

City of Trondheim

Rating report

Well-integrated institutional framework for Norwegian municipalities

Norwegian municipalities benefit from comprehensive fiscal equalisation schemes, robust funding support, and effective policy coordination across different tiers of government. A well-structured financial support framework ensures effective crisis response.

Our evaluation of this framework leads to an indicative rating range for Norwegian municipalities spanning from AAA to AA-. This assessment underscores their strong integration with the Norwegian sovereign and the coherence of Norway's sub-sovereign institutional arrangements.

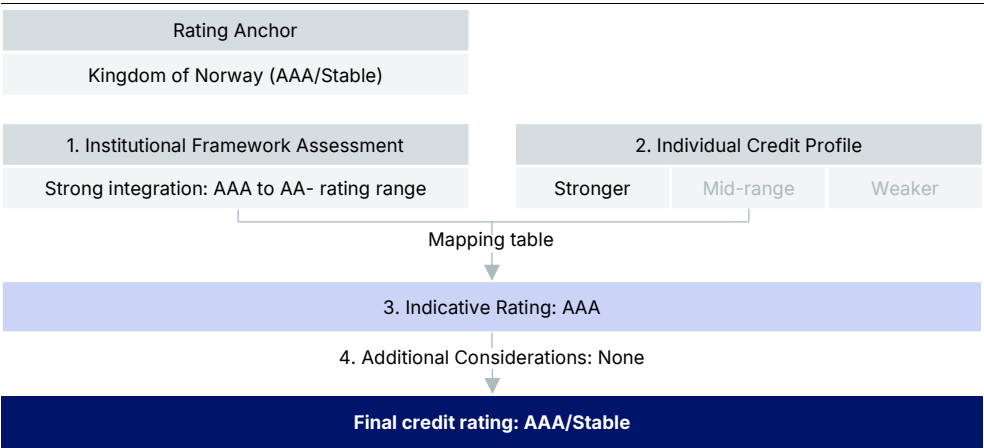
Strong individual credit profile

Trondheim demonstrates strong debt affordability, supported by substantial financial assets through its investment fund and liquidity reserves, a low net interest payment burden, and limited contingent liabilities. The city also shows resilient budgetary performance, with solid operating margins. Trondheim benefits from a diversified economy with favourable growth prospects and positive demographic trends, and it upholds strong governance standards. In addition, the city has low exposure to environmental risks and sets out ambitious climate policies.

Credit challenges

Trondheim's relatively high debt stock is less favourable compared to many domestic peers. In terms of revenue and expenditure flexibility, the city is broadly in line with the Norwegian average, relying significantly on transfers and grants, with a limited share of adjustable own-source revenue.

Figure 1: Trondheim's sovereign-rating drivers



Note: For further details, please see Scope's Sub-sovereigns Rating Methodology.
Source: Scope Ratings

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none">Integrated institutional frameworkStrong debt affordabilityAmple liquidityResilient budgetary performanceWealthy, resilient local economyRobust governance quality	<ul style="list-style-type: none">High debt stock, though backed by own investment fundLimited revenue flexibility and expenditure flexibility

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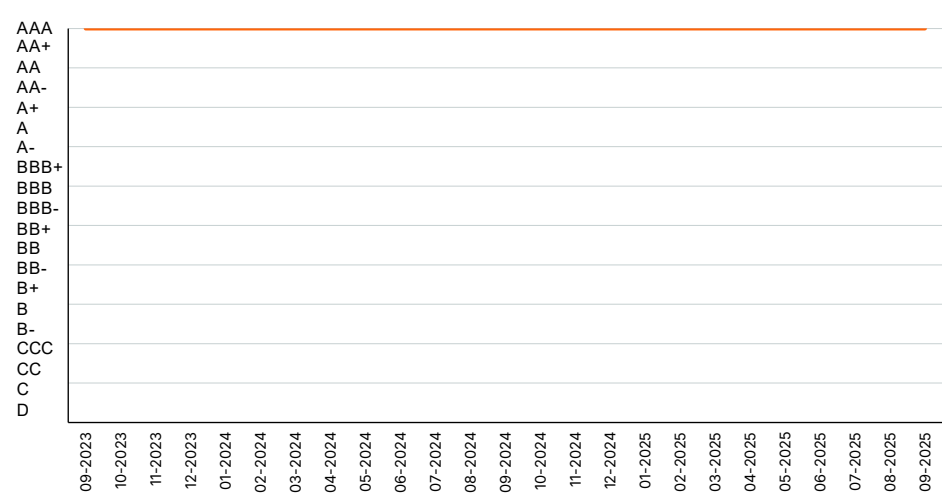
- Credit strengths and challenges
- Outlook and rating triggers
- Appendix I. Institutional Framework Assessment
- Appendix II. Individual Credit Profile
- Appendix III. Mapping table
- Appendix IV. Selected charts
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Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none">Not applicable	<ul style="list-style-type: none">Downgrade of Norway’s sovereign ratingChanges to the framework, materially weakening municipalities’ integration in institutional arrangementsIndividual credit profile weakening significantly

Figure 2: Rating history¹



Source: Scope Ratings

¹ Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment

Appendix I. Institutional Framework Assessment

To assess the institutional framework, we apply a Qualitative Scorecard (QS1) centred around 6 components. We assess each analytical component on a five-point scale ranging from a score of 0 for 'low' integration to 100 for 'full' integration. The institutional framework score, ranging from 0 to 100, is calculated as a simple average of these assessments. The score is then used to determine a rating range from the rating anchor level, within which the sub-sovereign's rating can be positioned.

Our assessment of intergovernmental integration between Norwegian municipalities and the Kingdom of Norway (AAA/Stable) results in an indicative **downward rating range of up to three notches** from the Norwegian sovereign, within which the municipalities can be positioned according to their individual credit strengths.

Institutional Framework scorecard (QS1)

Analytical component	Full integration (100)	Strong integration (75)	Medium integration (50)	Some integration (25)	Low integration (0)
Extraordinary support and bail-out practices		●			
Ordinary budgetary support and fiscal equalisation	●				
Funding practices		●			
Fiscal rules and oversight		●			
Revenue and spending powers		●			
Political coherence and multilevel governance		●			
Integration score	79				
Downward rating range	0-3				

Institutional framework score	100 > x ≥ 90	90 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 > x ≥ 10	10 > x ≥ 0
Indicative rating range	0-1	0-2	0-3	0-4	0-5	0-6	0-7	0-8	0-9	0-10

Appendix II. Individual Credit Profile

Risk pillar	Analytical component	Assessment		
Debt and liquidity	Debt burden & trajectory	Stronger	Mid-range	Weaker
	Debt profile & affordability	Stronger	Mid-range	Weaker
	Liquidity position & funding flexibility	Stronger	Mid-range	Weaker
	Contingent liabilities	Stronger	Mid-range	Weaker
Budget	Budgetary performance & outlook	Stronger	Mid-range	Weaker
	Revenue flexibility	Stronger	Mid-range	Weaker
	Expenditure flexibility	Stronger	Mid-range	Weaker
Economy	Wealth & economic resilience	Stronger	Mid-range	Weaker
Governance	Environmental factors	Stronger	Mid-range	Weaker
	Social factors	Stronger	Mid-range	Weaker
	Governance & transparency	Stronger	Mid-range	Weaker

ICP score	80
Indicative notching	0

Appendix III. Mapping table

We derive the indicative sub-sovereign rating by mapping the result of the institutional framework assessment (i.e. the indicative rating range) to the ICP score.

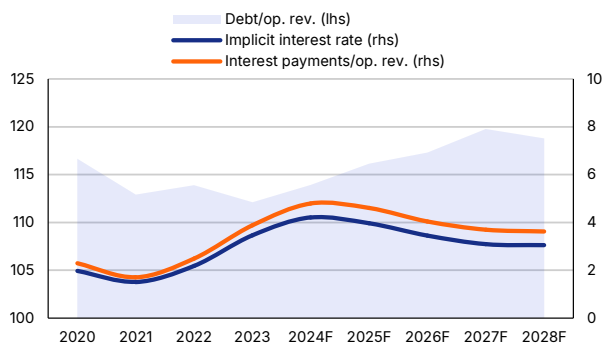
For Trondheim, this results in an indicative rating aligned with the sovereign rating of AAA. No additional considerations apply.

Institutional framework assessment		Individual credit profile score							
Score	Downward rating range	100 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 ≥ x > 0
100 > x ≥ 90	0-1	0	0	0	0	0	0	-1	-1
90 > x ≥ 80	0-2	0	0	-1	-1	-1	-1	-2	-2
80 > x ≥ 70	0-3	0	-1	-1	-1	-2	-2	-3	-3
70 > x ≥ 60	0-4	0	-1	-1	-2	-2	-3	-3	-4
60 > x ≥ 50	0-5	0	-1	-1	-2	-2	-3	-4	-5
50 > x ≥ 40	0-6	0	-1	-1/-2	-2/-3	-2/-3	-3/-4	-4/-5	-6
40 > x ≥ 30	0-7	0	-1/-2	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7
30 > x ≥ 20	0-8	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-6/-7	-8
20 > x ≥ 10	0-9	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7/-8	-9
10 > x ≥ 0	0-10	0	-1/-2	-2/-3	-3/-4	-5/-6	-7/-8	-9/-10	-10

Note: Mapping table under section 4 of Scope's Sub-sovereigns Rating Methodology, as applied to the rating anchor's AAA-ratings.

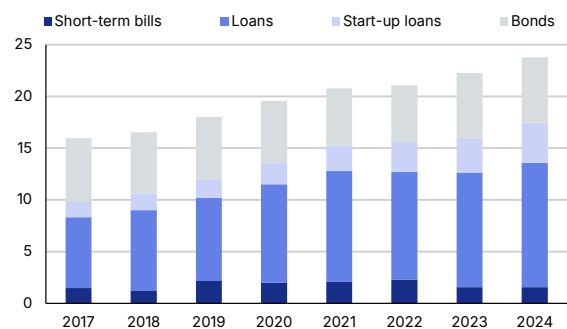
Appendix IV. Selected charts

Figure 3: Debt and interest burden, %



Sources: Trondheim Kommune, KOSTRA database, Scope Ratings

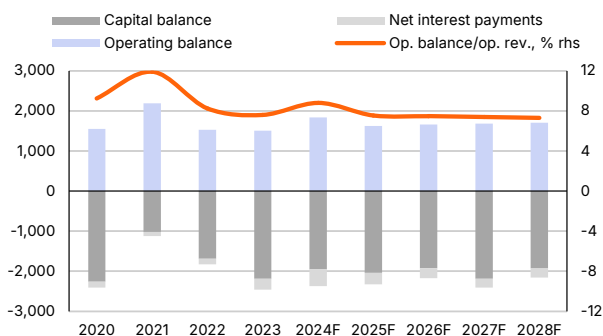
Figure 4: Debt by instrument, NOK bn



Sources: Trondheim Kommune, Scope Ratings

Figure 5: Budgetary performance

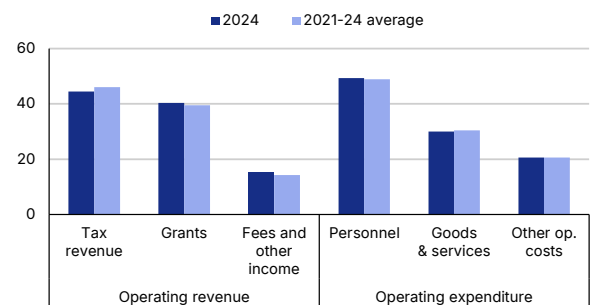
NOK m (lhs); % (rhs)



Sources: Trondheim Kommune, KOSTRA database, Scope Ratings

Figure 6: Operating revenue and expenditure composition

% of total operating revenue and expenditure respectively



Sources: Trondheim Kommune, KOSTRA database, Scope Ratings

Appendix V. Statistical table

	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F
Budgetary performance (NOK m)									
Operating revenue	16,784	18,390	18,513	19,860	20,868	21,539	22,188	22,746	23,319
Tax revenue	7,120	8,218	9,228	9,059	9,280	9,597	9,906	10,176	10,452
Grants	7,262	7,469	6,945	7,889	8,418	8,685	8,945	9,167	9,394
Fees and other income	2,403	2,703	2,339	2,912	3,170	3,256	3,337	3,404	3,472
Operating expenditure	15,233	16,198	16,983	18,352	19,031	19,911	20,528	21,063	21,614
Personnel	7,597	7,893	8,310	8,915	9,400	9,862	10,090	10,324	10,563
Good and services	4,513	4,985	5,079	5,692	5,705	5,880	6,032	6,127	6,223
Other operating expenditure	3,123	3,320	3,594	3,744	3,927	4,169	4,406	4,612	4,828
Operating balance	1,552	2,192	1,530	1,508	1,837	1,628	1,660	1,684	1,705
Interest received	235	208	324	501	579	709	649	619	619
Interest paid	385	313	460	770	1,000	991	898	841	845
Current balance	1,402	2,087	1,393	1,239	1,416	1,346	1,412	1,462	1,478
Capital balance	-2,258	-1,018	-1,690	-2,189	-1,954	-2,042	-1,922	-2,187	-1,933
Balance before debt movement	-856	1,068	-297	-950	-538	-696	-510	-725	-454
Debt (NOK m)									
Financial debt	19,582	20,765	21,084	22,266	23,779	25,016	26,028	27,245	27,700
Bank loans	11,598	13,211	13,291	14,421	15,938	16,266	16,924	17,716	18,011
Bonds	6,000	5,500	5,500	6,300	6,300	6,745	7,018	7,346	7,469
Commercial paper	1,984	2,054	2,293	1,545	1,541	2,005	2,086	2,183	2,220
Financial ratios									
Debt/operating revenue, %	116.7	112.9	113.9	112.1	113.9	116.1	117.3	119.8	118.8
Debt/operating balance, years*	12.6	9.5	13.8	14.8	12.9	15.4	15.7	16.2	16.2
Interest payments/operating revenue, %	2.3	1.7	2.5	3.9	4.8	4.6	4.0	3.7	3.6
Implicit interest rate, %	2.0	1.5	2.2	3.5	4.2	4.0	3.4	3.1	3.1
Operating balance/operating revenue, %	9.2	11.9	8.3	7.6	8.8	7.6	7.5	7.4	7.3
Balance before debt movement/total revenue, %	-4.7	5.3	-1.5	-4.4	-2.4	-3.0	-2.2	-3.0	-1.8
Transfers and grants/operating revenue, %	43.3	40.6	37.5	39.7	40.3	40.3	40.3	40.3	40.3
Personnel costs/operating expenditure, %	49.9	48.7	48.9	48.6	49.4	49.5	49.2	49.0	48.9
Capital expenditure/total expenditure, %	17.7	13.1	12.7	15.7	12.6	11.7	11.6	11.8	11.5

* Capped at 100 years; n.a. in case of operating deficits

We refer to consolidated accounts as per the KOSTRA database, and then we remove depreciation and repayment instalments from operating expenditure.

Source: KOSTRA, Trondheim Kommune, Scope Ratings

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