

City of Bergen

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.

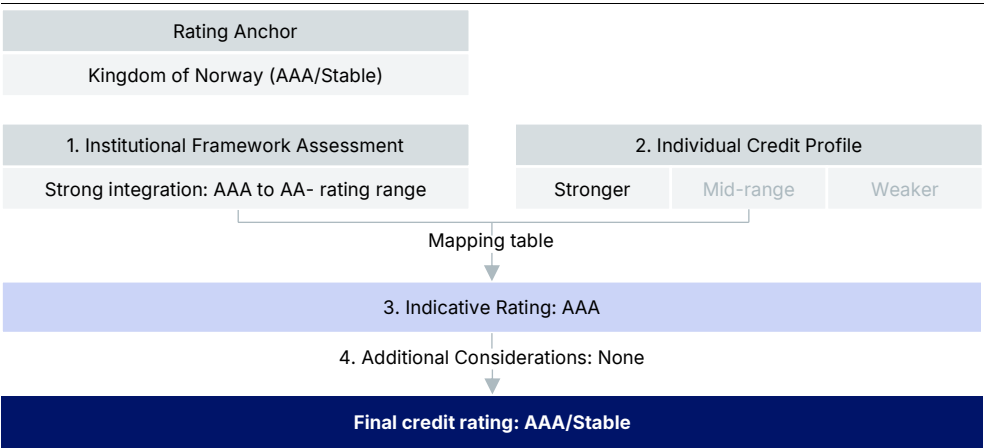
Strong individual credit profile

Bergen demonstrates prudent financial management, robust liquidity, a favourable debt profile and limited contingent liabilities. Bergen 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

Bergen, as many other Norwegian cities, faces increasing operating and investment spending pressures weighing on the city's operating margins, with a limited share of adjustable own-resource revenue. The financial debt stock is aligned with peers but on an increasing trend, given the high investment activity.

Figure 1: Bergen's 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

Lead Analyst

Alessandra Poli
+49 698700 27498
a.poli@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Credit strengths and challenges

Credit strengths	Credit challenges
- Favourable debt profile - Robust liquidity - Wealthy, resilient local economy - Solid governance - Integrated institutional framework	- High spending pressures weighing on operating margins - Increasing debt burden

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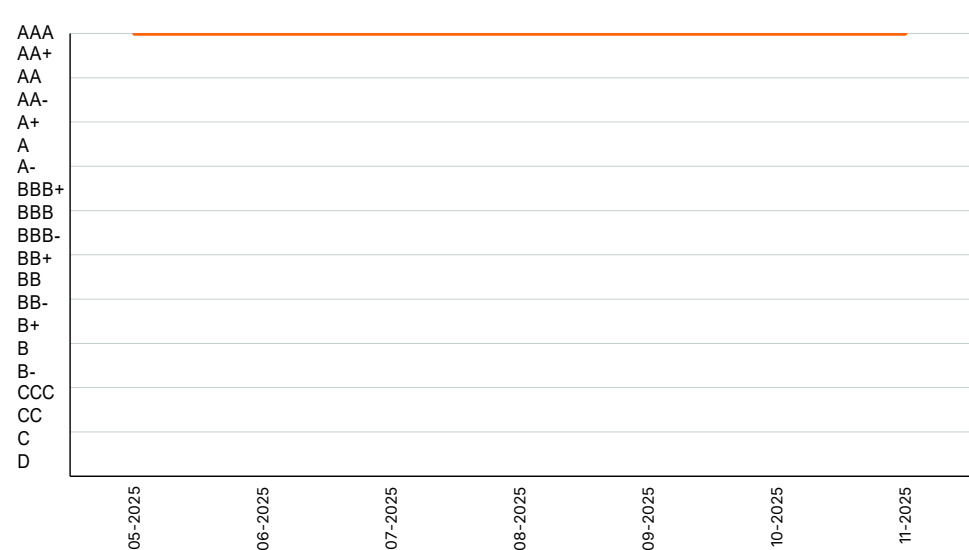
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Outlook and rating triggers

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

Positive rating-change drivers	Negative rating-change drivers
Not applicable	- Downgrade of Norway’s sovereign rating - Material weakening in the institutional framework resulting in lower municipal integration in institutional arrangements - Individual 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 1. 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 2. 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
ESG	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 3. 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.

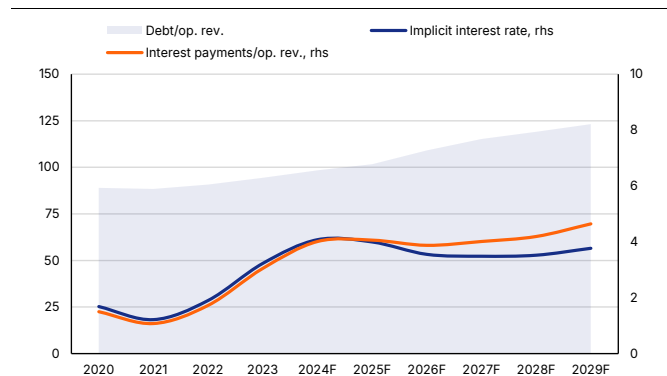
For Bergen, this results in an indicative rating aligned with the sovereign rating of AAA. No additional considerations apply.

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 6 of Scope's Sub-sovereign Rating Methodology, as applied to the rating anchor's AAA-ratings.

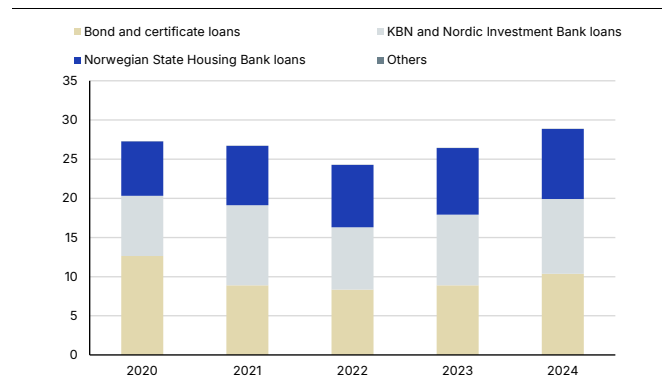
Appendix 4. Selected charts

Figure 3: Debt and interest burden, %



Sources: Bergen Kommune, KOSTRA database, Scope Ratings

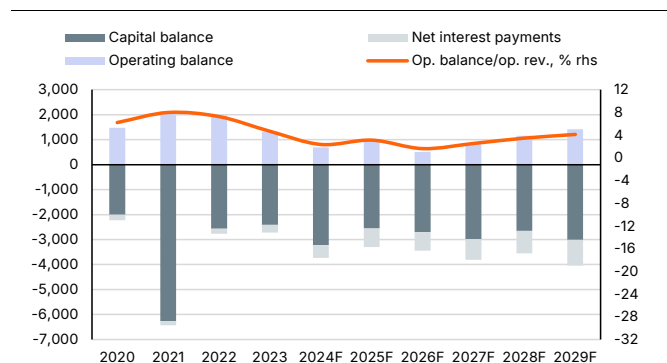
Figure 4: Debt by instrument, NOK bn



Sources: Bergen Kommune, Scope Ratings

Figure 5: Budgetary performance

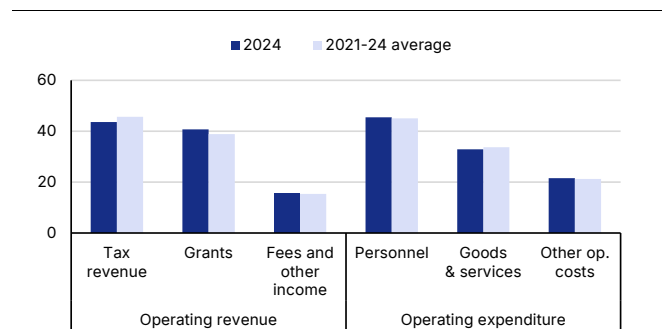
NOK m (lhs); % (rhs)



Sources: Bergen Kommune, KOSTRA database, Scope Ratings

Figure 6: Operating revenue and expenditure composition

% of total operating revenue and expenditure respectively



Sources: Bergen Kommune, KOSTRA database, Scope Ratings

Appendix 5. Statistical table

	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
Budgetary performance (NOK m)										
Operating revenue	23,758	26,031	27,096	28,302	29,608	30,957	31,533	32,462	33,421	34,410
Tax revenue	10,384	11,809	13,314	12,725	12,910	13,353	13,785	14,161	14,548	14,946
Grants	9,775	10,437	9,676	10,985	12,060	12,357	12,660	12,972	13,291	13,618
Fees and other income	3,599	3,785	4,106	4,591	4,638	4,858	5,088	5,329	5,582	5,846
Operating expenditure	22,281	23,952	25,128	26,978	28,912	29,994	31,023	31,642	32,262	32,994
Personnel	9,971	10,577	11,337	12,225	13,150	13,835	14,460	14,939	15,434	15,945
Good and services	7,458	8,358	8,488	9,000	9,522	9,812	10,015	10,002	9,969	9,928
Other operating expenditure	4,852	5,017	5,302	5,753	6,240	6,447	6,648	6,802	6,960	7,121
Operating balance	1,476	2,079	1,968	1,323	696	963	511	820	1,159	1,416
Interest received	138	115	256	556	676	516	478	474	501	567
Interest paid	355	279	467	863	1,188	1,257	1,222	1,303	1,401	1,598
Current balance	1,259	1,915	1,758	1,016	185	222	-233	-8	259	384
Capital balance	-2,006	-6,272	-2,561	-2,413	-3,221	-2,556	-2,703	-2,980	-2,652	-3,009
Balance before debt movement	-747	-4,357	-804	-1,397	-3,036	-2,334	-2,936	-2,988	-2,393	-2,624
Debt (NOK m)										
Financial debt	21,136	23,017	24,578	26,730	29,140	31,474	34,410	37,398	39,791	42,415
Bank loans	21,136	23,017	24,578	26,730	16,510	-	-	-	-	-
Bonds	0	0	0	0	10,900	-	-	-	-	-
Commercial paper	0	0	0	0	1,730	-	-	-	-	-
Financial ratios										
Debt/operating revenue, %	89.0	88.4	90.7	94.4	98.4	101.7	109.1	115.2	119.1	123.3
Interest payments/operating revenue, %	1.5	1.1	1.7	3.0	4.0	4.1	3.9	4.0	4.2	4.6
Implicit interest rate, %	1.7	1.2	1.9	3.2	4.1	4.0	3.6	3.5	3.5	3.8
Operating balance/operating revenue, %	6.2	8.0	7.3	4.7	2.4	3.1	1.6	2.5	3.5	4.1
Balance before debt movement/total revenue, %	-3.0	-15.9	-2.8	-4.7	-9.7	-7.3	-9.0	-8.9	-6.9	-7.3
Transfers and grants/operating revenue, %	41.1	40.1	35.7	38.8	40.7	39.9	40.1	40.0	39.8	39.6
Personnel costs/operating expenditure, %	44.8	44.2	45.1	45.3	45.5	46.1	46.6	47.2	47.8	48.3
Capital expenditure/total expenditure, %	10.8	23.7	11.8	11.3	12.1	9.2	9.6	10.2	9.3	9.9

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

Source: KOSTRA, Bergen Kommune, Scope Ratings

Lead Analysts

Analyst

Alessandra Poli
+49 698700 27498
a.poli@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

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Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
scoperatings.com

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