

City of Trondheim

Rating report

A well-integrated institutional framework for Norwegian municipalities

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

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

A strong individual credit profile

Trondheim displays strong debt affordability, supported by substantial liquidity reserves and financial assets via its investment fund, a low interest payment burden and a low risk of contingent liabilities. It also demonstrates resilient budget performance with high operating margins. Trondheim benefits from a diversified economy with favourable growth prospects and positive demographics and upholds strong governance quality. In addition, Trondheim exhibits low exposure to environmental risks and sets out ambitious climate policies.

Credit challenges

Compared to other municipalities, Trondheim's higher debt stock compares less favourably. In terms of revenue and expenditure flexibility, the municipality aligns with the Norwegian average, relying significantly on transfers and grants while having a limited portion of adjustable revenue.

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Lead Analyst

Jakob Suwalski

+34 919491 663

j.suwalski@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Table of contents

[Credit strengths and challenges](#)

[Outlook and rating triggers](#)

[Appendix I. Institutional Framework Assessment](#)

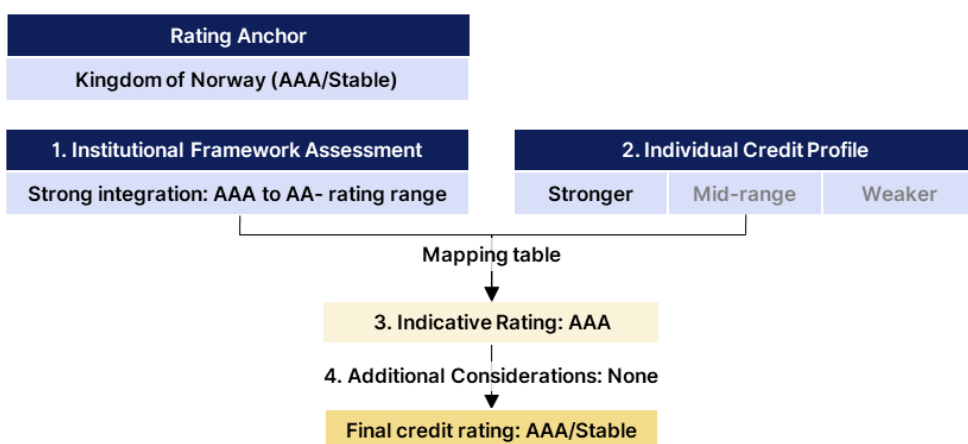
[Appendix II. Individual Credit Profile](#)

[Appendix III. Mapping table](#)

[Appendix IV. Selected charts](#)

[Appendix V. Statistical table](#)

Figure 1: Trondheim's rating drivers



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

Credit strengths and challenges

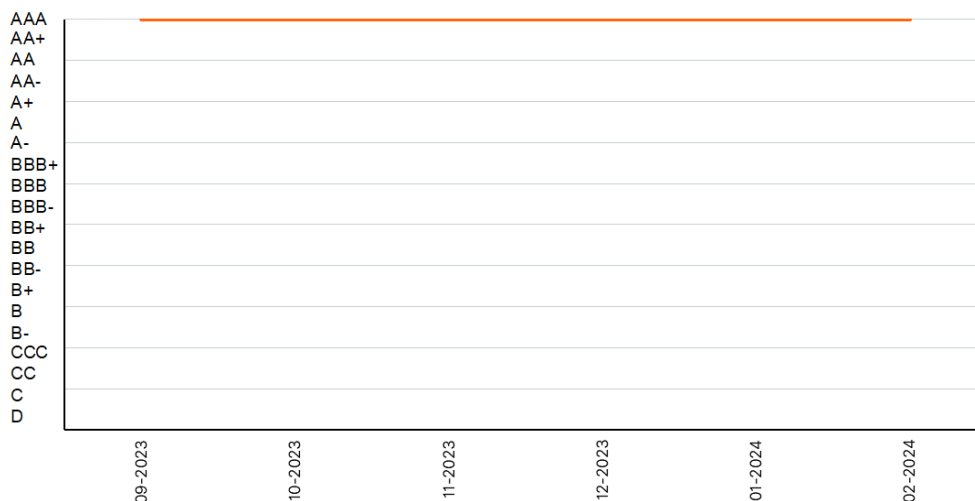
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • Ample liquidity • Resilient budgetary performance • Robust governance quality • Wealthy, resilient local economy • Favourable debt profile • Integrated institutional framework 	<ul style="list-style-type: none"> • High debt stock, though backed by own investment fund • Limited revenue flexibility and expenditure flexibility

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 rating • Reforms to framework, materially weakening municipalities’ integration in institutional arrangements • Individual credit profile weakening significantly and structurally

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
	Contingent liabilities	Stronger	Mid-range	Weaker
	Liquidity position & funding flexibility	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 levels and economic resilience	Stronger	Mid-range	Weaker
	Economic sustainability	Stronger	Mid-range	Weaker
Governance	Governance and financial management	Stronger	Mid-range	Weaker

Additional environmental and social factors	Assessment		
Environmental factors and resilience	Positive impact	No impact	Negative impact
Social factors and resilience	Positive impact	No impact	Negative impact

ICP score	80
Indicative notching	0

Appendix III. Mapping table

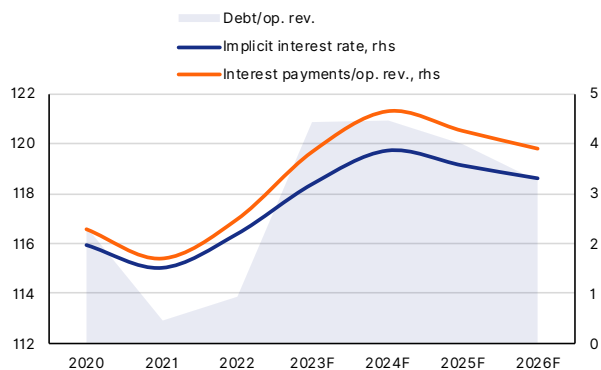
We derive the indicative sub-sovereign rating by mapping the result of the institutional framework assessment (i.e. the indicative rating range) to the ICP score.

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.

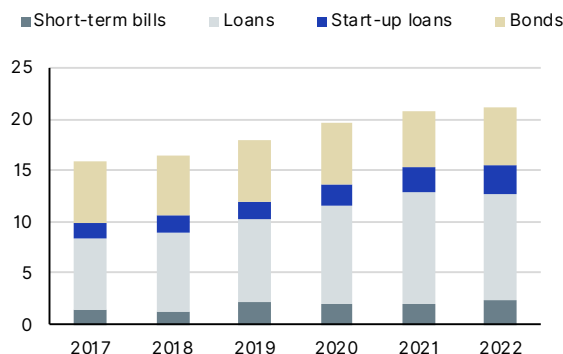
Appendix IV. Selected charts

Debt and interest burden, %



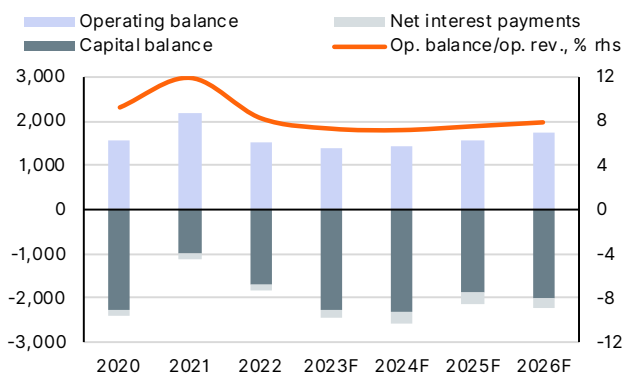
Sources: Trondheim Kommune, KOSTRA, Scope Ratings

Debt by instrument, NOK bn



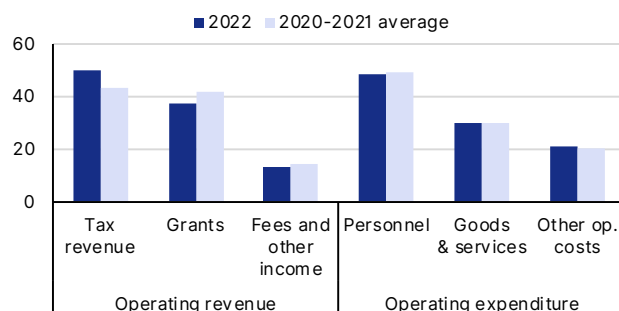
Sources: Trondheim Kommune, KOSTRA, Scope Ratings

Budgetary performance, NOK m (lhs); % (rhs)



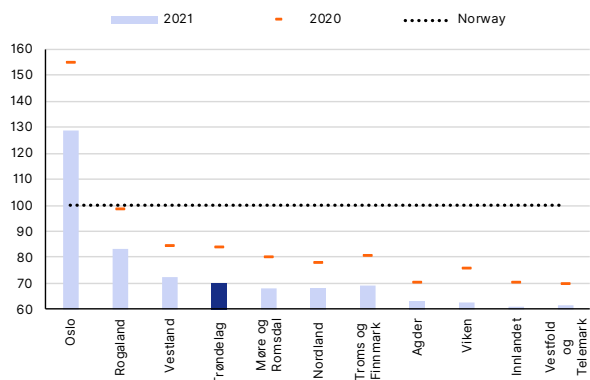
Sources: Trondheim Kommune, KOSTRA, Scope Ratings

Operating budget composition, % of total



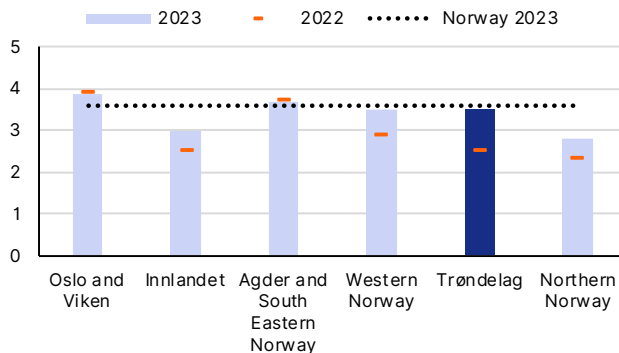
Sources: Trondheim Kommune, KOSTRA, Scope Ratings

GDP per capita, % of national average



Sources: Statistics Norway, Scope Ratings

Unemployment rate, %



Sources: Statistics Norway, Scope Ratings

Appendix V. Statistical table

	2020	2021	2022	2023F	2024F	2025F	2026F
Budgetary performance (NOK m)							
Operating revenue	16,784	18,390	18,513	18,697	19,957	20,910	21,916
Tax revenue	7,120	8,218	9,228	9,018	9,735	10,315	10,929
Grants	7,262	7,469	6,945	7,172	7,670	8,048	8,446
Fees and other income	2,403	2,703	2,339	2,507	2,552	2,547	2,542
Operating expenditure	15,233	16,198	16,983	17,329	18,522	19,336	20,187
Personnel	7,597	7,893	8,310	8,786	9,408	9,810	10,230
Good and services	4,513	4,985	5,079	5,217	5,498	5,673	5,854
Other operating expenditure	3,123	3,320	3,594	3,327	3,617	3,852	4,103
Operating balance	1,552	2,192	1,530	1,368	1,435	1,574	1,729
Interest received	235	208	324	507	685	649	632
Interest paid	385	313	460	719	930	893	857
Current balance	1,402	2,087	1,393	1,156	1,190	1,331	1,504
Capital balance	-2,258	-1,018	-1,690	-2,258	-2,334	-1,896	-2,016
Balance before debt movement	-856	1,068	-297	-1,103	-1,143	-564	-512
Debt (NOK m)							
Financial debt	19,582	20,765	21,084	22,596	24,136	25,089	25,975
Bank loans	11,598	13,211	13,291				
Bonds	6,000	5,500	5,500				
Commercial paper	1,984	2,054	2,293				
Financial ratios							
Debt/operating revenue, %	116.7	112.9	113.9	120.9	120.9	120.0	118.5
Debt/operating balance, years*	12.6	9.5	13.8	16.5	16.8	15.9	15.0
Interest payments/operating revenue, %	2.3	1.7	2.5	3.8	4.7	4.3	3.9
Implicit interest rate, %	2.0	1.5	2.2	3.2	3.9	3.6	3.3
Operating balance/operating revenue, %	9.2	11.9	8.3	7.3	7.2	7.5	7.9
Balance before debt movement/total revenue, %	-4.7	5.3	-1.5	-5.4	-5.3	-2.5	-2.2
Transfers and grants/operating revenue, %	43.3	40.6	37.5	38.4	38.4	38.5	38.5
Personnel costs/operating expenditure, %	49.9	48.7	48.9	50.7	50.8	50.7	50.7
Capital expenditure/total expenditure, %	17.7	13.1	12.7	16.0	13.7	11.6	12.6

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

Source: KOSTRA, Trondheim Kommune, Scope Ratings

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

Lead Analysts

Analyst

Jakob Suwalski, Madrid
+34 919491 663
j.suwalski@scoperatings.com

Analyst

Alessandra Poli
+49 69 8700274-98
a.poli@scoperatings.com

Team Leader

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

Related research

[Norway's local government sector: robust framework supports credit profile; funding needs on a rise](#), 26 June 2023
[European Sub-Sovereign Outlook 2024](#), 5 February 2024

Applied methodologies

[Sub-Sovereign Rating Methodology](#), 11 October 2023

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin
[scoperatings.com](https://www.scoperatings.com)

Phone: +44 20 7824 5180
Fax: +49 30 27891-100
info@scoperatings.com

in
Bloomberg: RESP SCOP
[Scope contacts](#)

Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin.