Article 193.5 of the LTORL establishes that local governments have to report a copy of their annual budget settlement (year t) to the Central Administration, before March 31 (year t+1).

On the other hand, the Article 21 of the Law 18/2001, of December 12, of Budgetary Stability, modified by Law 15/2006, of May 26, establishes that the Ministry of Economy and Finance (MEH) is authorized to obtain the necessary information from the local entities, in order to fulfil the verification of the

adjustment to the budgetary stability principle, including data from the financial general account.

In Spain the local entities structure is very heterogeneous. There are 51 provincial governments, and more than 8.000 local governments (municipalities). The distribution of the municipalities in terms of population is as follows:

Population Strata	Nº of Municipalities	%	Population	%
> 1.000.000 inhabitants	2	0,02	4.678.380	10,83
De 500.001 a 1.000.000 inhabitants.	4	0,05	2.676.465	6,19
De 100.001 a 500.000 inhabitants.	52	0,64	10.130.473	23,45
De 50.001 a 100.000 inhabitants.	72	0,89	4.853.517	11,24
De 20.001 a 50.000 inhabitants.	207	2,55	6.131.649	14,19
De 5.001 a 20.000 inhabitants.	877	10,82	8.525.702	19,74
<= 5.000 inhabitants.	6.893	85,01	6.058.828	14,03
Total	8.107	99,98	43.055.014	99,67
Cities with Special Autonomy Status	2	0,02	142.670	0,33
Total	8.109	100,00	43.197.684	100,00

Obviously, the volume and treatment of the information is very different when comparing a local government like Madrid, having more than 3.000.000 inhabitants, to any other of less than 5.000 inhabitants, although the information schema, related to the budget settlement, can be similar in both cases, and adapted to the content of the Order of the Ministry of Economy and Finance of September 20, 1989, that describes the legal structure of the local budget.

Information is aggregated including data from the main Administration and its organisms and agencies. There are 1.615 organisms dependent from the administrative structure of the municipalities, and 160 in the case of the provincial governments.

Traditionally, the local governments have reported their financial information to the MEH on paper format, but this circumstance has originated some inconveniences, particularly the excessive time for data processing. This has caused significant delay in data publication.

In 2005 and 2006, a new experience was carried out, in order to allow local financial managers to introduce data directly into the MEH databases, through a web application. In 2005, the use of this application was restricted to a sample of 254 local governments, and in 2006 the access was generalized to all of them. During that year, more than 3.000 budget settlements were submitted using the application.

2. Directorate General of Financial Coordination with Local Agencies.

The Directorate General of Financial Coordination with Local Agencies (DGFCLA) is the administrative centre of the Ministry of Economy and Finance responsible for the financial relationships between Central and local governments

The DGFCLA exercises the following functions:

a) The application and management of the local financing system.

b) The management of other state resources that finance local entities.

c) The exercise of the powers over authorisations legally attributed to the Ministry of the Economy and Finance regarding the debt financing of local entities and follow-up on compliance with the objectives of budget stability.

d) Technical assistance and management of inquiries regarding the budgetary and financial system of local entities.

e) The study, reporting and proposal of rules and measures pertaining to the financing of local entities.

f) The preparation of statistics pertaining to the financial and budget activity of local entities.

g) The performance of the duties of the secretariat of the Sub-committee of the Economic, Financial and Fiscal System of the National Commission of Local Administration, as well as the relationships with other coordination bodies between the General State Administration and local entities within the scope of the jurisdiction of this Directorate General.

In matters that are particular to its jurisdiction, the Directorate General of Financial Coordination with Local Entities will assume the collaboration relationships with the various units of the Ministry of Public Administrations that may be required for effective compliance with the functions corresponding to both ministerial departments.

3. Local Budget Settlement: Data capture. Virtual Office

The Virtual Office of Financial Coordination with Local Agencies was created in 2006, and it was conceived as an open communication channel between the MEH and the local entities, to cover all the aspects related to local financing and data interchange in general.

From the Virtual Office, authorized local users can easily access the different online applications, designed to permit an immediate submission of data and, consequently, a reduction in time to process and publish the information on the Internet as a public service for all the society.

One of the main data capture applications, accessible through the Virtual Office, is that which implements the procedure for reporting the data set which forms the Local Budget Settlement. The application has been created from the experiences of years 2005 and 2006, incorporating some management improvements that make it more flexible.

Spanish legislation about local tax offices requires the local governments to report their annual budget settlement to the Central Administration. Local governments have to send a legal copy of their budget settlement, action that in practice is made by the local financial manager. As a consequence of that, even when using the web application, the data submitted through the application would not be legally valid if they were not accompanied by a legal copy of the budget settlement signed by the local financial manager.

In order to give legal validity to the procedure, the MEH has published the Order EHA/468/2007, of February 22, that establishes the general conditions and procedure for the electronic submission of the local governments' budget settlement, and other additional information required to fulfil the effective application of the transparency principle on the budgetary stability framework.

This budgetary stability framework is formed by the local entities and their dependent organisms and agencies when more than 50% of their production is not covered by sales.

Through the web application, the local financial manager can choose any of the following possibilities when submitting information:

a) Data entry (typing) through the application questionnaires.

b) Data import from MS-Excel files, ready to download from the online data capture application.

c) Use of the normalized format based on the standard XBRL, to simplify and make more flexible the financial information interchange. The appropriate taxonomy (called LENLOC) is already published in the Virtual Office, and can be downloaded from the web application.

It is important to emphasize that for the first time in Spain, a legal disposition regulates the use of the standard XBRL on its application to the financial data interchange between Public Administrations.

The local financial manager will receive from the DGFCLA the precise authentication data that allow to access the data capture application.

By means of this authentication, based on the generation of a secret user name and a password, the financial manager or assimilated local employee will also have the option to authorize other local workers of the entity, so that they can collaborate to introduce data in the application.

The electronic signature of data exempts the local financial manager from the obligation to send a legal copy of the budget settlement on paper format. The XBRL instance document can also be electronically signed using the signature module of the application. In order to carry out the electronic procedure with the digital signature option, it is necessary to observe the following guidelines:

a) Only the local financial manager is authorized to digitally sign data, and he is not allowed to delegate his signature.

b) The local financial manager must have applied for a user electronic certificate (2CA), issued by the Royal Spanish Mint (Supplier of Electronic Certification Services through CERES Department), a user electronic certificate issued by the General Directorate of the Police (electronic ID), or any other digital certificate accepted by the MEH and displayed on its web Portal.

4. Financial data from the local governments. Format conflicts.

The most frequent problem when entering financial data into the web questionnaires is the tedious process of typing the information, especially in the case of the greatest local entities. This incidence has been solved in part allowing users to import data from MS-Excel spreadsheets, which have been designed with a structure similar to that shown in the web questionnaire. This procedure reduces the risk of getting the usual "connection timed out" error due to inactivity between the browser and the server, what is relatively common because of the great volume of data to introduce.

The financial data interchange between the MEH and the local governments has to face an additional difficulty, because there is not a unique type of information system that generates the local accounting data responding to the same data structure for most of the local governments.

The DGFCLA goal is to improve the data transmission procedure throughout the implementation of a common model of data elements and relationships, easy to use by all the local entities, and flexible enough to adequate the local accounting information systems to generate a file based on an only structure, along with an automatic information processing.

Furthermore, the local budgetary information is not only submitted to the Central Administration. This kind of information is also demanded by other institutions like External Financial Control Courts (regional and national), Autonomous Communities (regional governments), banks and private companies. This fact means that local corporations have to accomplish some legal dispositions by sending the same or very similar data to several institutions, using different formats proposed by all of them and, consequently, increasing their management costs due to the need of generating different files with different structures, otherwise they can choose the boring option of filling in several types of questionnaires on paper format.

The DGFCLA analyzed the dimensions of the volume of data to type onto the questionnaires, and even considering the possibility of data import (option included in the web application –MS-Excel files–), the results showed that it could cause an excessive amount of work for local users. So that, it was necessary to look for a solution to allow local accounting information systems to generate an automatic file, with no need of typing or data import.

This disadvantage can be eliminated by using a data common structure displayed into an XBRL instance document, than may be automatically generated from the local accounting information systems, and electronically submitted to all of those institutions.

The high heterogeneity of the local accounting information systems is an important obstacle when trying to find a solution to this problem, but it is obvious that a logical reasoning conducts to propose some tools based on a standard

that can be used not only by our participant Administrations, but by a large set of potential users.

The DGFCLA has considered XBRL as the best solution for an efficient financial data interchange, where so many organisms are involved. And furthermore, XBRL makes all the actors to take some advantage from its implementation, so that the Public Administrations, the Audit and External Control Institutions, Universities, banks, analysts, and any other social agent, will get clear benefits when XBRL become an accepted standard to be used in the local financial environment.

5. Spanish Senate Motion demanding the Government to impulse the use of the XBRL format

Senate recommendation to the Spanish Government to impulse the use of the standard XBRL in the financial information interchange:

The Spanish Senate, in the plenary session of June 20, 2006, unanimously approved a motion demanding the Government to impulse the use, during the present legislature, of the XBRL format to facilitate transmission and analysis of financial and business information.

The Spanish Senate, joining the initiative led by the Bank of Spain, the Spanish Association for Accounting and Auditing (AECA), and other important public institutions and companies, asked the Spanish Government to get involved on leadership, standardization and homogenization of the XBRL adoption. The Senate also asked the Government to generalize the use of XBRL by local governments and small and medium size private companies, focussing specially on the advantages derived from the use of the standard, and the potential improvements on information transparency aspects.

The Senate considered particularly important the adoption of an open standard that can be utilized by more than 8.000 municipalities, 17 autonomous communities, 51 provincial governments, different Ministries, an other organisms with competencies in the Spanish financial system.

Responding to the motion, the Spanish Government has proposed two main actions:

1. The Ministry of Industry, Tourism and Commerce, through one of its organisms, Red.es, ordered the National Institute for Communication Technologies (INTECO) to develop the functions of a Centre for Excellence in XBRL, assuming competencies for helping to the Local Public Sector and small and medium size companies to use XBRL.

2. The Ministry of Economy and Finance, with legal competencies on capturing and analyzing the financial local information, concretely through the DGFCLA, has planned to actively impulse the standard by introducing XBRL in the information submission procedures, and making the basis for the XBRL use in the data analysis. This measure has needed a technology development process, and a new legal disposition that allows local governments to adopt XBRL for reporting their financial data in a homogeneous and standardized way.

6. Model based on XBRL. Reasons for adopting this model. Pilot experience.

The DGFCLA has chosen the XBRL standard as an optimum solution. The model facilitates the financial data interchange between Local Administrations and the Central Administration, improving the data quality and simplifying their treatment. This working model will avoid local financial managers to type data onto the application form, allowing the automatic information translation to a common support.

Some of the advantages that can be deducted from this improvement are the following:

– The Project development will permit improving information transparency, so that citizens and other social and economic agents will be able to access and handle these data in an easier way.

– It has been planned to speed up the process to capture, depurate and consolidate the local financial data, trying to get two basic objectives: reduction of time for data publication in the Internet, and transmission of high quality information to the Spanish General State Comptroller (IGAE), that will use it for fulfilling the Central Government compromises on National Accounting matters.

– This experience will serve to reinforce the electronic administration expansion in a G2G environment for financial data interchange between two Public Administrations sub-sectors: the Central and the Local Administrations.

It is reasonable to think that the implementation of a new methodology to facilitate this data interchange is going to generate some costs for all the involved parties, although looking at the benefits produced by XBRL in other financial fields, these costs seem to be easily assumed.

In order to undertake this improvement, focused on the administrative modernization and simplification, the DGFCLA signed an agreement, in November 2006, with the following institutions:

–   National Institute for Communication Technologies (INTECO), a public company attached to the Ministry of Industry through the State Secretariat for Telecommunications and Information Society.

–   XBRL Spain, association that promotes the adoption of the XBRL standard for the presentation of business and financial information in Spain.

–   Caja España, financial entity introduced in most of the country.

–   Cacabelos City Council. Cacabelos is a small town of around 5.000 inhabitants, whose government wants to participate as the first local entity to use the XBRL standard for reporting budgetary information to the Central Administration.

The DGFCLA sees the implicit project as a great opportunity to introduce a decisive advance in the process of financial data interchange between Central and Local Administrations, especially in aspects related to information quality increasing, and to get a meaningful time reduction from submission to publication.

The Order EHA/468/2007, published from the content of the agreement, cites the XBRL standard as a novelty in financial data transmission, but moreover, creates a real electronic procedure for submitting data with legal validity, that avoids the manipulation of a huge volume of paper that is, at the moment, generated by the current procedure of sending a legal copy of the local budget settlement from the local governments to the MEH Provincial Offices.

The agreement considers making the following actions:

–   Design of a first release of XBRL taxonomy for local financial data interchange, counting on the direction of the DGFCLA, and having the advising of the XBRL Spain Association.

–   Running a pilot test, with a local council, consisting of creating the structure of an instance document based on the XBRL taxonomy, which facilitates the reporting of budget settlement data from the local governments to the MEH, represented by the DGFCLA, through the Internet, electronically signed by the local financial manager.

–   Divulgation of the model resulting from the pilot test, as an attempt to generalize its use by all the local entities when reporting budgetary data from year 2006 and posteriors.

Through the Agreement, the DGFCLA assumed the following commitments:

–   To contribute to the direction of the project with the accumulated experience in the relations of financial data interchange between the organizations and the MEH, and the legal responsibility in the process, as it is contemplated in the LTORL.

– To promote, when necessary, the legal dispositions that can be originated from the procedure.

– To manage the design and edition of explicative brochures to be distributed to all the local governments.

An external company contracted by the Cacabelos government, which is a member of XBRL Spain too, is collaborating in the project. This company, perfectly coordinated with the DGFCLA, has been intensively working on developing two conversion tools:

– XBRL to XML Converter. It is a specialized tool which allows transforming data from an XBRL instance document to an XML file. After conversion, data from XML format are automatically saved into the corporative DGFCLA databases.

– XML to XBRL Converter. This tool gets to make the inverse process: transforming data from XML format (generated by the application in case of typing data into the web questionnaires) to an XBRL instance document, ready for later publication in the Internet.

7. LENLOC Taxonomy. Dimensional Taxonomy

On November 16, 2006, the LENLOC Taxonomy Subgroup was created in the XBRL Spain Association. The LENLOC Taxonomy Subgroup, that forms part of the Taxonomies Group, is conducted by the DGFCLA, and works on the design of a taxonomy to fulfil the corresponding commitment on the mentioned Agreement. At this moment, a first version of the LENLOC taxonomy[2] has been developed, and it is published on the DGFCLA Virtual Office, and ready to use for local budget settlement data submission.

The LENLOC Taxonomy has been designed taking as a basis the requested forms to fill in budget data through the web application by all local governments. This forms structure is as follows:

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[2] In revision process, previous to definite approval by XBRL Spain.

As it can be observed, there are 14 forms; three of them represent 90% of the total amount of gathered data.

Due to this forms structure taken as a basis, the group of technical coordinators of XBRL Spain decided to follow the XBRL Recommendation "Dimensions 1.0", and to use dimensions in the same way that in case of COREP Taxonomy development; therefore LENLOC is a dimensional taxonomy. It has been chosen this approach due to the meaningful advantages that it offers.

Dimensional Taxonomies

Dimensional Taxonomies have a broader scope and are typically used to define a different dimension for each business reporting concept. These dimensions represent hierarchies of a range of information such as budget levels, budget concepts or different temporary terms.

A dimension according to the "Dimensional Taxonomy Requirements" Document represents any of the different aspects by which the issue may be characterised. A dimension is a set of features. For instance, each one of the different characteristics involved in a product dimension for a concept like expenses.

The dimensional approach to a Taxonomy design makes the final result more

modular, more reusable, easier to maintain, and more useful for the local entities. These are the main reasons for assuming the Recommendation "Dimensions 1.0" on this Taxonomy.

In addition, the dimensional taxonomy specification is a modular extension to the present XBRL Specification (XBRL Specification 2.1). So the XBRL documents with dimensional information can be processed without error by the tool used for developing the pilot test, even if this tool is unaware of this modular extension.

Due to the simplicity of the implemented rules for calculation and validation, it has been possible to complete the linkbase of calculation with no need of waiting for a future formula recommendation.

This is a sample of the forms as shown in the document instance, in particular the budget economic classification (incomes and expenses):

Listado:	21_ClasificacionEconomicaPorCapit ▾			Imprimir	Salir

http://www.meh.es/fr/gaap/8-9-1999/lenloc-ord/2007-01-31/ClasificacionEconomicaPorCapitulos

Clasificación Económica de los Gastos (Hipercubo)				
07005AA00	2005-12-31			
	Créditos definitivos del ejercicio corriente	Total Presupuesto de Gastos	Pagos realizados del ejercicio corriente	Pagos líquidos de todos los ejercicios cerrados
Cuentas Gastos (Dimensión)				
Gastos				
Cap 1	4069613.87	3940180.71	3933798.19	0
Cap 2	5652495.18	5082329.94	4361323.33	679228.87
Cap 3	81006	56798.88	52332.47	4466.41
Cap 4	1181862.67	1111982.77	1013680.39	232947.94
Cap 6	5754420.33	3371915.71	2937314.02	427946.73
Cap 7	440773.21	431811.09	338654.17	5100.05
Cap 8	25000	11419.23	11419.23	0
Cap 9	219261.4	219261.4	219261.4	0
Total	17424432.66	14225699.73	12867783.2	1349690

Clasificación Económica de los Ingresos (Hipercubo)				
07005AA00	2005-12-31			
	Previsión definiva del ejercicio corriente	Derechos reconocidos netos del ejercicio corriente	Recaudación líquida del ejercicio corriente	Recaudación líquida (de todos los ejercicios cerrados)
Cuentas Ingresos (Dimensión)				
Ingresos				
Impuestos directos	4445110	4402149.25	607710.28	3411080.56
Impuestos indirectos	1381000	1789687.88	1785817.48	46935.01
Tasas y otros ingresos	4189852	3686781.32	2163479.99	1254377.22
Transferencia corrientes	1959755	1646624.66	1646624.66	65756.74
Ingresos patrimoniales	215826	297777.51	297777.51	0
Enajenación de inversiones reales	1280006	0	0	0
Transferencias de capital	1222022.64	1310784.09	1243908.67	66875.42
Activos financieros	1730861.02	3596.17	3596.17	0
Pasivos financieros	1000000	1000000	1000000	0
Total Ingresos	17424432.66	14137400.88	8748914.76	4845024.95

A part of the detailed expenses budget form, the most tedious one when typing data, and the most susceptible to contain human errors (data entered manually), has been displayed below:

Listado: 7_DesgloseDeLosGastos		Imprimir	Salir

http://www.meh.es/es/fr/gaap/8-9-1999/lenloc-ord/2007-01-31/DesgloseDeLosGastos

Clasificación Económica de los Gastos (Hipercubo)			
07005AA00	**2005-12-31**		
	Créditos definitivos del ejercicio corriente	Total Presupuesto de Gastos	Pagos realizados del ejercicio corriente	Pagos líquidos de todos los ejercicios cerrados

Cuentas Gastos (Dimensión)				
Gastos				
Cap 1	4069613.87	3940180.71	3933798.19	0
Altos Cargos	163100	144455.62	144455.62	0
Personal eventual de Gabinetes	37128	34986	34986	0
Personal Funcionario	1832344.81	1806749.8	1804816.86	0
Retribuciones básicas	800429.07	794167.04	792234.1	0
Retribuciones complementarias	1031915.74	1012582.76	1012582.76	0
Retribuciones en especie	0	0	0	0
Retribuciones de funcionarios en prácticas	0	0	0	0
Personal Laboral	929960.16	907938.23	904084.79	0
Retribuciones básicas y otras remuneraciones	816335.57	826753.33	822899.89	0
Retribuciones en especie	113624.59	81184.9	81184.9	0
Otro personal	0	0	0	0
Incentivos al rendimiento	152058.9	128298.68	128298.68	0
Cuotas, prestaciones y gastos sociales	955022	917752.38	917156.24	0
Cuotas sociales	938000	908200	907968.96	0
Cuotas a la Seguridad Social y a Mutualidades obligatorias	938000	908200	907968.96	0
Asistencia médico-farmacéutica	0	0	0	0
Prestaciones sociales	11500	6170.99	6005.89	0
Pensiones excepcionales, indemnizaciones por jubilaciones anticipadas al personal laboral	0	0	0	0
Pensiones a cargo de la Entidad local	0	0	0	0
Asistencia médico-farmacéutica a pensionistas	11500	6170.99	6005.89	0
Gastos sociales de funcionarios y personal no laboral	0	0	0	0
Gastos sociales de personal laboral	5522	3381.39	3181.39	0
Complemento familiar del personal funcionario en activo	0	0	0	0
Cap 2	5652495.18	5082329.94	4361323.33	679228.87
Arrendamientos	32242.42	12759.26	8779.83	2229.75
Arrendamientos de terrenos y bienes naturales	10	0	0	2229.75
Otros arrendamientos	32232.42	12759.26	8779.83	0
Reparaciones, mantenimiento y conservación	610608.25	516320.34	430601.89	78825.29
Material, suministros y otros	4956349.51	4505012.16	3873741.17	598173.83
Primas de seguros	65125	73377.91	73377.91	598173.83
Tributos	100	800.29	800.29	0
Otros (resto del art 22)	4891124.51	4430833.96	3799562.97	0
Indemnizaciones por razón del servicio	53295	48238.18	48200.44	0
Dietas	4500	859.94	832.3	0
Locomoción y Otras indemnizaciones	48795	47378.24	47368.14	0
Cap 3	81006	56798.88	52332.47	4466.41
De deuda interior	0	0	0	0
Intereses	0	0	0	0

The development of LENLOC began on November 16, 2006, with the constitution of the working Subgroup XBRL-ES-LENLOC counting on the participation of a great number of diverse private companies and public entities. A discussion group, XBRL-ES-LENLOC, was open in Yahoo for comments. It was decided to celebrate weekly meetings to inform about the taxonomy advances. This development finished with a draft version of the Taxonomy on January 18, 2007, after a short period of tests. At this moment it is in study process by the XBRL Spain Association's Taxonomies Group.

8. Project for the generalization of the use of the LENLOC Taxonomy.

All the new technological improvements for local financial data interchange have been divulgated through the organization of the symposium "Simplification and security in local financial data transmission to the Central Administration", carried out in 24 cities, with the collaboration of the MEH Provincial Offices, the Royal Spanish Mint (Supplier of Electronic Certification Services through CERES Department), and the XBRL Spain Association. An attendance of around 3,500 local representatives has been estimated.

A web site on the Virtual Office is available for the budget settlement submission using the XBRL format, and it also allows downloading the LENLOC Taxonomy and the legal disposition that gives support to the new procedure,

Order EHA/486/2007.

The data submission procedure using the XBRL option in this first stage of the project will consist of an application that captures the XBRL instances generated by the local governments, facilitates the electronic signature of the XBRL reports, and validates them against the taxonomy. Finally, the application stores each XBRL report in the DGFCLA databases and allows local governments users to visualize it.

In order to easily store the XBRL reports, a converter has been developed to transform an XBRL instance to an XML document, validated against the same schema displayed on the database. With this option, the document can be stored and reused in all the present procedures where these data are involved (these procedures are the result of years of experience). Furthermore, the XBRL instance is also stored in an XBRL repository.

The process requires to click the "Examine" button to look for the corresponding XBRL instance document:
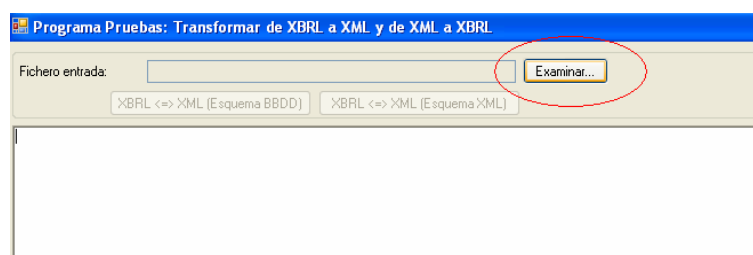
Once the report has been loaded, it is required to click the corresponding button to carry out the transformation from the XBRL report to an XML file that is stored in the DGFCLA database:
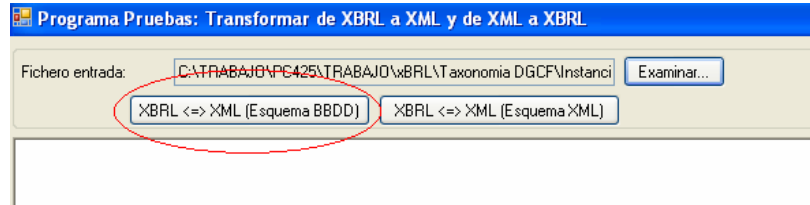
This would be the aspect of data from the XBRL report, but now in an XML format. As we can observe, the process execution time has been very short.
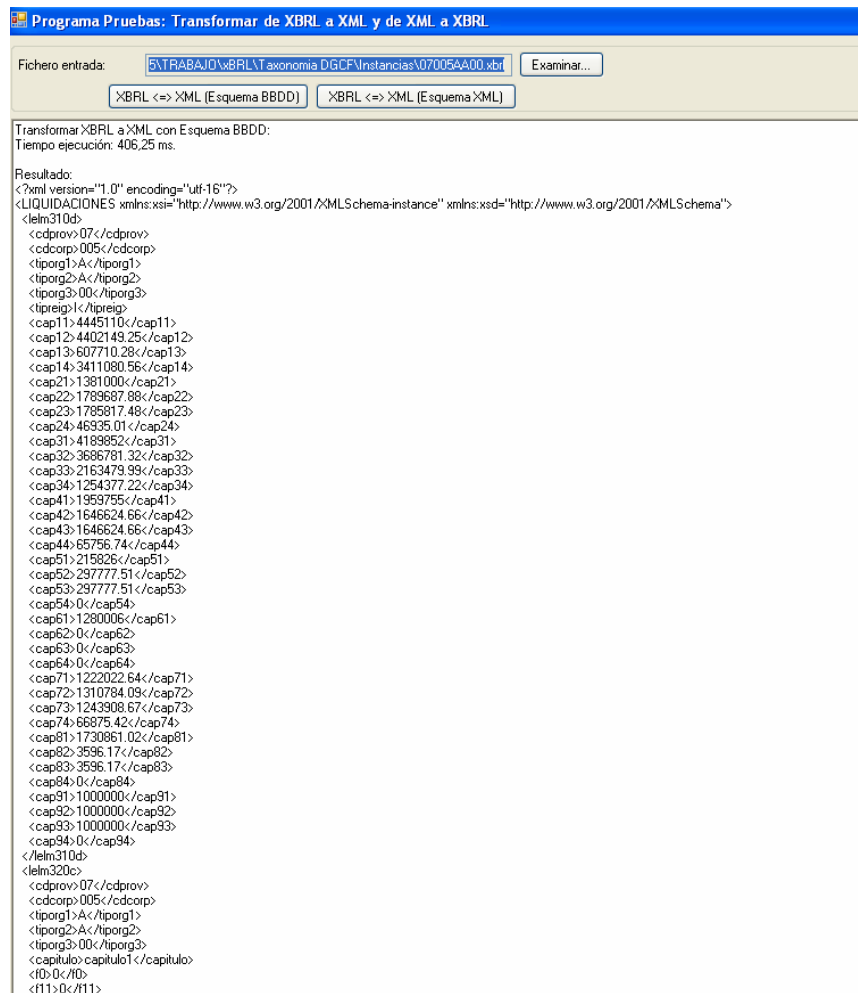
At the moment, two provincial governments, A Coruña and Palencia, have shown interest in analyzing the submission data system based on the LENLOC taxonomy, in order to help local governments from their territories to report budget data in XBRL format.

9. Derivative benefits of using XBRL by the local entities.

These are some of the main advantages from the use of the LENLOC Taxonomy:

– It allows getting information from the local budget settlement in a quick way, via Internet, guaranteeing data consistency and security.

– XBRL improves the information transparency, as well as the analysis and control of budgetary data from local corporations.

– This project can be taken as a model to extend to other fields of the public sector.

– It allows users to consult detailed and validated information from its original source.

– Administrative costs reduction:

   • No need of processing the reports in different formats when required by different organisms. The financial information will be coded just once and it will be automatically sent in any report format, from annual or financial reports for external auditors, to reports for bank entities or local public debt investors.

   • Analysis costs reduction, allowing information systems to compare budgets from different local governments in an automatic way.

   • Low impact in legal changes thanks to its high transformation capacity.

   • XBRL will provide a higher level of data validation, simplifying the consolidation process, minimizing mistakes, and improving the digital processes to get reliable statistics from the Local Spanish Public Sector.

   • XBRL is adaptable to other systems technologies (local governments can use XML format), so this will permit a gradual adoption of the XBRL technology.

The success of this innovation will not only suppose to modernize the capture of financial data from the local entities, but also to set the basis for a significant cost reduction in the interadministrative data transactions. The great amount of paper that local entities send every year to the MEH Provincial Offices causes important storage costs, which now can be diminished. In addition, and what is even more important, the gradual elimination of paper can achieve a sensitive reduction in environmental costs.

10. XBRL in reports publication.

Since March 2007, the DGFCLA expects to get a generalized use of the LENLOC taxonomy by the local entities. To promote the use of the standard, the DGFCLA has planned to publish all the data coming from the local governments' budget settlement in the Virtual Office, and in XBRL format. In order to favour this measure, the reports that arrive in XBRL format will be directly published, while those incorporated through the web application will be transferred to the XBRL format using the previously mentioned converter. This converter will transform the data introduced through the web questionnaire, stored in an XML format, to XBRL format that will be treated by the XBRL visualization module, so that data can be handled by users. The XML-->XBRL converter functioning is simple and similar to the inverse process already analyzed.

In this way, all the institutions that require this type of information will be able to make use of the same data in XBRL format once they adapt their systems to their automatic treatment.

11. Future evolution: Convergence between LENLOC and Public Sector Taxonomies. Advantages.

At the beginning of 2006, the Public Sector Taxonomy Subgroup, conducted by the IGAE, was created in the XBRL Spain Association, with the goal of designing a taxonomy for reporting the local governments General Account to the External Financial Control Courts (regional and national). The DGFCLA participates in the works of the Subgroup. These works are in an advanced state, as it could be tested on the presentation of this "Taxonomy of the Public Sector" in the 13th International XBRL Congress celebrated in Madrid. Although both Taxonomies manage similar concepts and are expected to be handled by the same users, the temporary horizons of the information and some concrete data are different in them. In an attempt to rationalize this situation, the DGFCLA and IGAE proposed the convergence of LENLOC and Public Sector taxonomies into a new one. This is technically possible thanks to the modular philosophy of both.

The DGCFCLA-IGAE proposal to reach a solution that satisfies the expectations of the organisms and institutions that require local financial information, including the own local entities, consists of the construction of an only taxonomy for the local governments general account reporting, that includes a structure of the budget settlement that responds to the needs of DGCFCLA and IGAE.

The main obstacle to this adaptation is a legal disposition, in this case an Order that regulates the budgetary structure for the local governments. This obstacle

will be eliminated by means of the publication of a new Order that upgrades the previous one and adapt it to all the necessities. At the moment the DGFCLA works on the first draft of this order that, once concluded, it will be transferred to the IGAE. As it has been mentioned before, the DGFCLA has decided to impel the XBRL standard, even through legal modifications, following the recommendation of the Spanish Senate.

The new Order about the local government budgetary structure is foreseen to be published on December 2007, so that this would give enough time to conclude the design of the new taxonomy, to get their approval and to show it to local governments, so this would be easier its implementation for being used for the budget settlement and general account of year 2008. The above-mentioned considering the adaptation time to the new structure by the local entities.

Advantages from the proposed solution; requirements for its application

1   The local entities that decide to adapt their information systems to this model would generate, in an automatic way, a single instance document, in two phases, one referred to the budget settlement (deadline for entries is March 31 of year t+1) that would be sent to the institutions that require the information, and another referred to the general account that has to be reported to the external control organisms and rest of institutions which need this kind of information (deadline for entries is October 31 of year t+1).

2   The meetings organized by the DGFCLA with participation of some important companies of the computer and financial audit sectors can be very practical in order to implement the pattern in the local computer systems. In fact, in the Symposiums organized in March 2007, the DGFCLA already contacted some of these companies that acted as representatives of XBRL Spain, and they met the local financial managers. The interest of these companies in participating in the project is high, due to the business expectancy.

3   The new taxonomy promotion could be made at the same instant that a first version is concluded, allowing its download from the web sites of all the involved centres. The active participation of the financial external control organisms could be decisive for a quick extension.

4   It would be convenient to regulate the use of the new taxonomy by the local entities. In this sense, the Order EHA/468/2007, in what concerns to the local budget settlement submission to the Central Administration will continue on effect.

5   All the institutions that require local economic-financial information, should adapt their systems to make them able to process data coming from the XBRL supports. The DGFCLA will facilitate to local entities the general account data submission in an only file to be later distributed among all the

institutions that legally require it.

The whole resulting information could be published in the own XBRL format for being handled by other users that need this kind of information.

GLOSSARY OF TERMS

CERES: Spanish Certification
DGFCLA: Directorate General of Financial Coordination with Local Agencies
G2G: Government to government
GDP: Gross Domestic Product
IGAE: Spanish General State Comptroller
INTECO: National Institute for Communication Technologies
LENLOC: Acronym (in Spanish) for Local Government Budget Settlement
LTORL: Local Tax Offices Regulatory Law
MEH: Ministry of Economy and Finance
XBRL: eXtensible Business Reporting Language
XML: eXtensible Markup Language