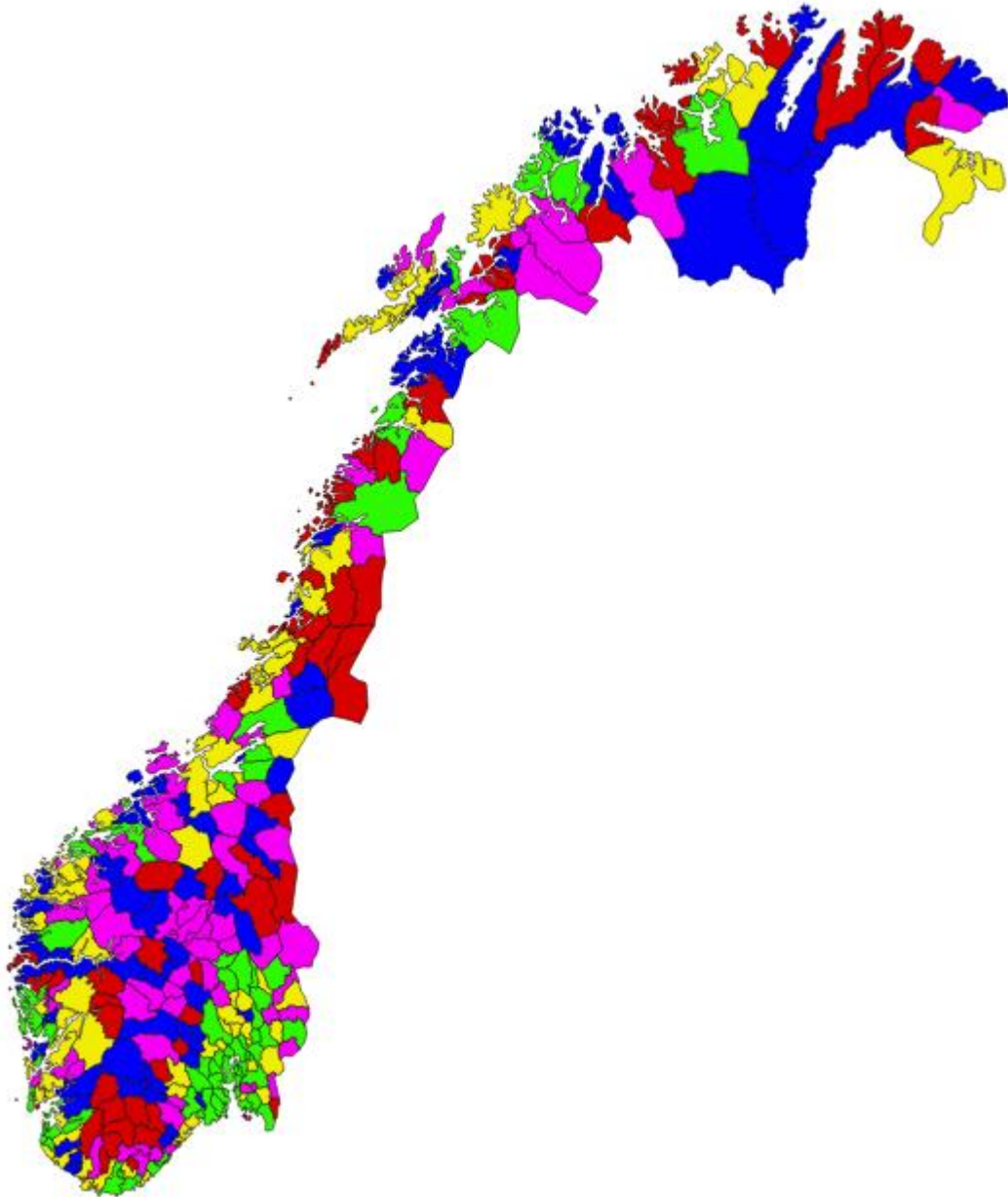




Local government finances

Sigmund Engdal, special finance advisor, 28th of November 2022

356 municipalities and 11 counties in Norway



Generalist principle,
all municipalities have equal
responsibilities by law

- provides a framework for
municipal funding

Number of inhabitants	Municipalities
18 290 – 697 010	71
6 958 – 17 851	71
3 587 – 6 956	71
1 959 – 3 464	71
192 – 1 920	72

Municipal reform from 2020

Municipalities

Inhabitants	Number of municipalities		
	2017	2020	Change
< 3 000	159	128	-31
3 000 - 5 000	66	46	-20
5 000 - 10 000	88	69	-19
10 000 - 20 000	56	51	-5
20 000 - 50 000	41	43	2
> 50 000	16	19	3
	426	356	-70

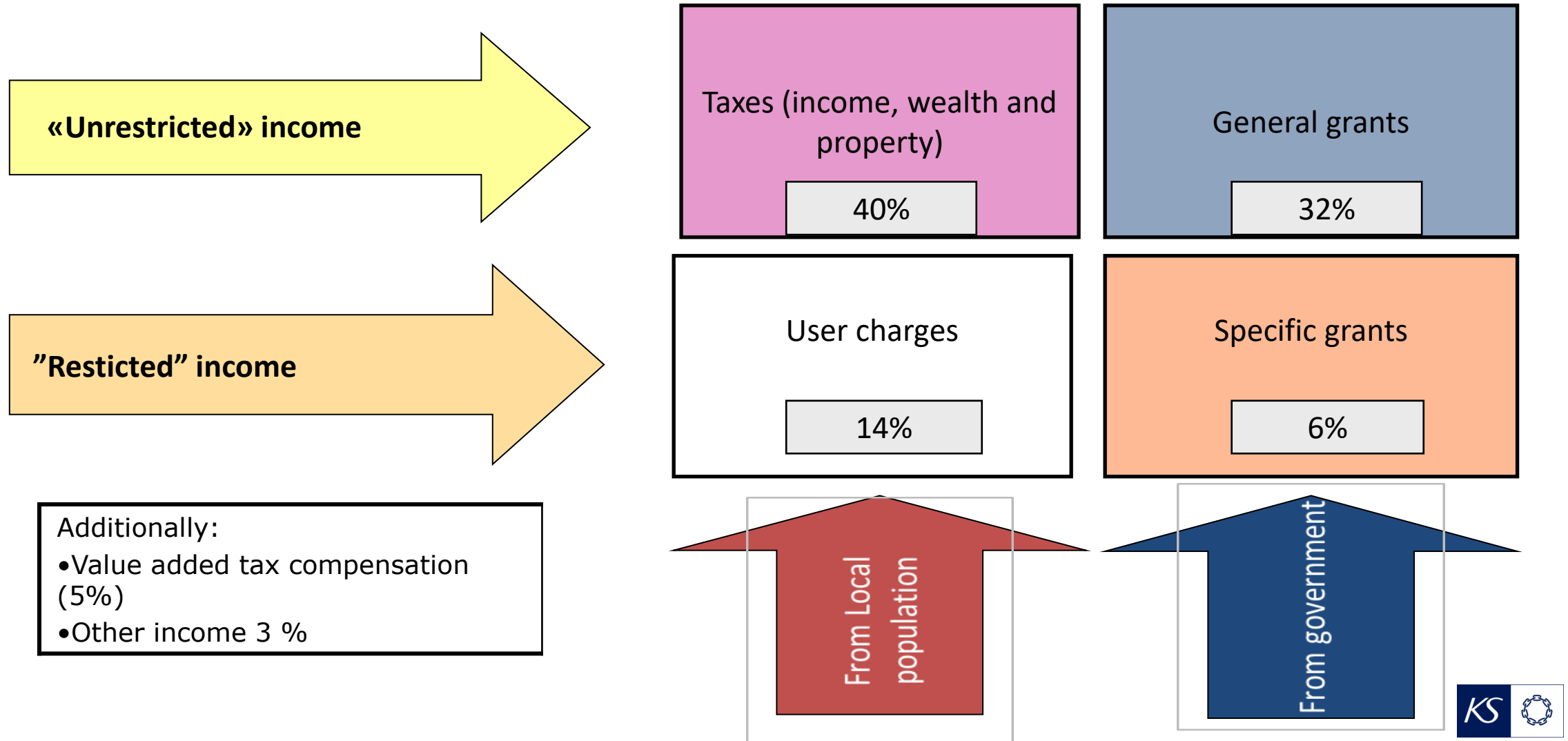
From 19 Counties to 11 Regions

Reversal process in 3 regions and 1 municipality, so from 2024 there will be 15 regions and 357 municipalities

The local government sector in a national context (2021)

- Local government consumption amounts 14,9 pct of GDP in mainland Norway
- Income in local government sector amounts 19,6 pct of GDP in mainland Norway
- Number of employees in local government sector amounts to 19,7 pct, or almost one in five, of all employees in Norway
- Due to more part-time work in local government man-hours amount to 17,6 pct

Funding of local governments



Responsibilities for local governments

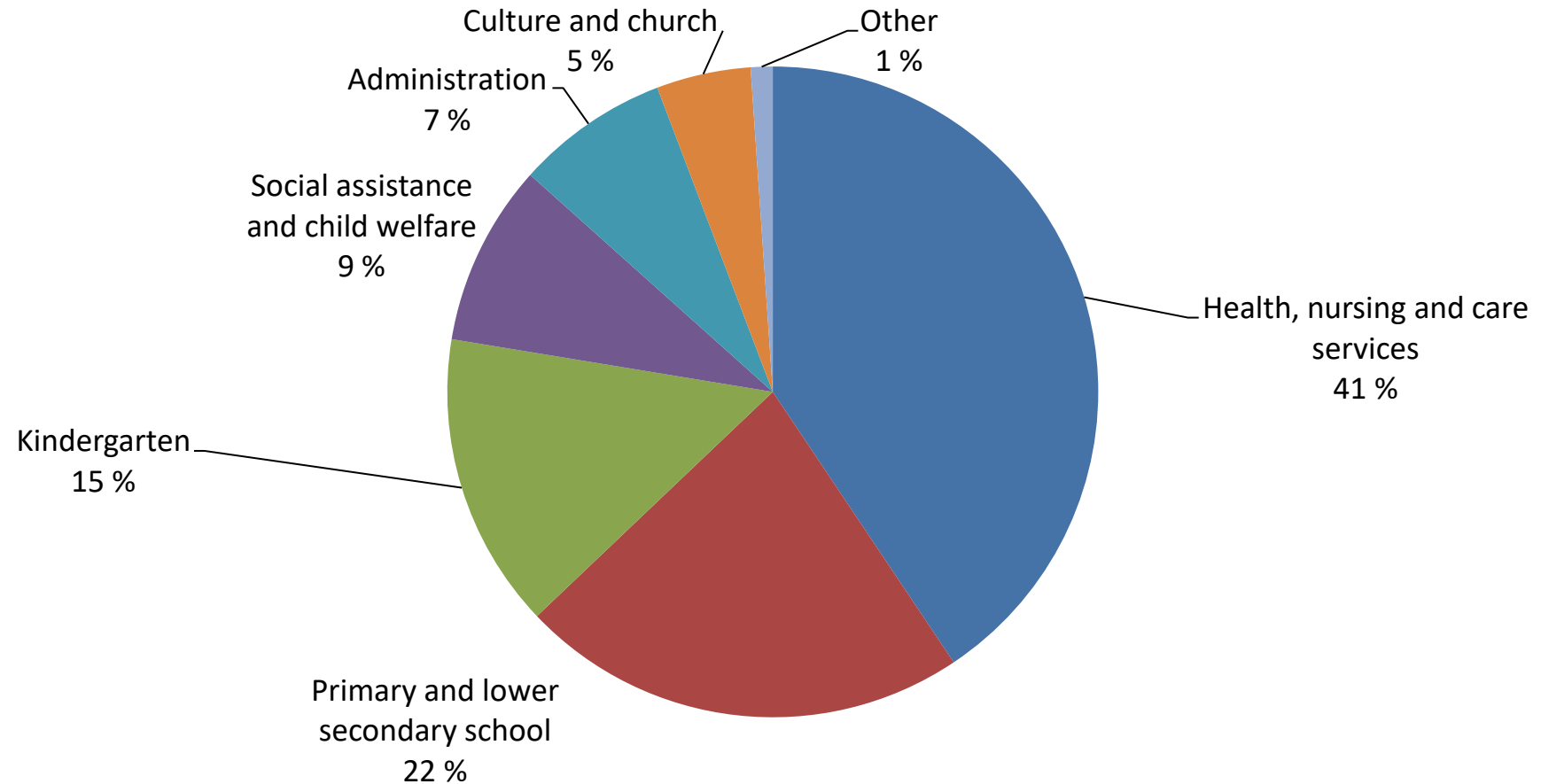
- Mandated (national) public services:

Municipalities	Regions
Primary and lower secondary schools	Upper secondary schools
Health, nursing and care services (elderly)	Buses, metros, county ferries and boats
Kindergartens	County roads
Municipal roads	Dentist services for children and youths
Social assistance and child welfare	Regional planning
Local planning	
Functions described in special legislation, For instance: Fire and accident protection, Refuse collection, Water supply, Wastewater	

- Local public services, including:
 - Culture and sports
 - Local infrastructure, business development

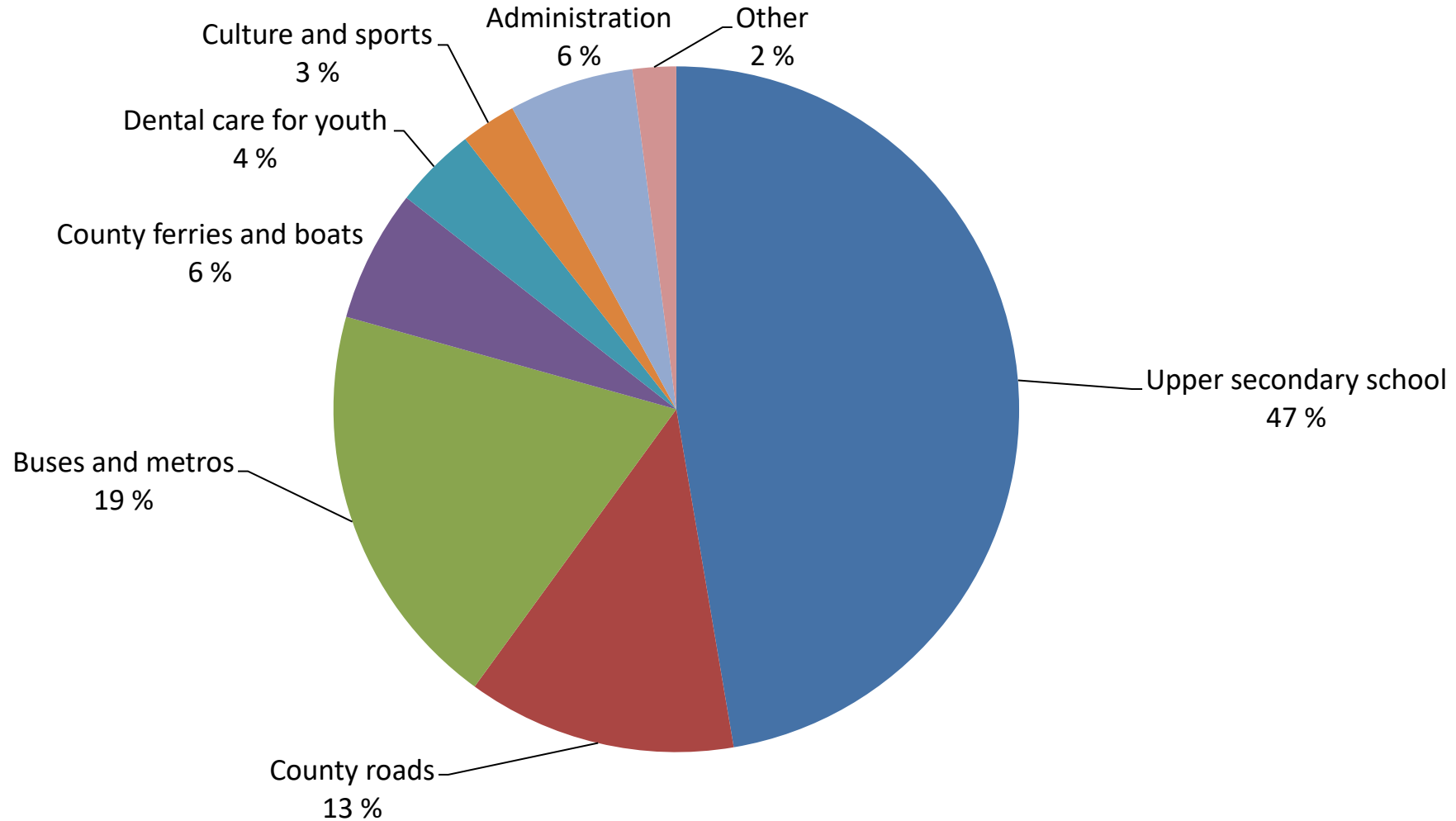
Distribution of net expenditures (operating activities excl. depreciation)

Municipalities 2021



Distribution of net expenditures (operating activities excl. depreciation)

Counties 2021



In Norway, the state has great impact on local government income

- There are maximum tax rates for local government tax on income and wealth.
 - All municipalities uses the maximum rate for income tax
 - All municipalities, except one small, uses the maximal wealth tax rate
- There are also maximum rates on property taxes, but here municipalities uses different rates (from 0 to maximum). But the income from property tax is limited
- Most services can maximum be priced at fully cost, or at maximum rates decided by the government
- And of course, the state fully control the general and specific grants

How is the income of local government determined?

- In May, the year before the budget year, the government presents a white paper (Kommuneproposisjonen) about what the local governments can expect of income in next year's budget
 - Which real growth can the local government expect?
 - Compensation for increased costs as a result of population changes
 - Compensation/deduction for growth/decrease in pension costs compared with the expected growth in wage growth
 - Real growth beyond demographic costs and pension costs

How is the income of local government determined (2)?

- In October, the governments proposal for next years budget
 - Is based on the financial framework in the white paper from May, adjusted for the expected growth in wages and prices in the budget year
 - Changes in estimates for the current year (wages and prices) are the local government's risk – long term effect
 - Changes in tax estimates for current year is not to be continued (only affects local governments income the current year)

Status of municipal economy at the end of 2021

Kommunal Rapport
 > PUBLISERT 18.01.2022 10:23

Kronår for skatteinntektene i Kommune-Norge

Ferske tall fra SSB viser at norske kommuner fikk inn skatt på 236,4 milliarder kroner i fjor. – Rått, sier seniorforsker i Telemarksforskning.

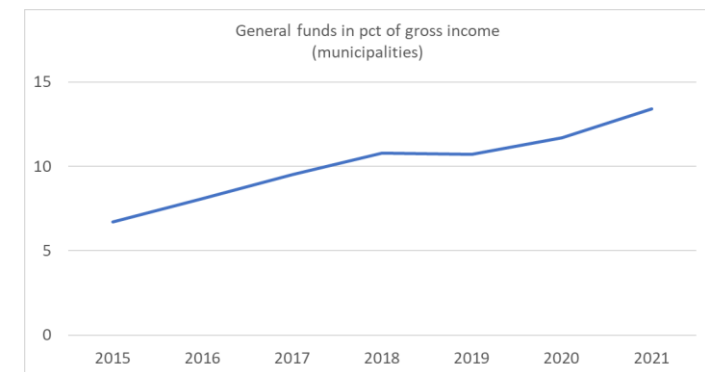
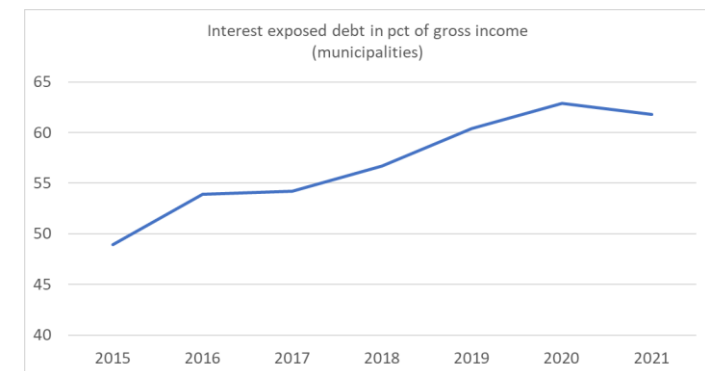
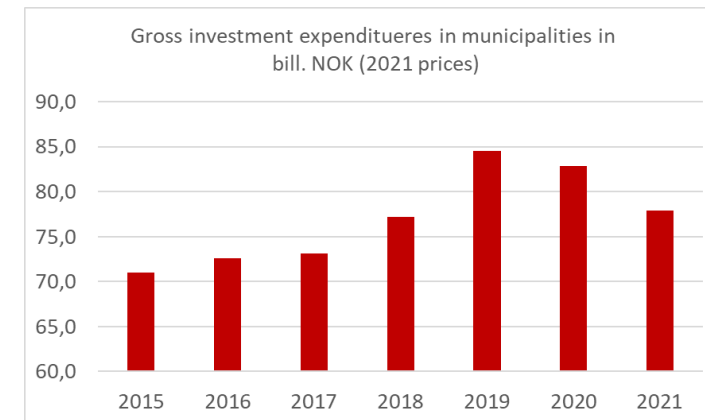
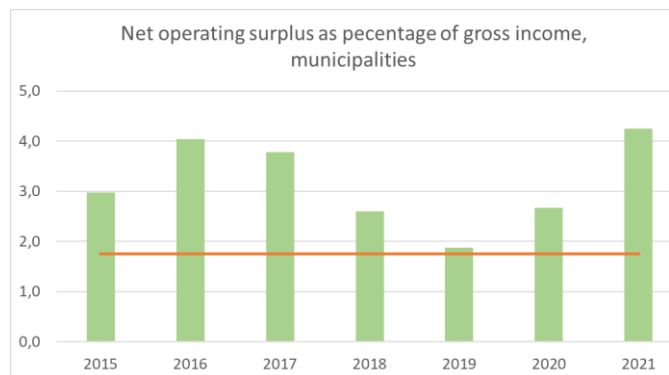
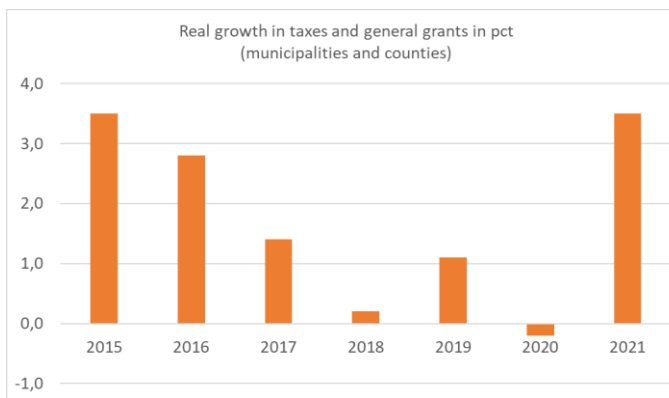
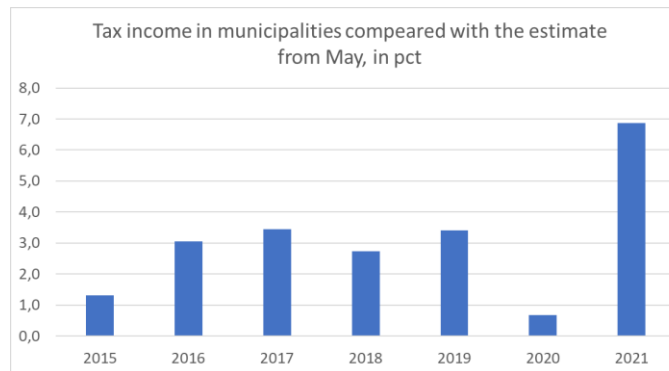
ME
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Kommuneøkonomien på rett veg

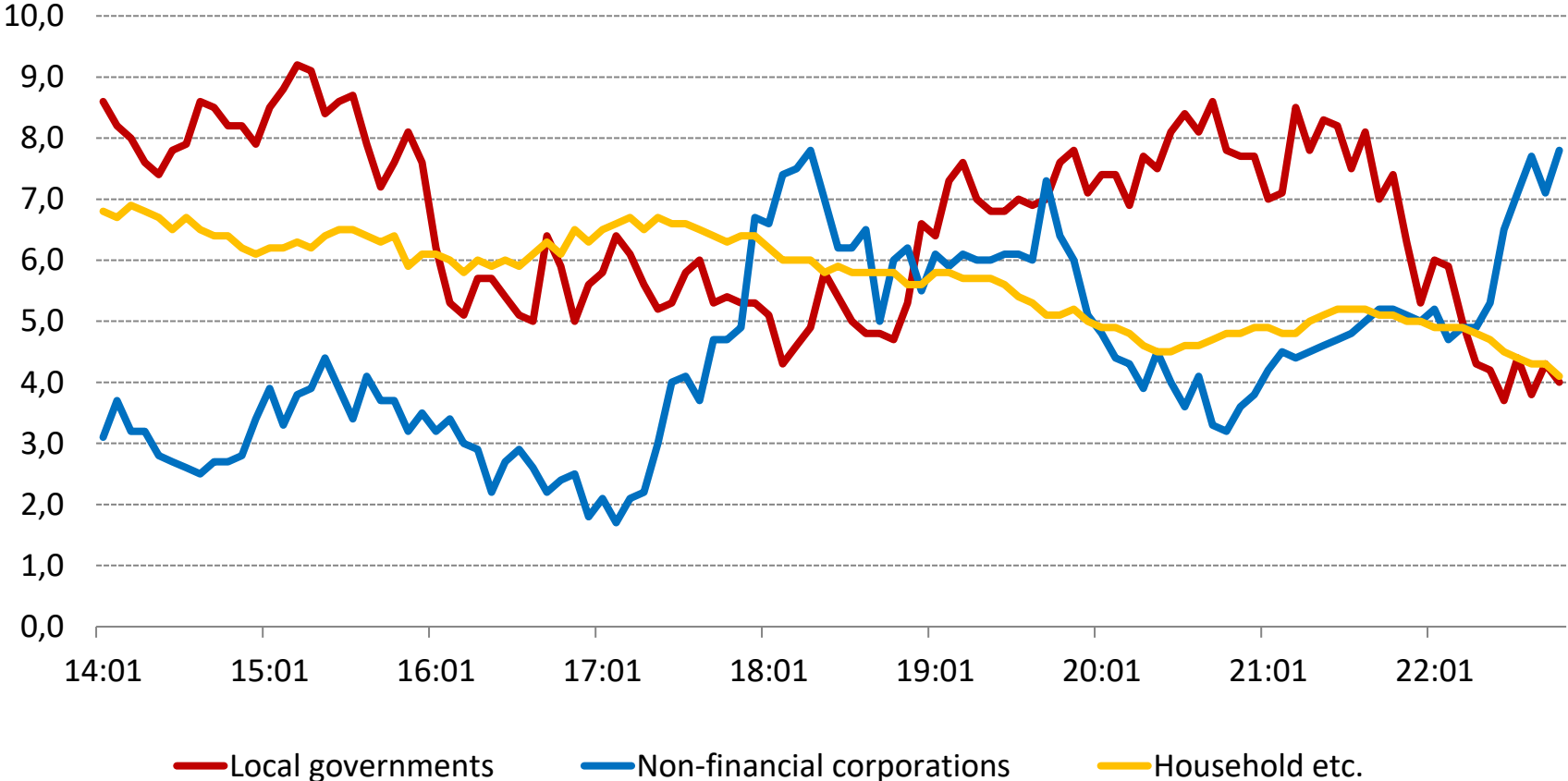
[Lytt til teksten](#)

Årsresultatet for 2021 viser at Lillehammer kommune hadde et netto overskudd på 167,4 millioner kroner. Dette utgjør nærmere seks prosent av driftsinntektene i året som har gått, og ordfører Ingunn Trosholmen er meget godt fornøyd;



The credit indicator C2

(pct. growth last 12 months, public sector)

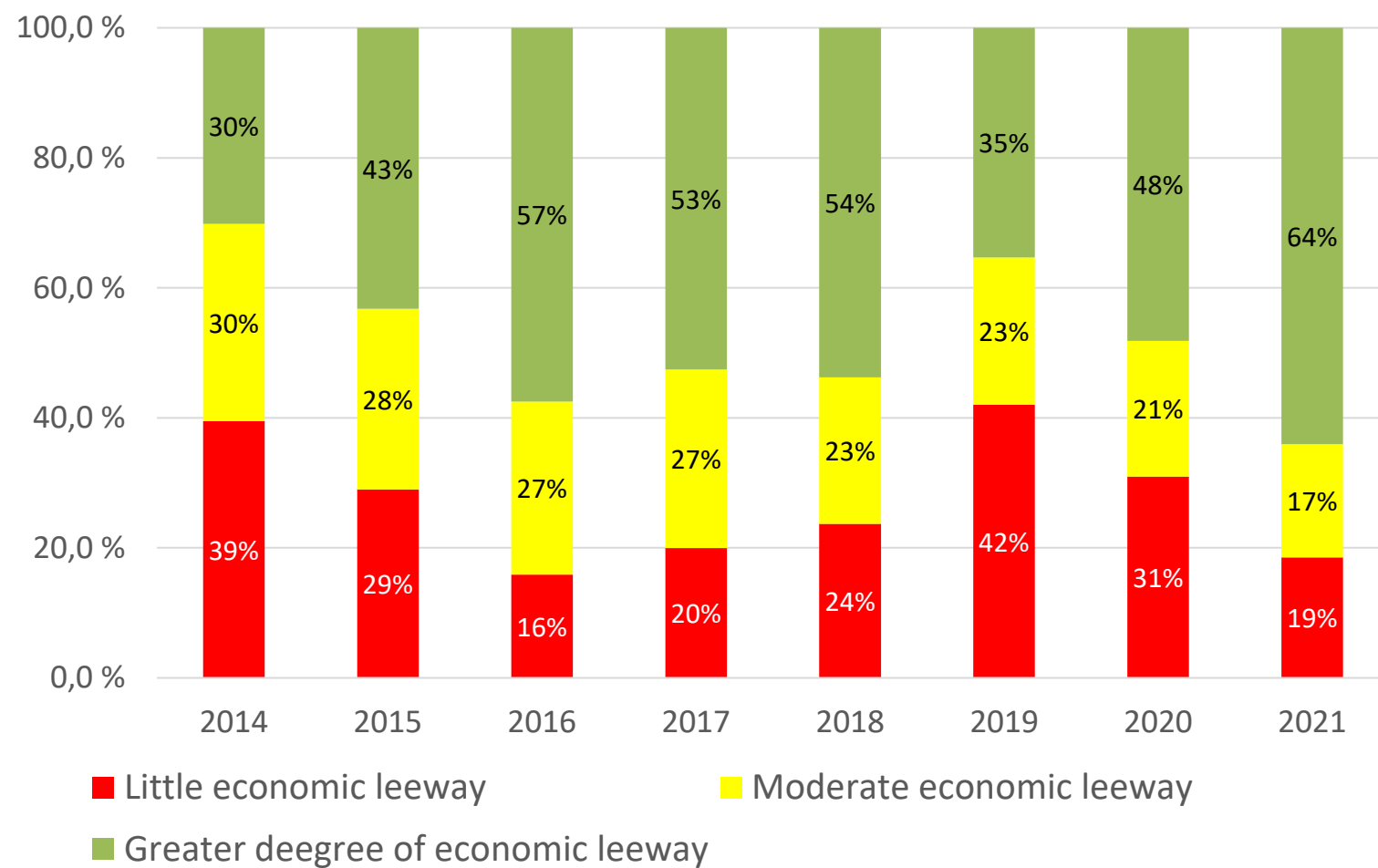


Source: Statistics Norway



64 percent of the municipalities had greater degree of financial leeway in 2021

Share of municipalities with varying degrees of economic leeway

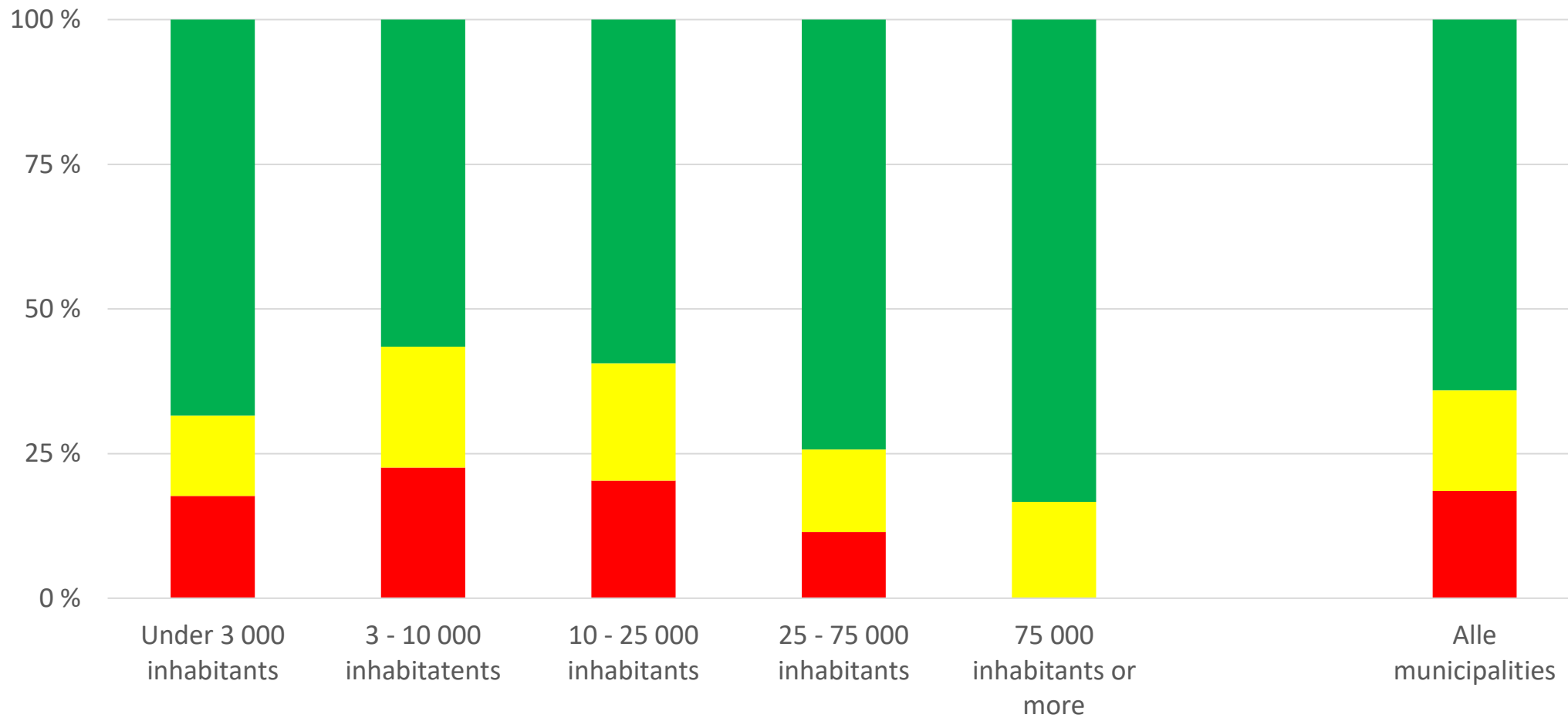


Based on an indicator developed by KS, which measures:

- Net operative surplus
- Loan debt
- Fund reserves

Size is not particularly important for degrees of economic leeway

Share of municipalities with varying degrees of economic leeway in 2021



■ Little economic leeway ■ Moderate economic leeway ■ Greater degree of economic leeway

2022 - From positivism to uncertainty in a very short time

Kommunal Rapport

› PUBLISERT 18.01.2022 10:23

Kronår for skatteinntektene i Kommune-Norge

Ferske tall fra SSB viser at norske kommuner fikk inn skatt på 236,4 milliarder kroner i fjor. - Rått, sier seniorforsker i Telemarksforskning.

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LILLEHAMMER
KOMMUNE

Kommuneøkonomien på rett veg

Lytt til teksten

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24/02/2022 | 08:05 AM

Timeline: Russian forces invade Ukraine in 'full-scale war', 57 people killed

UKRAINE

Ny prisrekord: Ti kroner per kilowatttime

Tirsdag morgen blir det satt ny prisrekord i store deler av Sør-Norge, og prisene kommer til å øke.



Prisøkningen på strøm etter nyttår skyldes i hovedsak tørrere og kaldere vær. Foto: Statnett

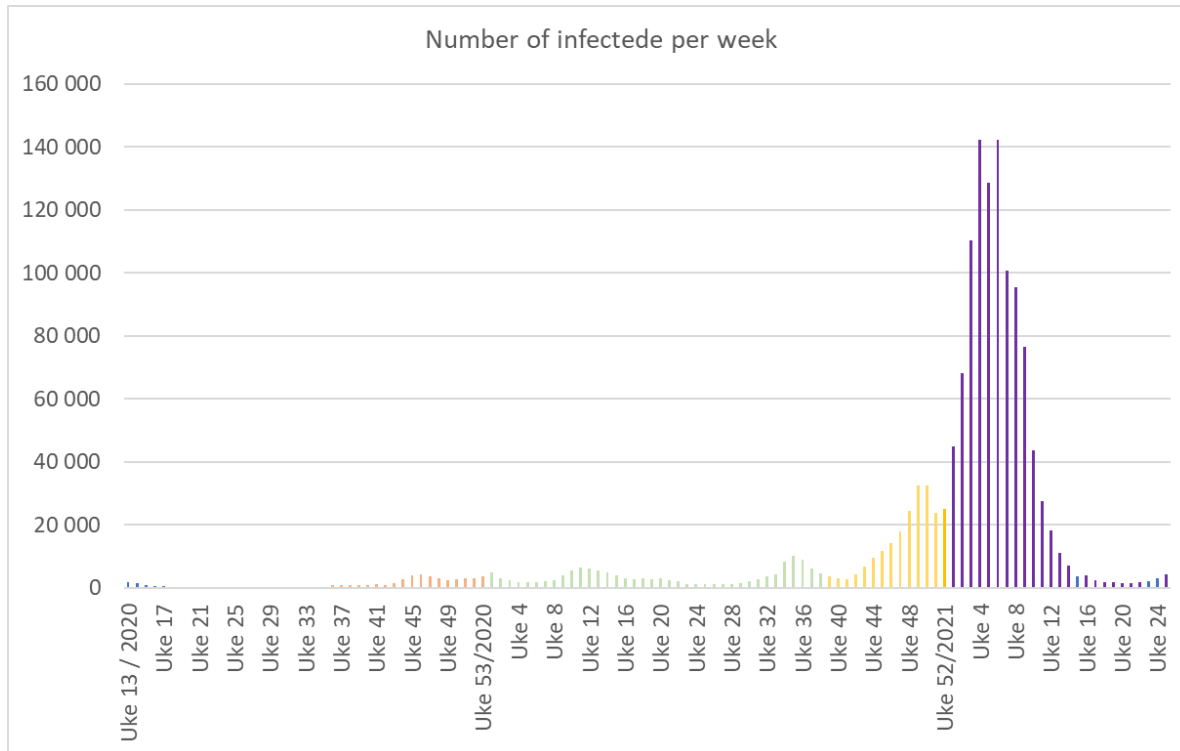
The change in the world situation coincidentally happened at the same time as those infected with covid-19 were at their peak

20 December 2021:

KS entered into a central agreement with the employee organizations which at least doubled the payment for overtime work and in many cases also additional work during the corona pandemic (valid until 30 April 2022).

The agreement allows, among other things, to use overtime to a greater extent, so that the municipalities can mobilize labour.

Each municipality and region decided solely if they would use this agreement.



Fortunately, there has been good cooperation between the ministries and KS during the pandemic. The government has fully compensated the municipalities and regions for their costs and loss of income, included the cost of the central agreement with the employee organizations of 20th December 2021



Regjeringen.no - 2020:

The government will set up a working group with representatives from the ministries and the municipal sector to provide professional assessments of the economic consequences which the corona outbreak has had for the municipal sector.

Grants from the government to the municipal sector related to covid-19, bill. NOK

	2020	2021	1. half of 2022
General grants			
Municipalities	7 007	11 435	8 014
Regions (mainly income loss in public transport)	3 985	4 231	1 346
Specific grants			
Test stations at the boarder and Quarantine hotel arrivals to Norway	75	2 166	150
Other	664	463	21
Sum grants	11 731	18 295	9 531

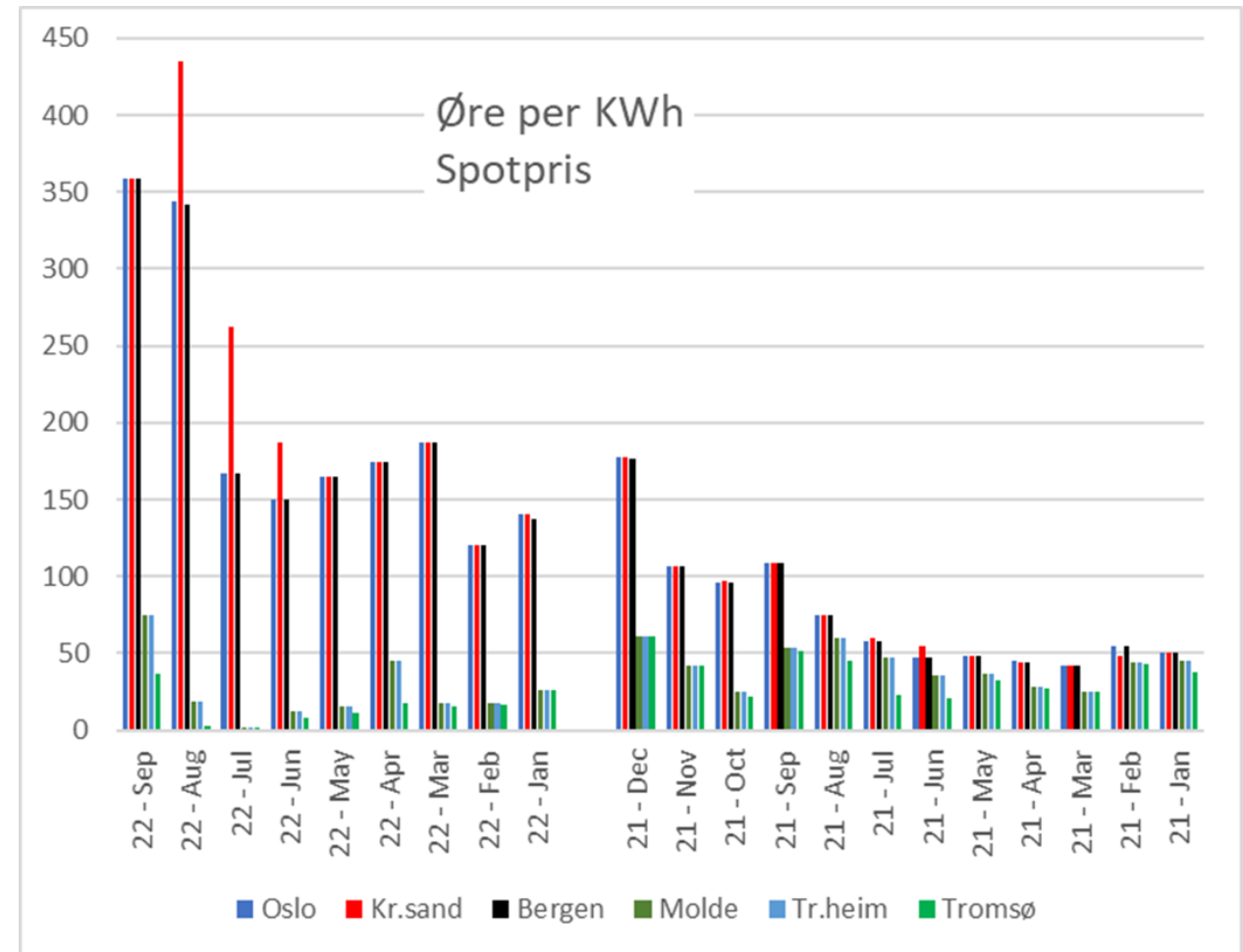
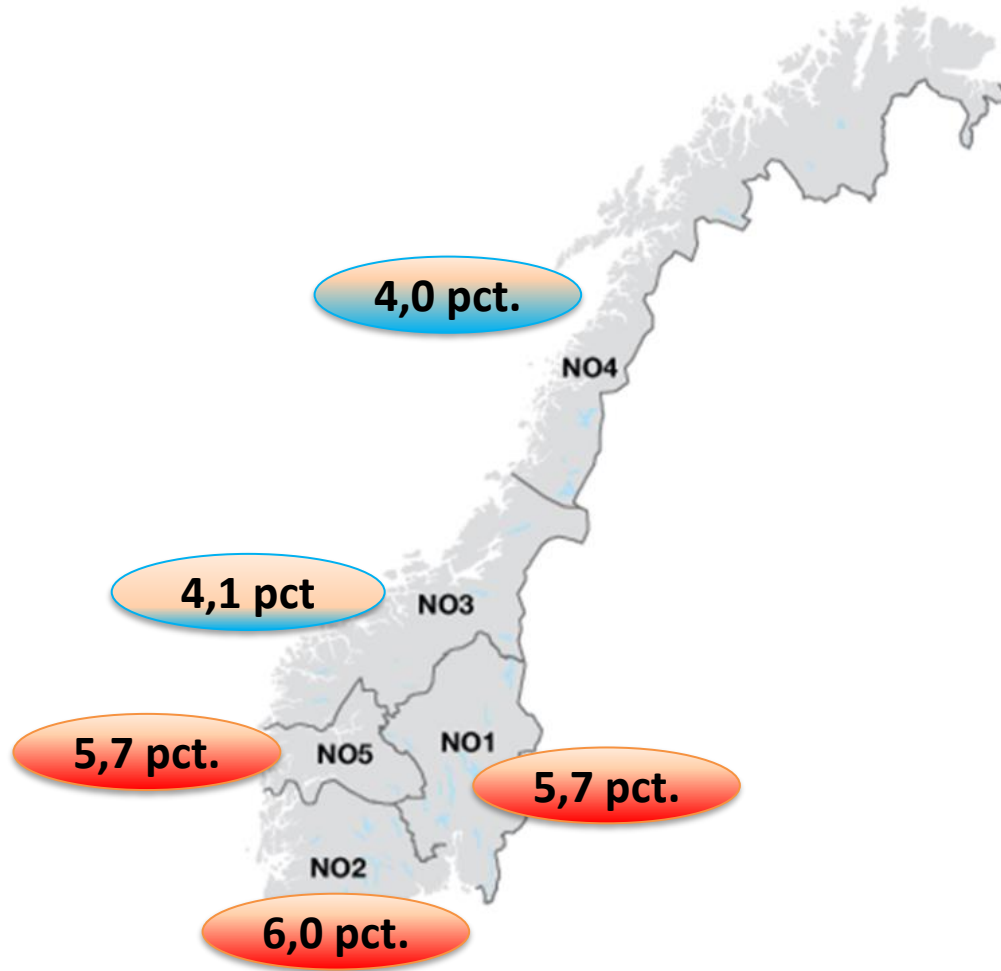
Revised national budget 2022 – effects of increased price growth becomes visible

	RNB – 2022 effekt - kommuner
Increased taxes (mainly tax-payers adaptation to tightening of tax on dividends and wealth from 2022)	17,4 Bn. NOK
Deduction in general grant (increased taxes)	-9,1 Bn. NOK
Increased wage and price growth in 2022	- 4,4 Bn. NOK
Increased real growth in taxes and general grants - government assessment	3,9 Bn. NOK
Price growth autumn 2021 - not compensated	KS assessment – 3,7 Bn. NOK
Real change in taxes and general grant	0,2 Bn. NOK

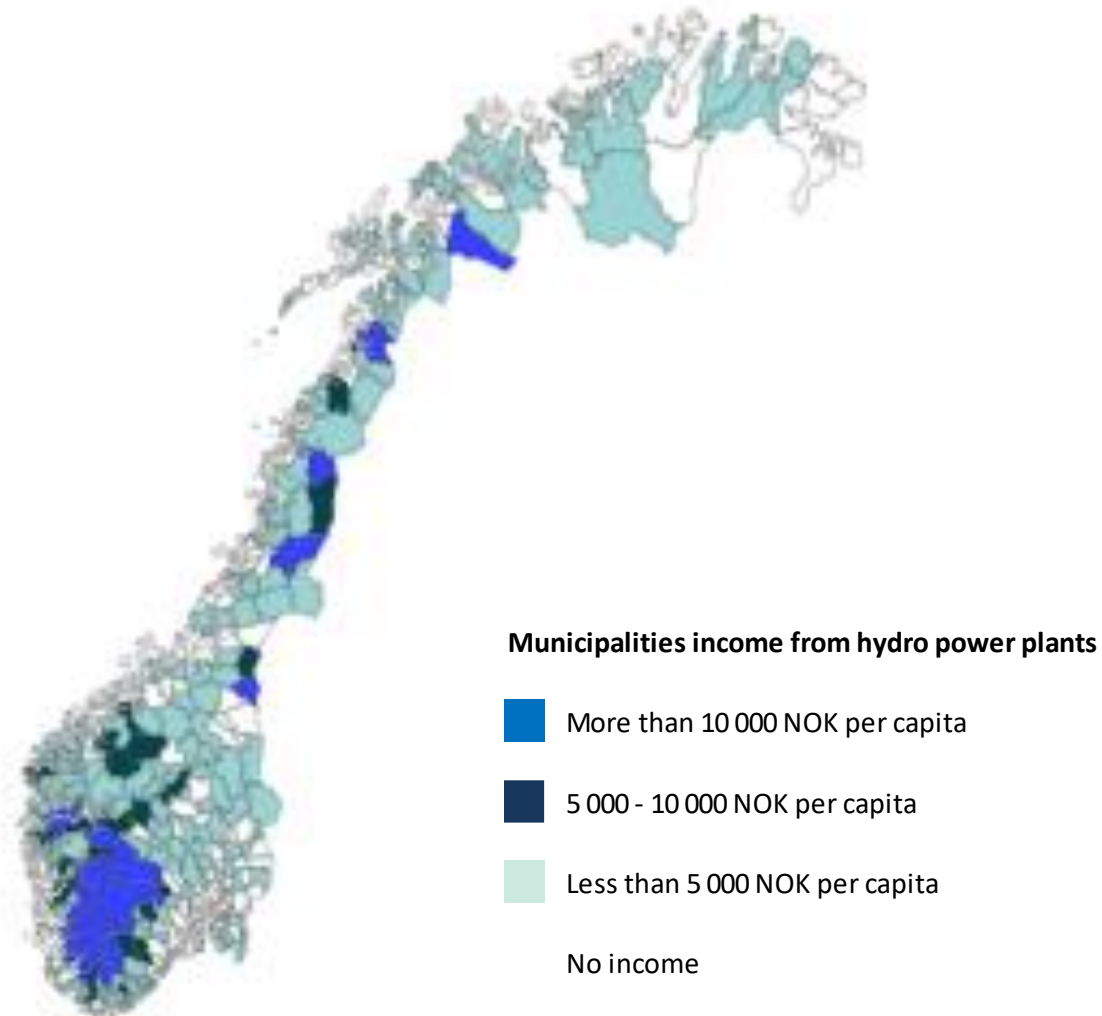
National budget 2023 – Wage and price growth increased by 1,6 percentage points

Differences between various parts of Norway

Municipal wage and price growth 2022, 5,3 prosent for the country



But increased prices on energy isn't necessary negative for all municipalities.



- Municipalities where the power plant facility is located have licensing power and local taxes from the power plant
- Several municipalities have shares in the power plants

In any case – 2022 seems to be quite positive for municipalities, despite the increased prices

- Tax revenues appear to be NOK 5 - 10 billion higher than estimated in the revised national budget 2022.
 - More than compensates for increased price growth
- Full compensation from the state for expenses and loss of income due to covid-19

However, 2023 seems to be more challenging

Municipalities and counties

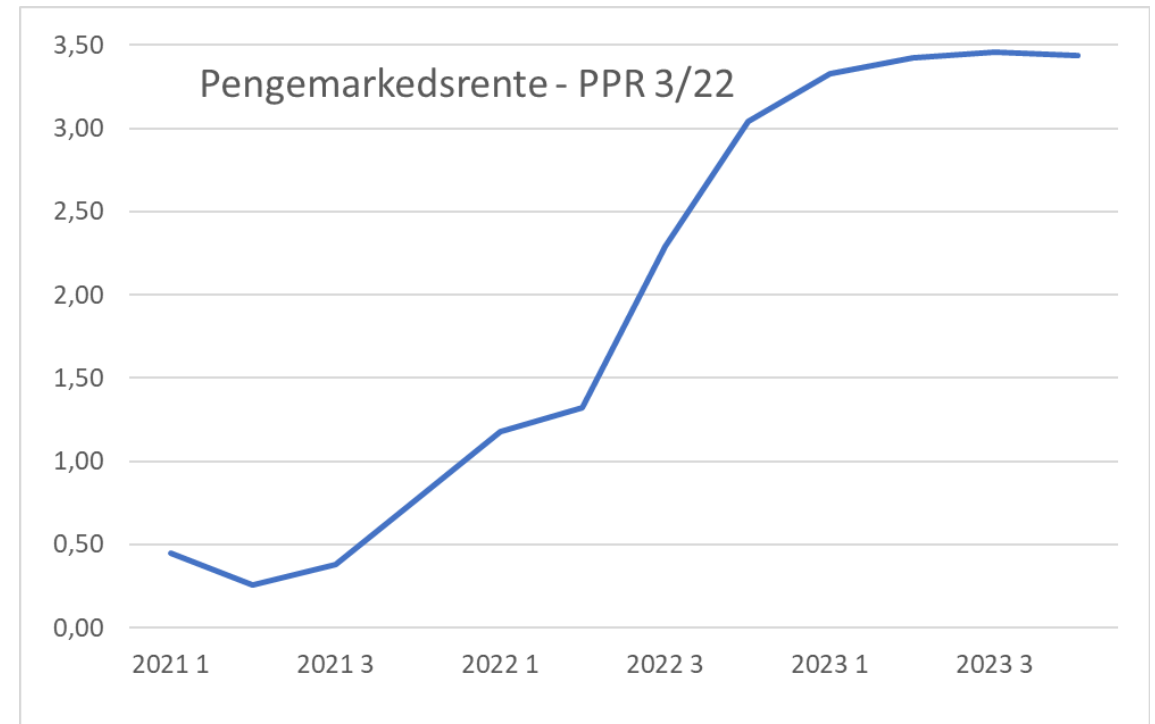
	Bn. NOK
Taxes and general grants in revised national budget 2022, corrected for changes in tasks etc	446,0
Increased tax revenues autumn 2022, not continued	-2,4
Real growth in taxes and general grants, mainly due to changes in population	2,6
Expected wage and price growth 2023	16,4
Others	-0,2
Taxes and general grants 2023	462,4

Increase in municipal deflator (prices) in 2022, estimated to 1,6 percentage points or 7,1 Bn. NOK, not compensated

The municipalities finances will in also be affected by higher interest rate

- The interest rate path of Bank of Norway:
 - 1,5 percentage points increase both in både 2022 and 2023
- Municipalities interest exposed debt was at the end of 2021
 - 270 Bn. NOK
- **Increased expenditures in municipalities 4 Bn. NOK both years**
 - Assuming no fixed interest rate

Money market interest rate

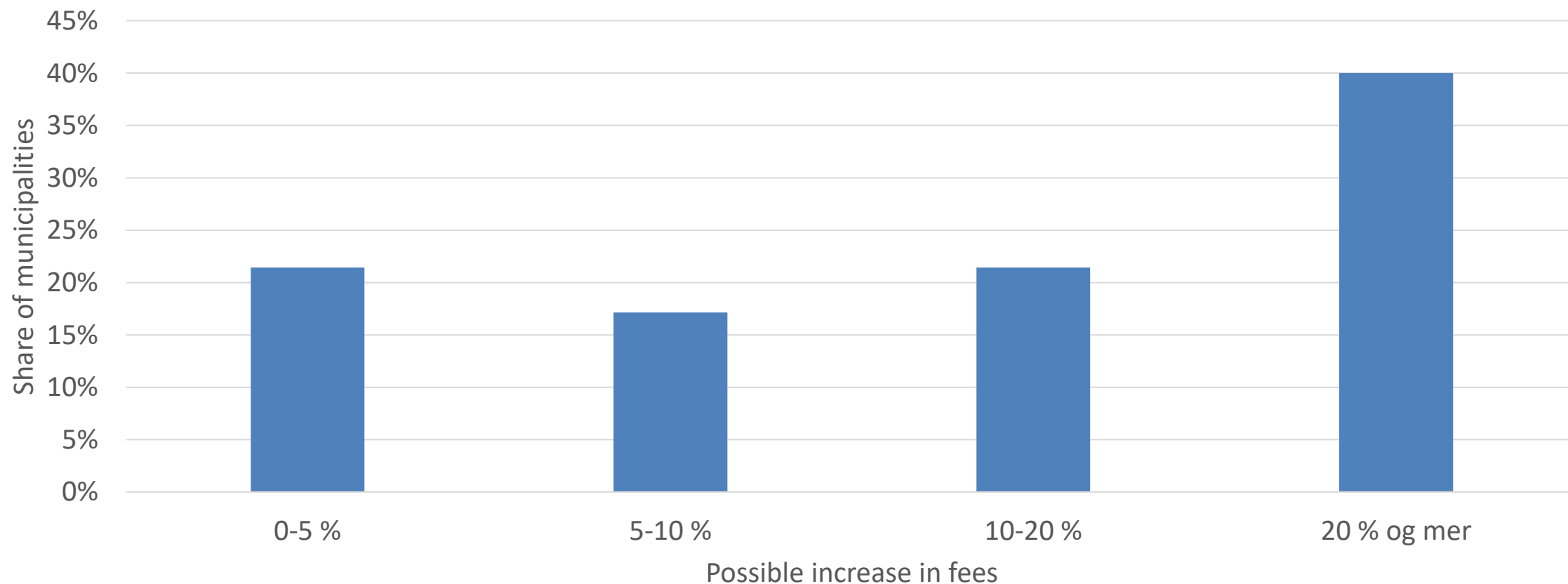


KS budget survey 2023 – net operating surplus almost unchanged in their proposals

Groups of municipalities	Number of municipalities in survey	Budget net operating surplus 2023	Adopted budget 2022	Change from 2022 to 2023
Below 10 000 inhabitants	41 (245)	0,2 %	0,2 %	-0,1 %
10 000 - 20 000 inhabitants	23 (46)	0,6 %	0,4 %	0,1 %
20 000 - 60 000 inhabitants	33 (50)	-0,3 %	0,1 %	-0,4 %
Over 60 000 inhabitants (except Oslo)	11 (14)	1,6 %	1,5 %	0,1 %
Total:	108 municipalities	0,7 %	0,8 %	-0,1 %

But in an earlier survey KS found that the municipal directors proposes high rise in water and drainage fees

Possible change in water an drainage fees in 2023 (70 municipalities)



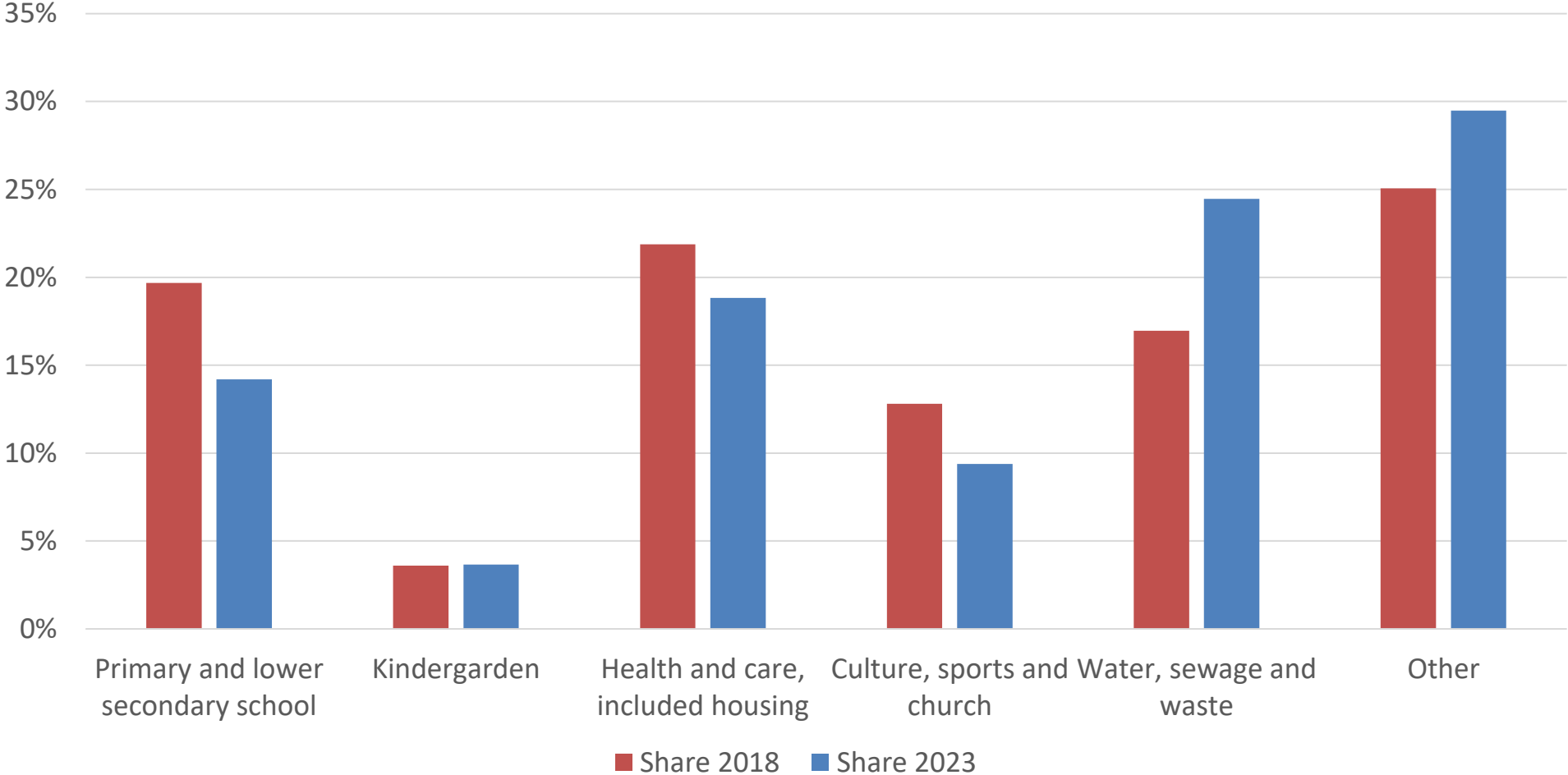
KS budget survey 2023 –

The municipal directors' budget proposal sets out a continued high level of investment, but due to high price growth it possible means lower activity

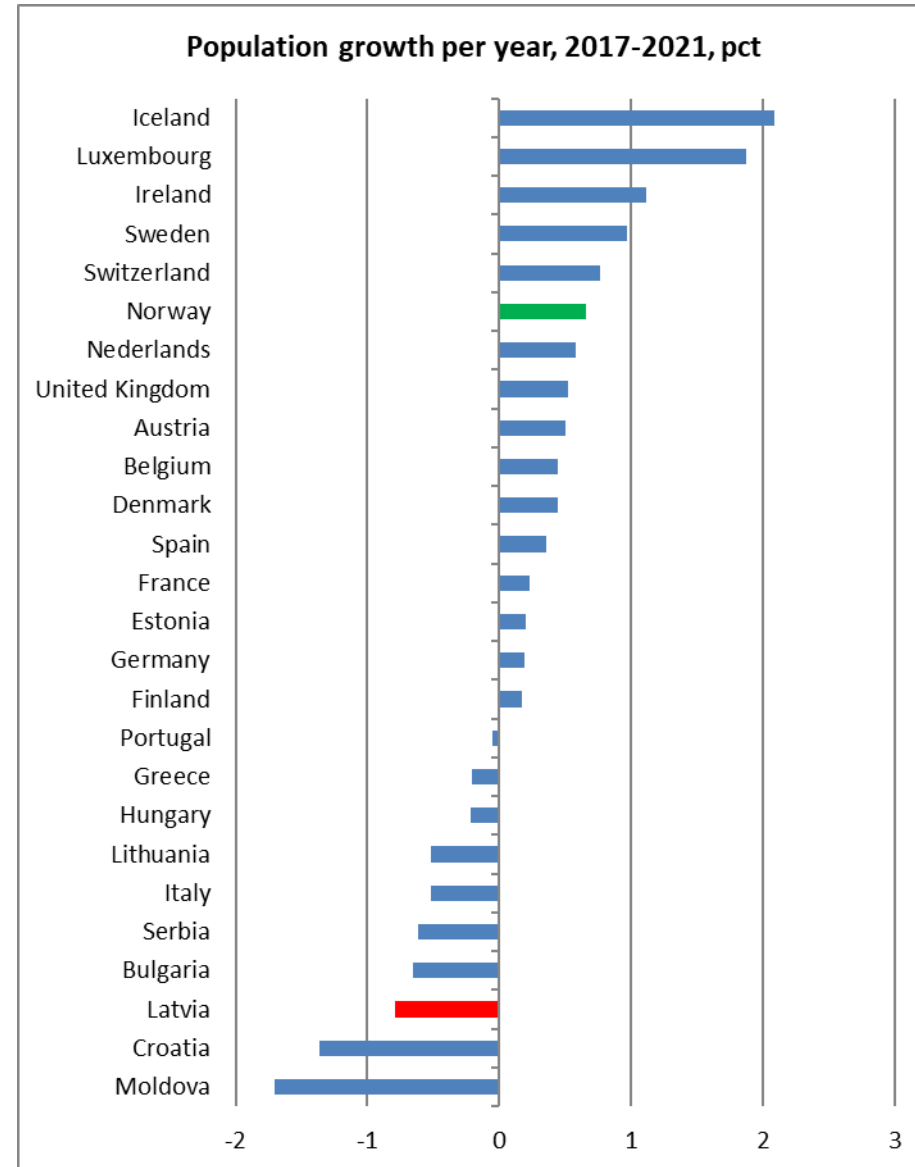
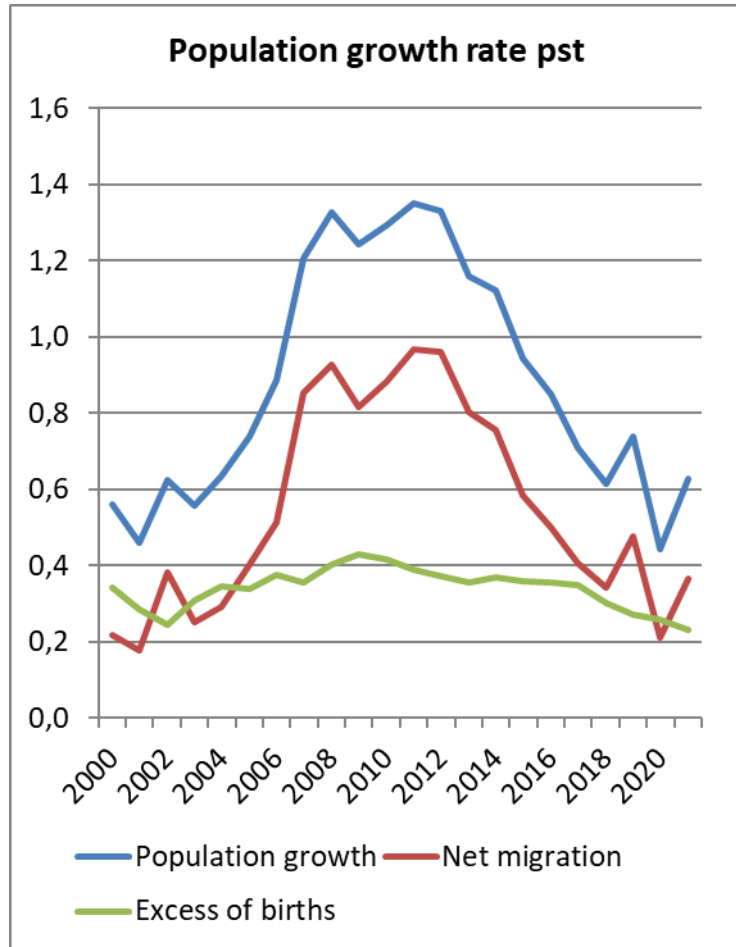
Municipalities	Point estimate of investments, Bn. NOK	
	2023	2022
Below 10 000 inhabitants	13,8	13,9
10 - 20 000 inhabitants	11,8	12,6
20 - 60 000 inhabitants	21,8	22,9
60 - 300 000 inhabitants	23,6	23,4
Oslo	19,2	18,9
Alle	90,2	91,6

KS budget survey 2023 – But the investment profile is changing

Investments grouped after service, percent

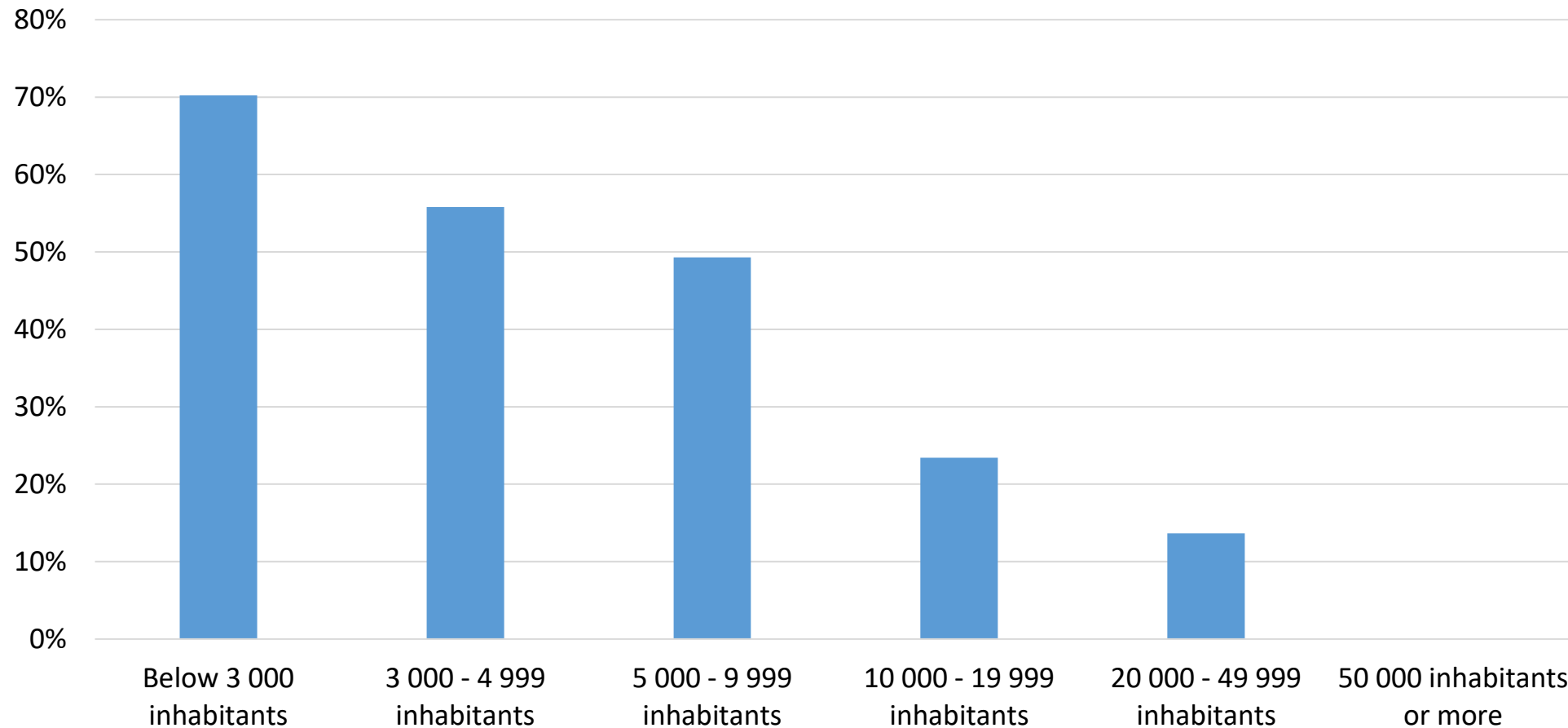


Norway has had declining population growth the last 10 years, but in a European scope the population growth has been above average



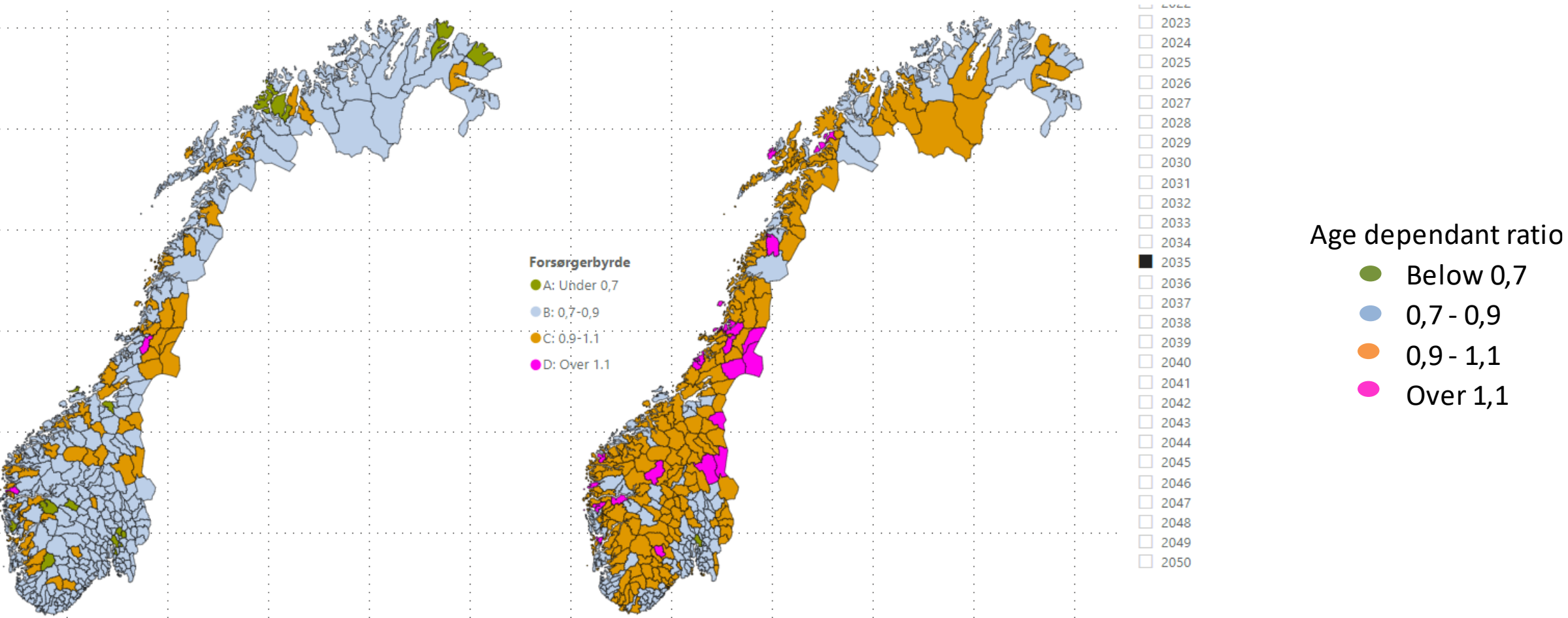
The population is decreasing in many smaller municipalities

Share of municipalities where population decreased in 2021



More people are expected to demand municipal services, but there will be relatively fewer people to deliver these services

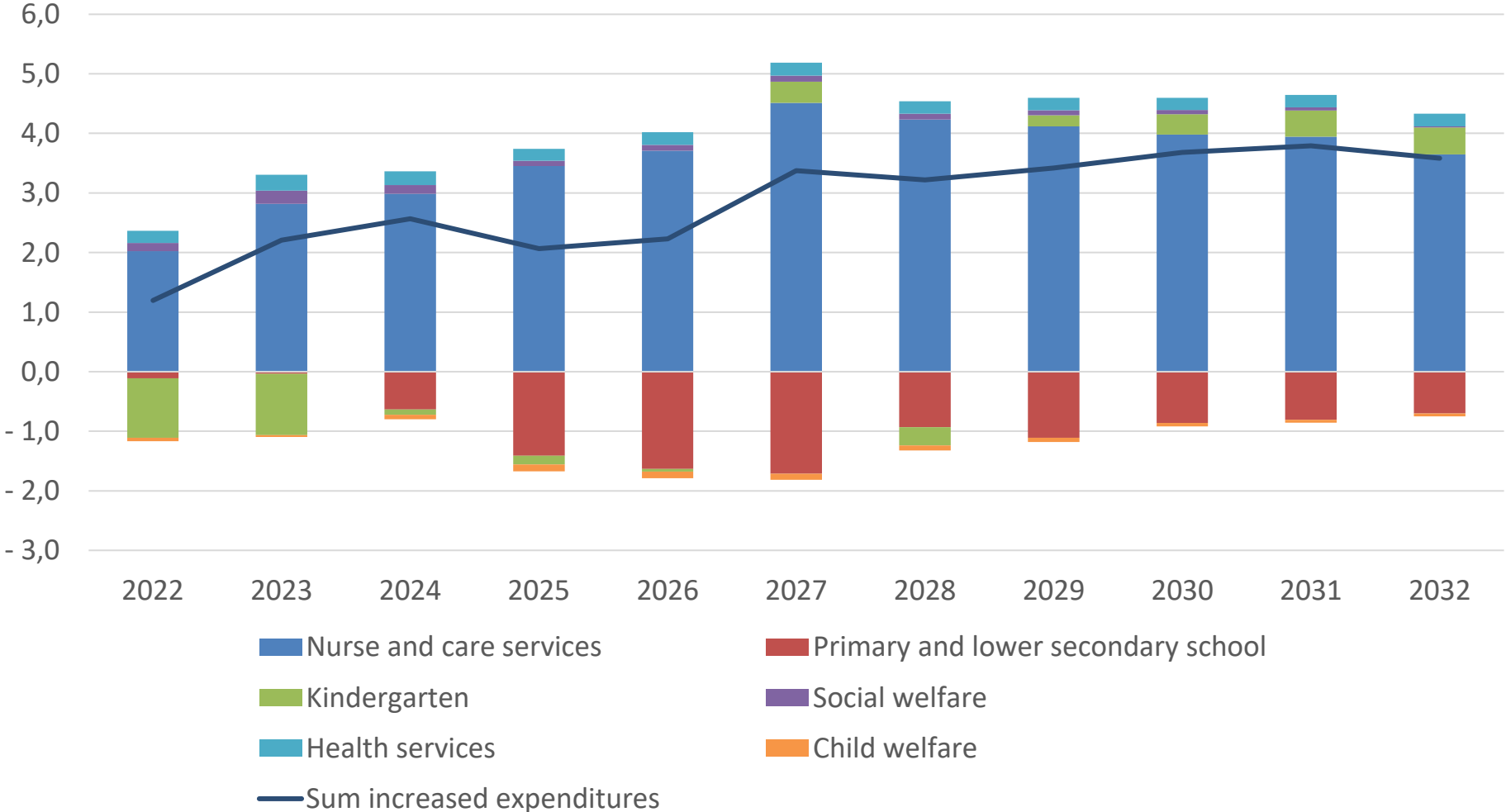
Age dependency ratio (Population aged 0-22 + 67 and older vs population aged 23-66)



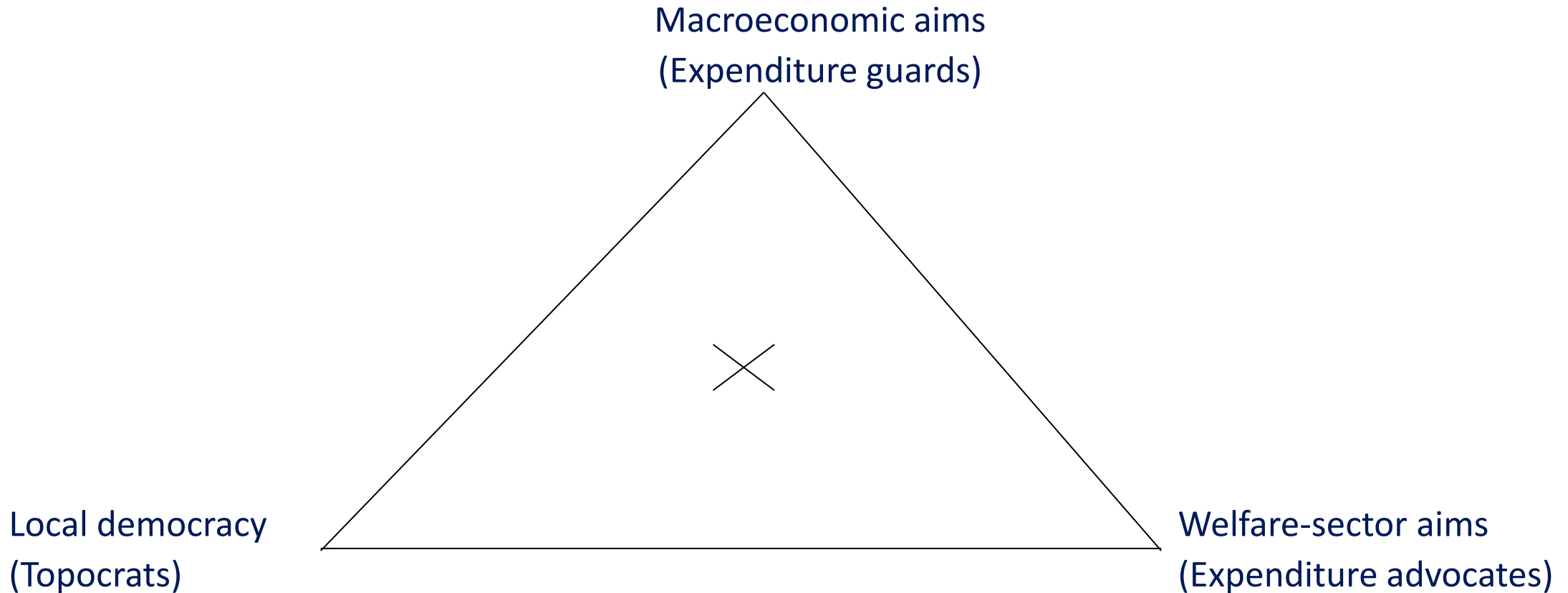
If municipalities continues as they do today, and deliver services with unchanged quality, productivity and coverage ratio, expenses will increase significantly

Yearly growth in municipalities expenditures due to population changes, Bn NOK

Based on 2022 quality, productivity and coverage ratio (2022 prices)



State governance of local governments - balancing of aims



The fine art of balancing

- Balancing economic resources and national aims for production of welfare benefits
 - Calculations concentrate on new reforms
- Equalising economic resources between municipalities and between regions
 - But keeping some local foundation
- Balancing national and local priorities
 - Secure that the municipalities follow up new reforms
 - But still make room for local priorities



Public data from municipalities and counties for analyses



The Local Government Act

Section 16-1 Reporting to the state (KOSTRA):

- *“Municipalities and county authorities shall report information on finances, use of resources and services for use in national information systems (KOSTRA) to the state. Municipalities and county authorities shall also report information on local referendums*

The Ministry may lay down regulations on what information is to be reported and how and when it is to be reported.”

Provision of the Local Government Act – Reporting from Municipalities and Counties

- Information to KOSTRA shall be reported electronically to Statistics Norway, in the manner determined by Statistics Norway.
- Within their subject area, each ministry determines which information on resource use and services is to be reported.

Statistics Norway prepares overviews of which information is to be reported.

- Statistics Norway may reject information that is materially incorrect. If the information is rejected, Statistics Norway shall notify the sender as soon as possible and state the reason for the rejection.

Kostra - aims

A useful tool for

- Ministries
- Local and regional authorities
 - administration and control
 - budgeting and distribution of money
- Scientist and students
- Media, unions, organizations
- Citizens

Provide ministries, regional state and local authorities with **management information on local finance and services**

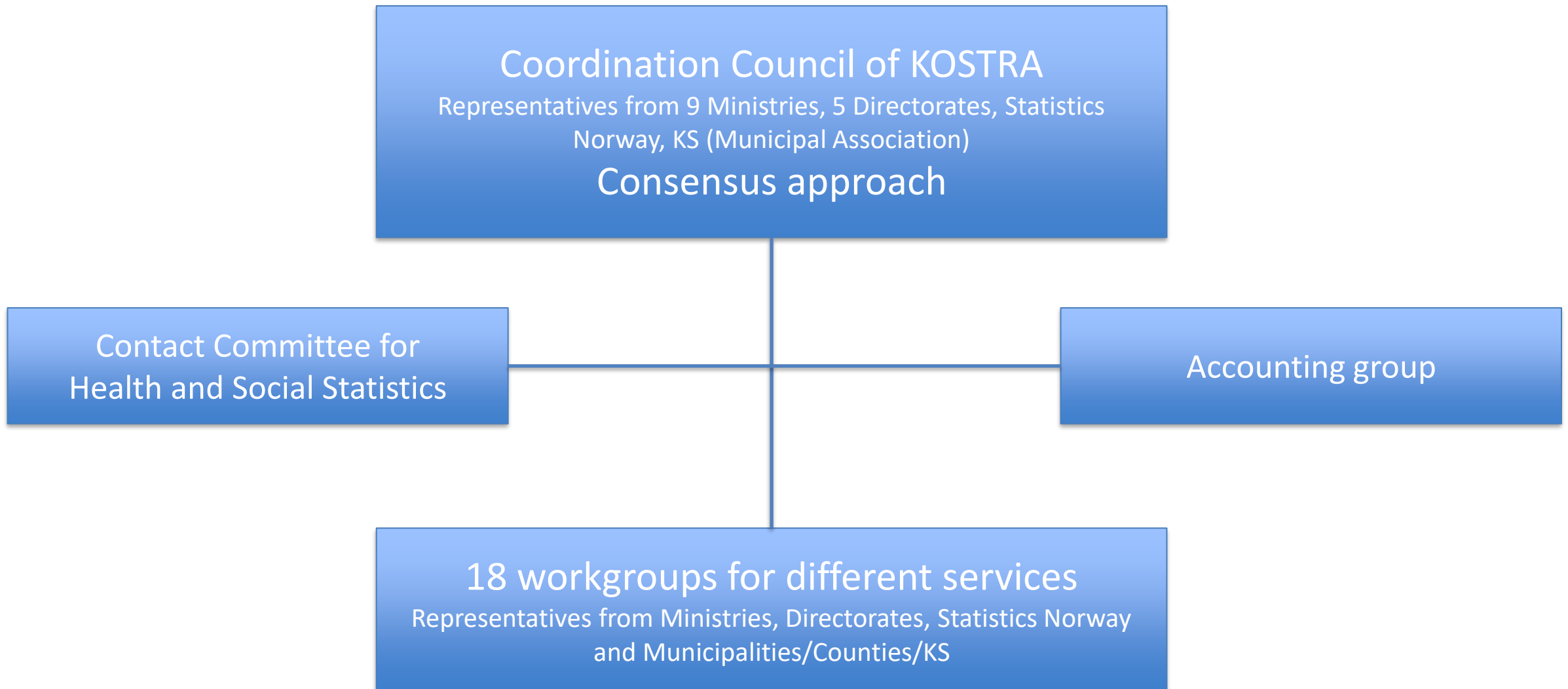
- Current
- Relevant
- Reliable
- Comparable

Data and key figures from all municipalities and counties **available in national information systems and in national statistics**

KOSTRA reporting and publishing

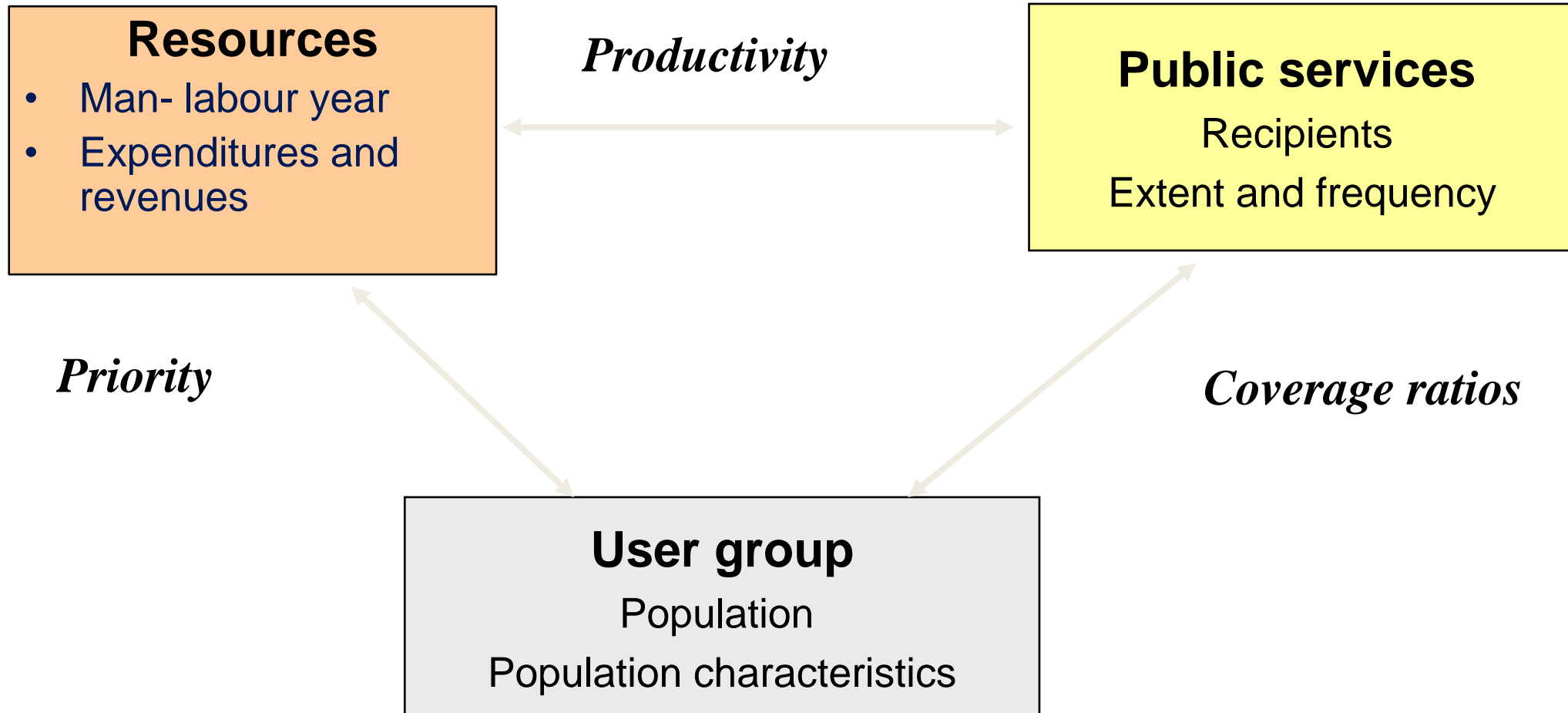
- 15.1. Reporting of file extracts for client data and kindergartens from municipalities (year n-1)
- 22.2. Reporting of other data, included preliminary accounts, from the municipalities (year n-1)
- 15.3. Publishing of data (not revised figures) (year n-1)
- 15.4. Reporting of corrected data from municipalities (year n-1)
- 15.6. Publishing of revised data (year n-1)

Ministry of municipalities and modernization is responsible for Kostra, but attaches great importance to consensus approach



- <https://www.ssb.no/offentlig-sektor/kommune-stat-rapportering/organisering-av-arbeidet-i-kostra>

KOSTRA – Reporting system



Common accounting rules – success factor

- Municipality accounting – have to take into account both internal and external needs
 - accounting string and flexible financial IT systems
- KOSTRA Classification by Function, example Kindergarten:
 - 201 Kindertartens
 - 211 Extra care for children in kindertartens
 - 221 Localities and transport for children in kindertartens
- Classification by Types of Expenditure, ex:
 - 010 Wages permanent employees
 - 100..290 Expenses for services produced by the municipalities, ex, energy, teaching materials, maintenance, consultants etc. (purchase of services entered into own services)
 - 370 Services bought from others (private companies, other municipalities or the state – replaces own services)
 - 470 Transfers

Key figures are easily accessible in Statbank, and they are presented in tables

	2021			
	0301 Oslo	1103 Stavanger	4601 Bergen	5001 Trondheim
Gross operating expenditure for health and care services per inhabitant (NOK)	28 566	26 477	29 728	26 900
Man-years in health and care services per 10 000 inhabitants (man-years)	226.5	250.2	278.8	242.6
Share of net operating expenditures, nursing and care services, of total municipal net operating expenditures (per cent)	24.1	28.9	33.6	30.3
Share of man-years within user directed nursing and care services with health education (per cent)	73.3	80.4	76.6	81.6
Man-years per user of nursing and care services (man-years)	0.63	0.54	0.65	0.56
Share of inhabitants 80 years and over using home-based services (per cent)	25.7	24.7	25.7	26.3
Share of inhabitants 80 years and over in nursing homes (per cent)	12.7	13.8	13.7	13.9
Expenditures per days in institutions (NOK)	3 689	3 732	3 819	3 749
Share of inhabitants 67-79 years with daytime activity programme (per cent)	0.82	0.83	0.64	1.07

The open data gives possibilities for analysis

Another example of available basic data – exported into excel

1	Detailed accounting figures in the operational									
2	accounts, by type, year, contents, region, function									
3			201 Pre-school	202 Primary and lower secondary schools	211 Enhanced kindergarten services	213 Adult education at primary and lower secondary school level	215 Out of school care	221 Pre-school facilities and transportati on	222 School buildings	
4	2017	Net operating expenditure	0101 Halden	203813	299191	14842	3783	0	4473	3171
5			0104 Moss	212469	290679	22085	2832	0	3963	13234
6			0105 Sarpsborg	360223	533892	35922	9681	0	11813	15991
7			0106 Fredrikstad	490911	777612	56420	13696	0	15091	22520
8			0111 Hvaler	24085	49751	1025	-224	0	188	2314
9			0118 Aremark	6842	20053	0	-303	0	664	934
10			0119 Marker	18161	36931	1633	864	0	340	613
11			0121 Rømskog	4008	9289	0	-411	0	683	731
12			0122 Trøgstad	31425	53051	3365	-1062	0	2324	2588
13			0123 Spydeberg	42194	64702	5702	3029	0	100	1912
14			0124 Askim	88633	156734	14180	4567	0	2082	8921
15			0125 Eidsberg	71070	126274	6648	1600	0	2153	4001
16			0127 Skiptvet	27261	47996	2596	102	0	644	3485
17			0128 Rakkestad	46685	84284	3471	1822	0	883	3421
18			0135 Råde	49282	73056	2328	-1818	0	576	1745
19			0136 Rygge	94138	163580	7833	-426	0	3097	1316
20			0137 Våler (Østf.)	44282	65209	2172	-1205	0	592	3103

Example of use - municipalities

- Discussion of development and status in municipalities annual reports
- Comparing with other municipalities – analysis/benchmarking of specific areas
- Strategic planning and annual budgeting – development of targets

KOSTRA is used for planning and budgeting in municipalities - Flora



Flora kommune

BUDSJETT OG HANDLINGSPROGRAM 2019
REVIDERT BUDSJETT 12/2018
ØKONOMIPLAN 2019-2022

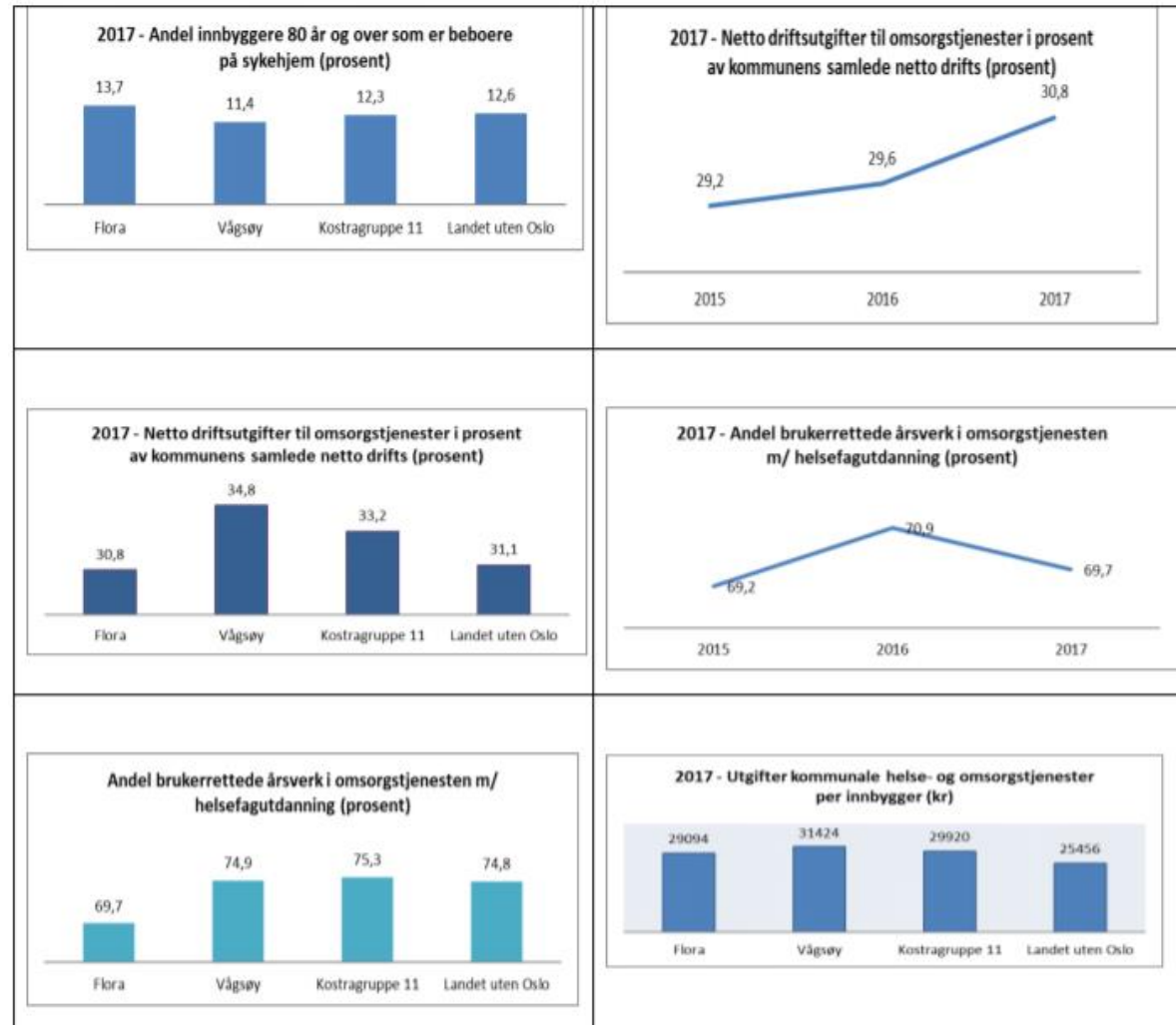


Four year Finance Plan and next years budget
– CEO proposal to the Community Council's
executive committee



Flora kommune – Budsjett – og handlingsprogram 2019 – Økonomiplan 2019-2022

A small selection of key figures for nursing and care services



Example of use – government

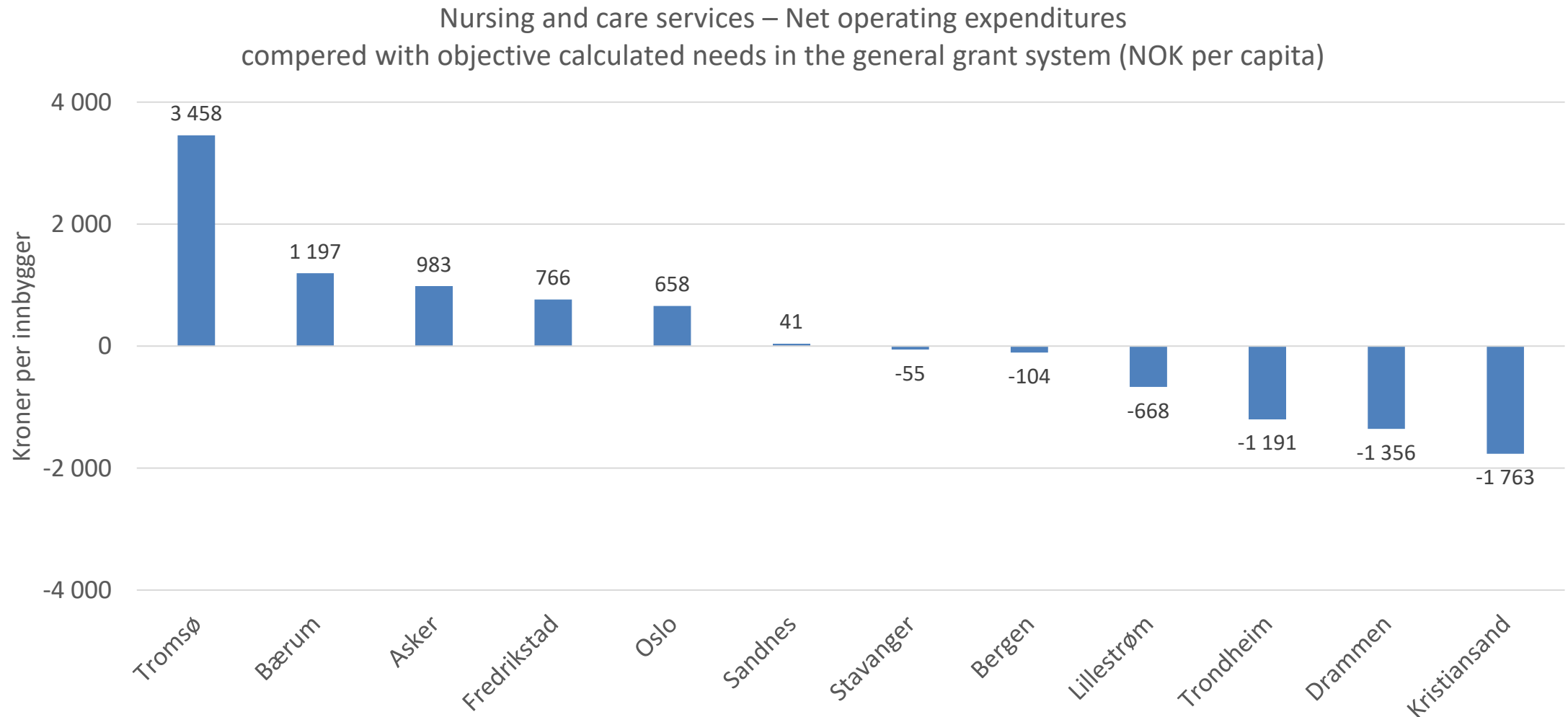
- Statistical analysis, for example in the General Grant system and the expenditure equalization mechanism

Nursing and care services – expenditure equalization key

	Weight
Inhabitants 0 - 66 year old	14,27 %
Inhabitants 67 - 79 years old	10,99 %
Inhabitants 80 - 89 years old	20,21 %
Inhabitants over 90 years old	10,66 %
Population density	2,23 %
Small scale criteria (fixed costs - index between 0,5 and 1)	1,41 %
Inhabitants with intellectual disability 16 years and older	14,03 %
Non married 67 years and older	13,11 %
Standardized mortality	13,11 %
Sum weight	100,00 %

- Information on how municipalities prioritize, for example in relation of national aims

Comparison of priorities between regional municipalities (ASSS)

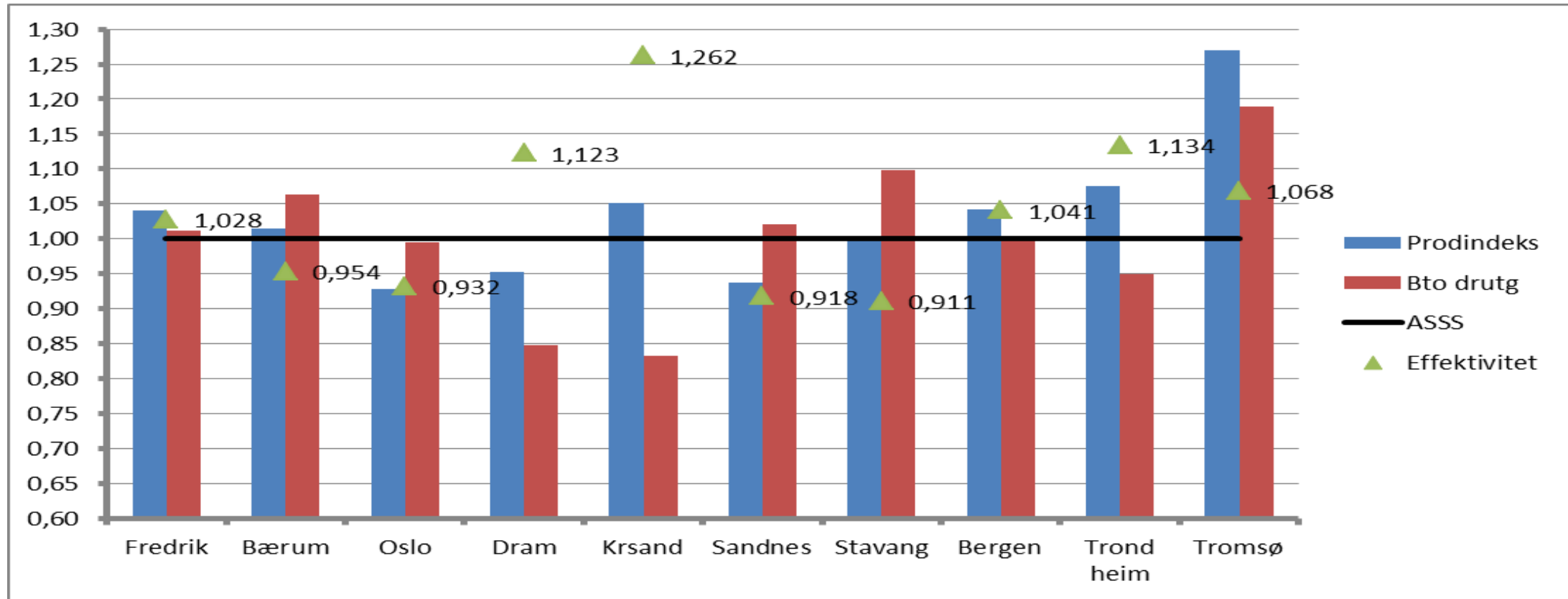


- ASSS – combined management data for collaborating regional municipalities

<https://www.ks.no/asss-hjem/>



Regional municipalities (ASSS): Nursing and care services – efficiency analysis



National media: Check if you pay the most for water, sewage and garbage disposal



Livsstil

Sjekk om du betaler mest for vann, kloakk og søppeltømming

Hva du må betale for vann, avløp og renovasjon i Norge varierer med mer enn 11 000 kroner i året. Det skyldes ikke kvaliteten, men hvilken kommune du bor i.



Vann er ikke bare vann i Kommune-Norge. Noen tar flere tusen kroner mer enn andre for å gi innbyggerne vann i springen, varmklosett og sørge for at noen henter søpla.
FOTO: HANSEN/MOTVOLD LARSEN / NTB SCANPIX



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Lokal newspaper: The municipality has got used to overspending

OPDALINGEN Fredag 27. oktober 2017

NYHETER 7



Kommunestyret prioriterer sti- og løypeplan

Trygve Sande (V) sin interpellasjon om at Oppdal kommune må prioritere å starte opp arbeidet med sti- og løypeplan i løpet av høsten, ble realitetsbehandlet under kommunestyremøtet onsdag. I interpellasjonen skriver Sande at kommunen kan miste de 50.000 kronene som de fikk i tilskudd fra fylkeskommunen, hvis de ikke blir brukt før årsskifte.

Flere av politikerne var imot at man skal deltalystyre administrasjonen for mye og bestemme hva de skal prioritere. Men et flertall av representantene støttet likevel interpellantens forslag.

Fire politikere fra Senterpartiet, en fra Høyre og tre fra Arbeiderpartiet

● Rennebu kommune bruker mye ressurser på drift

- Vi har vent oss til et for høyt forbruk

Kostratallene for 2016 viser at det brukes forholdsvis mye penger på helse, skole og barnehage.

KOMMUNEØKONOMI JAN INGE FLÅ

Økonomirådgiver Karl Petter Gustafsson i Rennebu kommune har på vegne av rådmannen, og etter instruks fra kommunestyret, utarbeidet beregninger som viser den økonomiske og budsjettmessige differansen mellom de faktiske kostnader Rennebu kommune har, og gjennomsnittet for KOSTRA for de enkelte sektorene i kommunen.

- Vi har ikke større lånegjeld enn sammenlignbare kommuner, men vi har brukt pengene på drift, sa Gustafsson i tirsdagens formannskapsmøte.

Merforbruk i forhold til gjennomsnittet

Spørsmålet er hvor mye penger kommunen bruker i forhold til



Marit Bjerhås (Ap), Eli Krogstad (H/V), Ola Øie (Ap), Rolf Arne Bruholt (Sp) og Ola T. Lånke (KrF) i Rennebu formannskap må frem med sparekniven.
Foto: Jan Inge Flå

nene har ulike behov, blant annet på grunn av ulikheter i aldersfordeling og geografi.

- En sammenligning per innbygger har derfor begrenset verdi på flere av kommunens tjenestesektorer. Det er spesielt i

god del mer per innbygger enn nabokommunene til pleie og omsorg. For eksempel bruker Rennebu 3.458 kroner per innbygger på denne sektoren, mens Oppdal bruker under 2.000 kroner

systemene, istemmer Rolf Arne Bruholt (Sp).

Ordfører Ola Øie (Ap), ser at det er rom for endring, og han mener Rennebu har et potensial for effektivisering.
- Vi må endre strukturen på



KS – Yearly publication – “Municipality status – where people live” (mainly based om Kostra data - with complementary assessments)

Status Kommune 2022

Hvordan står det egentlig til i kommunene og fylkene våre? KS samler status, resultater, utviklingstrekk og utfordringer for sektoren i Status Kommune 2022. Publikasjonen kommer ut hvert år.



Rapporten Status Kommune 2022 gir et oppdatert bilde av tilstanden i norske kommuner og fylker – en samlet oversikt over fakta på 117 områder i kommuner og fylkeskommuner.

Foto: Bly

<https://www.ks.no/>

Kostra - summarized in key words

- Standardized reporting - better quality.
 - Data from all municipalities are available.
- Comparability- compare services – benchmarking
- A better tool for planning
- Focus and challenge for the future is to exploit the favorable situation and the possibilities that KOSTRA gives



Thank you for your attention