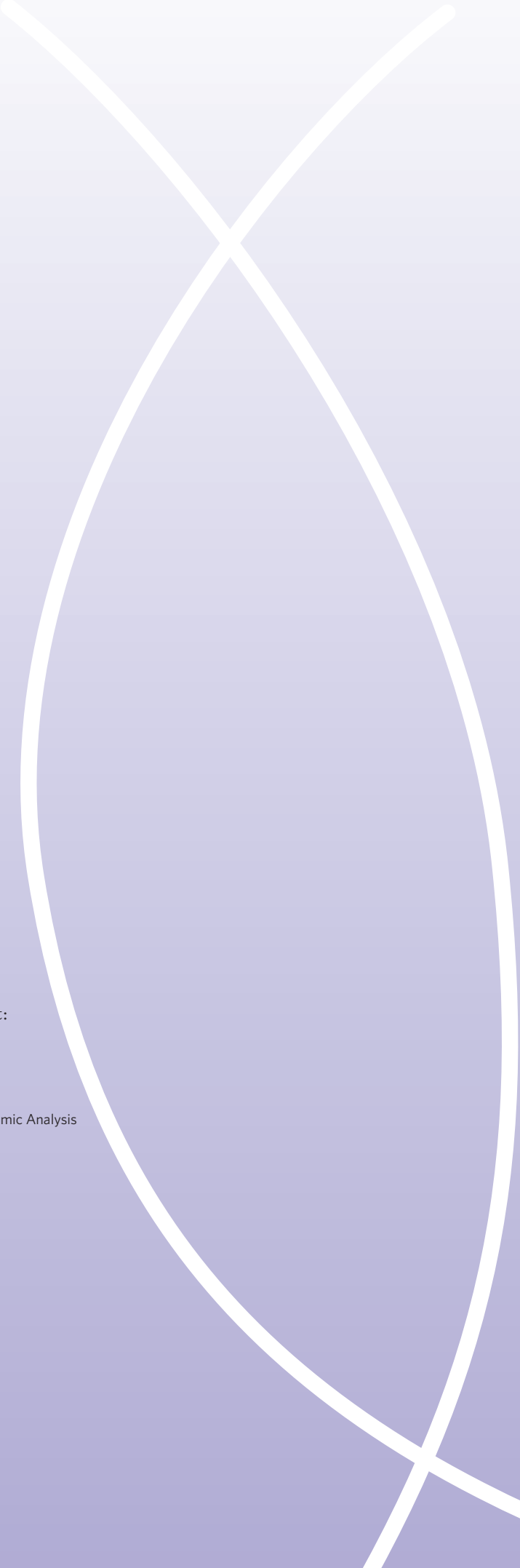


The Economy Report.

ON SWEDISH MUNICIPAL AND COUNTY COUNCIL FINANCES
- APRIL 2014





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Foreword

The Economy Report illustrates the financial situation and conditions of county councils and municipalities and the development of the Swedish economy over the next few years. It is published twice yearly by the Swedish Association of Local Authorities and Regions (SALAR). The calculations in this issue extend to 2017.

We are now in a period during which our sector will have to deal with major demographic changes, especially in schools, elderly care and healthcare. In this issue we therefore present in-depth analyses of some of these areas, in which we try to learn from history so as to be better able to depict the course of developments in the coming years. In addition to demographic change, we have now had several years with high levels of investment resulting in greater costs. We expect net income for the sector to be a surplus of about SEK 10 billion in 2014, corresponding to 1.4 per cent of taxes and government grants. The level of net income will then decrease gradually. To achieve net income of more than SEK 8 billion in 2017, corresponding to 1 per cent of taxes and government grants, the tax rate will have to be increased by 0.29 percentage points and government grants by almost SEK 11 billion compared with the present level.

This is an abridged version of the report. It contains the Summary (supplemented with some diagrams from the main report), excerpts from Municipal and County council finances as well as the Annex. It has been written by staff at the SALAR Section for Economic Analysis and has not been considered at political level within the Association. The persons who can reply to questions are given on the inside cover page. Other SALAR staff have also contributed facts and valuable comments. The translation is by Ian MacArthur, following slight revisions by Elisabet Jonsson and Anna Kleen. We are very grateful to the municipalities and county councils that have contributed basic data to our report.

Stockholm, April 2014

Annika Wallenskog
Section for Economic Analysis

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Summary

Municipalities and county councils are continuing to show relatively good net income. One contributory factor is continued strong tax base growth. Now that the international economy is gaining strength and the Swedish economy is changing to a higher gear, tax base growth will be even better. In the future the volume of costs is expected to rise by 0.5 per cent over and above needs generated by demography in the municipalities, and by just over 1 per cent over and above needs generated by demography in the county councils. In addition to higher government grants, tax increases up until 2017 corresponding to 0.06 percentage points in municipalities and 0.23 percentage points in county councils will be required to make this cost growth compatible with net income corresponding to 1 per cent of taxes and government grants.

Fairly good tax base growth despite economic downturn

The international recession that followed on from the finance and debt crisis is now in its sixth year. This has been a long drawn-out process with a number of complications. A cyclical recovery has started but has come further in some countries than in others. The situation in the US economy has improved gradually and the euro area has also been showing growth for the past year. This development is being supported by the expansive monetary policy of central banks and a gradual relaxation of fiscal policies. Developments in the Ukraine have created uncertainty, but so far the spread to financial markets has been limited.

The weak development of the international economy in recent years is one reason why the Swedish economy is still in recession. As a result of its strong dependence on exports, the Swedish economy has been hit hard by declining international demand. The nature of the crises has also contributed to considerable uncertainty, which has made households and businesses defer consumption and investments. Despite low interest rates and an expansive fiscal

Between 2001 and 2005 unemployment rose from 5.8 to 7.8 per cent. Between 2008 and 2013 unemployment rose from 6.2 to 8.0 per cent. Despite the similarities in the development of unemployment during these two economic downturns, employment has developed in very different ways. Not only employment but also the local government sector's tax base developed much better in the latter downturn phase.

policy the Swedish economy is still in recession five and a half years after the outbreak of the financial crisis.

Despite this weak economic development, employment in Sweden has performed relatively well. The positive growth of employment has contributed to the favourable development of municipal and county council tax bases. Compared with the economic downturn in 2001–2005, when unemployment also rose by almost 2 percentage points, developments between 2008 and 2013 have been much better with respect to employment and the tax base (see the comparison in table 1).

Table 1 • GDP, employment and real tax base
Annual percentage change, figures adjusted for calendar effects

	2001-2005	2008-2013
GDP	3.0	1.4
Hours worked	-0.7	0.5
Real tax base	0.1	1.3

Sources: The National Institute of Economic Research, the Swedish Tax Agency and the Swedish Association of Local Authorities and Regions..

Swedish economy approaching balance

The Swedish economy ended 2013 very strongly. It has also started 2014 well and the prospects for the future appear good. One reason is that the international economy is picking up increasing speed. Sweden is a small economy, highly dependent on other countries. The growing strength of the international economy is therefore making a clear contribution to the Swedish economy. It is particularly important that growth in Europe and in our Nordic neighbours especially takes a decisive step forward.

After two years of largely unchanged exports, Swedish exports are expected to rise by 4.7 per cent in 2014 and 6.6 per cent in 2015. From a historical perspective these are not high growth figures, but they still do represent a considerable difference compared with a state of zero growth. At the same time as conditions for the export industry become stronger, there is also an upturn in investment in the business sector. Household consumption expenditure is also picking up more pace and next year there will be a clear downturn in households' high savings. Our assessment is that GDP, adjusted for calendar effects, will grow by about 3 per cent both this year and next year.

The higher growth rate will mean continued growth in employment. However, the improvement of the situation in the labour market will be relatively weak. The improvement that will nevertheless take place will have a positive impact on the tax base. Our assessment is that, in real terms, the tax base will grow by 1.8 per cent this year and 2.1 per cent in 2015. In both cases this is well above the trend growth.

The calculation carried out for 2016 och 2017 assumes that the Swedish economy will continue to move towards cyclical balance. One important assumption is that international developments remain positive at the same time as household consumption expenditure and business sector investments continue to grow relatively rapidly. The local government sector is also contributing to the recovery of the Swedish economy with a cost volume that grows by about 2 per cent per year. The growth of exports and domestic demand make possible relatively rapid growth of GDP and employment, with the latter contributing to continued favourable tax base growth. In 2016 and 2017 tax base growth will also benefit greatly from sharp rises in pensions.

General government net lending will not reach the target of a surplus in savings corresponding to 1 per cent of GDP over the business cycle. The situation in 2017 will mainly be characterised by cyclical balance, but, despite this, general government net lending will show a deficit corresponding to 0.2 per cent of GDP. Despite deficits throughout the forecast and calculation period, general government gross debt will fall as a share of GDP due to the increase in GDP. At the same time net financial assets will rise to more than 30 per cent of GDP. The financial position of the public sector can therefore be described as strong, despite the deficits.

Table 2 • GDP, employment and real tax base
Annual percentage change

	2008-2013	2013-2015	2015-2017
GDP	1.4	3.0	2.9
Hours worked	0.5	1.0	1.2
Real tax base	1.3	2.0	2.1

Sources: The National Institute of Economic Research, the Swedish Tax Agency and the Swedish Association of Local Authorities and Regions.

Higher GDP growth will lead to a stronger increase in employment and stronger tax base growth in the future.

Increases in demographic demands – a challenge for municipalities and county councils

Net income in municipalities and county councils has been strong for a long period. In aggregate, municipalities and county councils have reported positive net income since 2005. However, the county councils have much more brittle finances than the municipalities and reported deficits in 2011 and 2013, mainly as a result of a reduced discount rate for pensions. The average for the period 2005–2013 for the local government sector as a whole corresponds to net income of 2.2 per cent of taxes and government grants. This is a level of net income that exceeds the benchmark for healthy finances.

The surpluses have also been substantial in the past few years. This is largely due to temporary factors such as repayments of premiums from the AFA Försäkring insurance company and cyclical support from central government, but it should also be added that in several years tax base growth has been better than expected. Another contributing factor has been that, in recent years, costs in the sector have increased slightly more slowly than normal.

Government grants have developed relatively slowly since 2004. In real terms they have not increased at all per inhabitant in the municipalities, even though many new and broader responsibilities have been added. In the county councils government grants have increase by an average of 1.2 per cent per inhabitant in fixed prices during the period. Adjusted for broader responsibilities, government grants have decreased in real terms.

In the future we expect cost growth to largely follow the historical trend. For the municipalities this means a cost increase of about half a percentage point above the development of demographic needs, and for the county councils it means a cost increase of just over 1 percentage point over and above the development of demographic needs.

Demographic needs will increase in the future at an ever faster rate. This is especially true of the municipalities. They can look forward to a sharp rise in the number of children of preschool and school age. For the county councils the ageing of the large generation born in the 1940s will give rise to growing health care needs, but it is of greater importance that the population as a whole is increasing strongly as a result of extensive net immigration. The demo-

Between 2005 and 2013 the local government sector's costs rose annually by an average of 1.6 per cent, which is 0.9 percentage points above the calculated demands due to changes in the size and the age structure of the population. In the future the local government sector's costs are expected to rise at a faster rate. The main cause is faster growth of demographic needs

graphic needs for local government services are expected to increase by more than 1 per cent per year. In 2016 and 2017, the years covered by the calculation, the increase is as high as 1.4 per cent, which is twice as high as growth in the period 2005–2013 (table 3).

Table 3 • Local government sector costs in relation to demographic needs
Annual percentage change

	2005–2013	2014	2015	2015–2017
Local government sector costs	1.6	2.0	1.9	2.2
Demographic needs	0.7	1.1	1.2	1.4
Difference	0.9	0.9	0.7	0.8

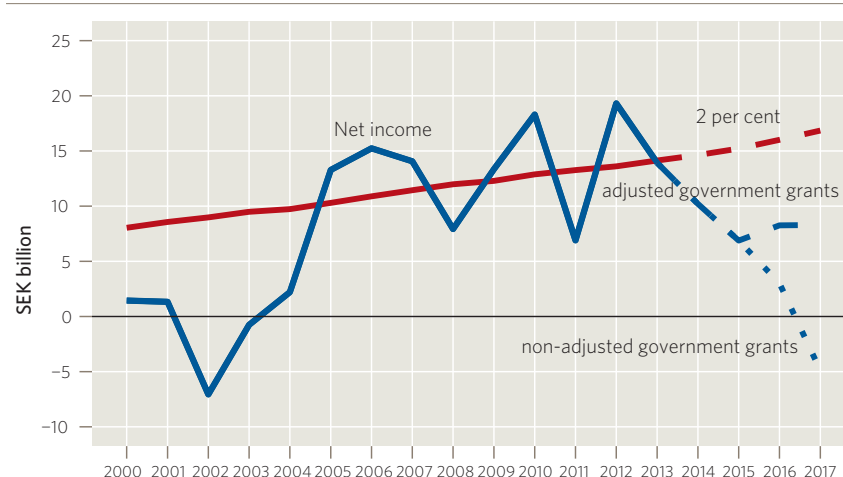
Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

The rapidly growing demographic needs mean that the costs of the local government sector are expected to rise at a relatively rapid rate in the future. Rapidly growing investments in both municipalities and county councils and a substantial expansion of the county councils' public transport services are other factors that have contributed to the growth of costs. Thanks to a relatively rapid tax base growth it is possible to cope with this development without major tax increases. We expect the county councils to need to increase their taxes by 0.23 percentage points up until 2017. In the municipalities the tax increase is limited to 0.06 percentage points.

These conclusions rest on the assumption that central government provides additional grants and does so not just for 2015 as announced in the most recent Spring Fiscal Policy Bill, but also for 2016 and 2017. Our calculations assume that government grants are increased by 2 per cent in real terms in 2016 and 2017. This increase in government grants in 2016 and 2017 corresponds to a tax increase of 0.50 percentage points over and above the 0.29 percentage points already included in the calculation.

With the development forecast for 2014 and 2015 net income for the municipalities turns out to be just above 1 per cent of taxes and government grants. Net income for the county councils turns out to be higher this year (1.8 per cent), but lower next year (0.6 per cent). The higher level is explained by temporary capital gains in connection with sales. For 2016 and 2017 it has been assumed that the municipalities and county councils will aim for net income of 1 per cent. The tax increases assumed in our assessment should be viewed against that background.

Diagram 1 • Net income in municipalities and county councils
SEK billion



Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

The surpluses in municipal and county council net income are expected to be around 1 per cent in the future. This is a level of net income that corresponds to half of the objective for healthy finances and just under half of the surpluses reported for the sector for the period 2005–2013. Nominally unchanged government grants after 2015 mean, all else equal, that net income for the local government sector will be negative in 2017.

Municipal finances

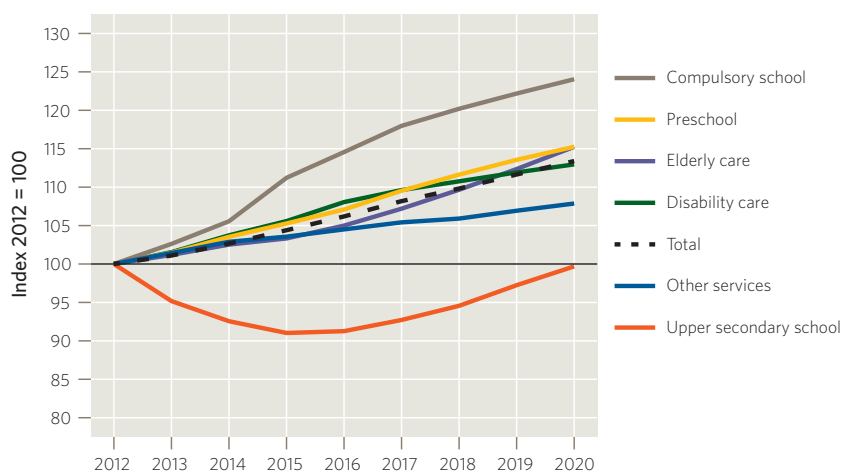
Aggregate net income for the municipalities was SEK 15.7 billion in 2013, thereby exceeding by a good margin the level usually defined as healthy finances. In 2013 municipal net income was again given a strong boost by premium repayments from AFA Försäkring. Without temporary revenues, net income will fall sharply in 2014 and several municipalities will have problems achieving surpluses. Better tax base growth in 2015 and 2016 means that the municipalities will be able to afford to deal with cost increases following from sharply increasing demographic needs.

Future challenges and conditions

Major needs for adjustment resulting from demographic change

The needs generated by demography are now increasing sharply in the municipalities. After having increased by an average of 0.5 per cent per year in the past ten years, these needs will increase by just over 1 per cent per year in the

Diagram 19 • Volume changes in various municipal services
Percentage change, index 2012 = 100



Lower needs in upper secondary school require an adaptation of costs. In all other services we see greater needs in the future, especially in preschool, compulsory school and elderly care. The action announced for compulsory schools in the Government's Spring Fiscal Policy Bill means that both costs and specific government grants will increase.

Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

period 2013–2017. The greatest changes are more children in compulsory school and in preschool and more older people (diagram 19).

There are more children than ever before in preschool, and in compulsory school the largest group of pupils (since the record group in the early 1990s) will start school in 2014. At the same time the number of pupils in upper secondary school will see its sharpest decrease this year and will start to rise again in 2016. Needs are increasing slowly but surely in elderly care and will rise in the future at an ever increasing rate.

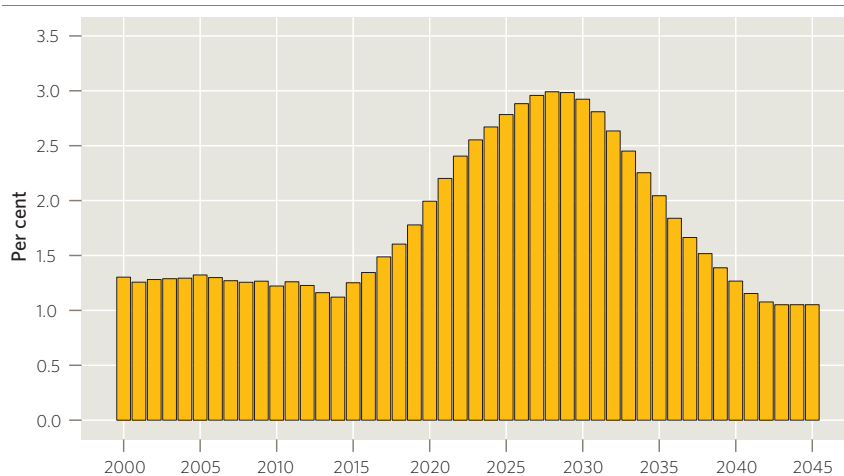
Cost growth and projection of needs in elderly care

Costs in elderly care increased by 10 per cent over and above price changes between 2000 and 2012. If the growth of costs had corresponded to the demographic needs instead, it would have been 16 per cent, calculated using fixed price tags. It is difficult to use key ratios and official statistics to explain what has been happening in elderly care. For home care services, special housing and short-term accommodation, detailed statistics are available. This information shows that the number of home care hours has increased by almost 40 per cent since 2001 while the number of people in special housing has decreased by 25 per cent. This increase and decrease can mainly be explained by the transformation of what is called ‘service housing’ from housing allocated as a form of social assistance to housing provided in the general housing market. This means that service housing is no longer included in the official statistics. This is one reason why home care services have increased, and since this is normally a less expensive measure than special housing it is an important explanation of the development of costs.

To make an estimate of how costs will develop in the future it is important to bear this historical development in mind. Elderly care will also be affected and improved by methods developed in the future. New ways of working and supplementary resources in the form of user participation and values-based organisations, new technology such as robot technology, e-services, sensors, cameras and various types of sophisticated alarms will, in all probability, affect the development of elderly care services. Cooperation in the border areas between elderly care and healthcare will probably also develop to the better. But it is, unfortunately, hard to put figures on such factors in a calculation. The distribution of costs between different age groups is included in the as-

Diagram 20 • Increased needs from demographic changes in elderly care

Five-year moving average, per cent per year



Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

In the 2000s demographic needs in elderly care have increased by more than 1 per cent per year. They will triple before 2030. This will make great demands on elderly care and on both adaptation and new solutions probably in all municipal services as well as in the border areas between municipalities and county councils.

assessment. A comparison of the cost of home care services and special housing per inhabitant shows great sex- and age-based differences. The costs for a new pensioner are just a fraction of the costs for a person over 95 years of age.

Diagram 20 makes it clear that the larger number of older people means that elderly care will require much more resources in the near future.

Table 15 • Costs of elderly care in 2012 by age and sex
SEK per inhabitant in each group

	Men	Women
65-74 years	9,500	9,700
75-79 years	29,100	35,700
80-84 years	60,600	85,400
85-89 years	118,100	172,400
90-94 years	214,300	299,800
95- years	379,300	475,700

Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

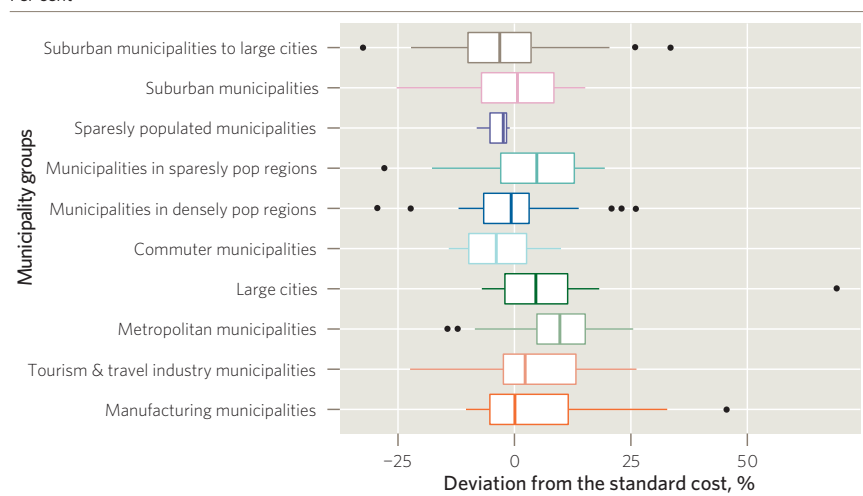
The price tags for 2012 are based on home care hours and the number of persons in special housing by sex and age group. The cost base is home care services in regular housing and special housing for the elderly, corresponding to more than SEK 91 billion.

One common view is that the number of older people will increase rapidly and then fall, but that is not the case. Diagram 20 shows that the annual rate of increase of these needs will not fall until after 2030 but will never be below 1 per cent for the foreseeable future.

There are great variations between municipalities. So there is much to suggest that it is possible to increase the effectiveness of elderly care. One aggregated way of showing the variations between municipalities is to compare the standard cost in the equalisation system with the actual cost. Diagram 21 presents the percentage deviation between the reported cost and the structurally adjusted standard cost per group of municipalities. A positive deviation means that the municipality's cost is higher than is justified by its structure and vice versa. There is considerable spread, which indicates that, given structure, the resource input varies sharply between municipalities. These deviations need not depend on differences in effectiveness but can arise because the municipality has chosen a level of ambition that is different from the national average.

Diagram 21 • Deviation between reported cost and structurally adjusted standard cost, municipality groups

Per cent



Source: Statistics Sweden.

The edges of the rectangle show the deviation from the standard cost for the municipalities between the 25th and the 75th percentiles, i.e. the middle half of the municipalities. The thin lines radiating out from the rectangle represent the range of the other municipalities. The outer measures are thus a measure of the size of the spread among all municipalities. However, an exception is made for individual values that show extreme deviations from municipalities in general; they are marked as dots. (Here extreme values are deemed to be values that are more than 1.5 rectangles from the median, the vertical line in the rectangle.)

As we have noted, the differences between municipalities are great, but there are also great differences between units within a municipality. What has to be done is to highlight the units that are leading the way in promoting the continued capacity for development and innovation.

County council finances

A growing population and changes between age groups are claiming ever increasing resources. Moreover, extensive investments are leading to greater depreciation and financial expenses that require more space in operating budgets. These are important explanations of why all but three country councils have increased their tax rate in the past three years. Last year the county councils reported a deficit of just less than SEK 2 billion, which is far from what corresponds to healthy finances. However, after corrections for temporary items the situation looks better. Despite strong tax base growth in the coming years many county councils will have difficulty reaching levels of net income that are sustainable in the long term.

Future challenges and conditions

Explanations of cost increases in healthcare

The county councils' costs for healthcare increase annually by an average of about 2 per cent above pay and prices. The two most common explanations are that the population is getting larger and older and that new treatment possibilities in healthcare are driving costs. New treatment possibilities can either be more expensive, for example a new drug therapy for cancer, or cheaper, a new, less severe operation method. Both can lead to rising costs. The former because the costs per treatment contact rise, the latter because more patients can be considered for operations. As forecasters it is important to form a view of the future development of costs and study more closely the driving forces behind the constant processes of change in healthcare. We do so by analysing the development of somatic in-patient care, which accounts for more than 30 per cent of the county councils' total costs for healthcare.

Increased costs per treatment contact in somatic in-patient care...

New treatment methods and possibilities of treating medical conditions make it essential to review continuously how healthcare is conducted and or-

ganised. For somatic in-patient care the new medical advances have meant that certain treatments have become more expensive. At the same time, it has been possible to reduce periods of care. It has also been possible to move out parts of health care to the cheaper out-patient care. But what has happened in reality?

The answers are given using our population in specialist somatic care with its 34 hospitals. Between 2008 and 2012 the number of treatment contacts increased by 4 per cent while costs increased by 5 per cent in fixed prices. This means that the cost per treatment contact increased by 1 per cent during the period, i.e. by 0.25 per cent per year. At first sight this means we can conclude that productivity decreased by 0.25 per cent per year. But then we are drawing too hasty a conclusion. Because during the same period the average treatment contact in in-patient care has become a bit more complicated each year. This is because simpler care has been moved from somatic in-patient care to out-patient care. We also know that healthcare shows much better treatment outcomes in many areas in the same period, but more about this later on (diagram 32). Considering that in-patient care has become more highly specialised and that its quality has improved, productivity may, rather, have increased instead.

...but shorter care periods have held back the increase in costs

Even though somatic in-patient care has become more complicated at the same time as quality has increased in the period between 2008 and 2012, the actual costs per treatment contact have only increased by 1 per cent in four years. One important explanation of why costs have not increased more than that is the shorter care periods, minus 5 per cent on average.

Table 19 • Average care periods and costs per treatment contact, 2012 prices, 2008 and 2012 and change

Number of days, SEK and percentage change

Age interval	Days	Days	Change,	Cost	Cost	Change,
	2008	2012	%	2008	2012	%
0-34	3.2	3.1	-2	41,500	43,400	+4
35-61	3.9	3.7	-5	49,400	49,600	0
62-76	5.5	5.2	-5	58,800	59,100	0
77-	7.0	6.5	-6	53,500	52,300	-2
Average	4.9	4.7	-5	50,700	51,100	+1

Note: All treatment contacts in 2008 were sorted by patient age and divided into four age groups of the same size by the number of treatment contacts.

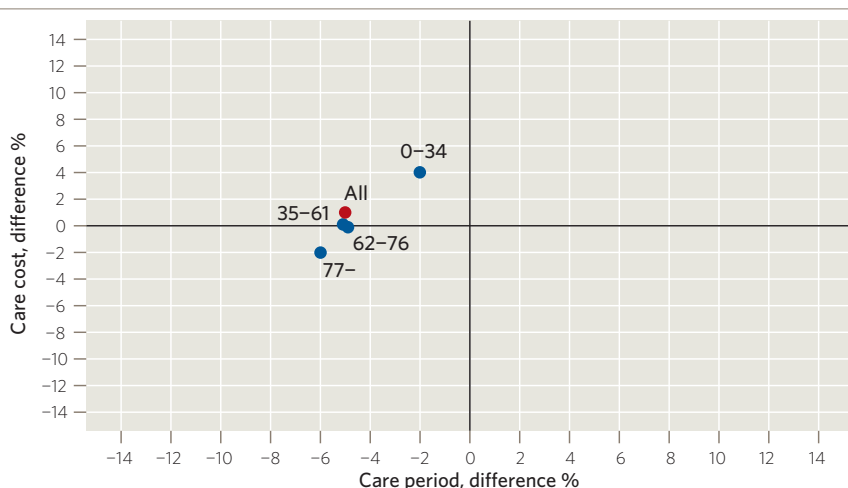
Source: The KPP data base at the Swedish Association of Local Authorities and Regions.

The oldest age group has the longest care periods while the cost per treatment contact is highest for the second oldest age group. Care periods were shortened most for the oldest age group, at the same time as costs were reduced for this age group.

At a general level there is an almost linear correlation between reduced care periods and changes in costs. Diagram 32 shows how average care periods have decreased by 6 per cent for the oldest quartile while costs per treatment contact have decreased by 2 per cent. For the youngest quartile average care periods have only decreased by 2 per cent, and here costs have increased by 4 per cent treatment contact instead. This indicates that healthcare is becoming both more expensive and cheaper.

Diagram 32 • Somatic in-patient care, development of costs per treatment contact (fixed prices) and average care period 2008-2012

Per cent



Source: The KPP data base at the Swedish Association of Local Authorities and Regions.

The average care periods have been reduced for all age groups. The reduction is greatest for the oldest age group, where the cost has also decreased.

One explanation is that the cost of the actual treatment increases but that the shorter care period as such leads to lower costs. When we divide up the material by how many care days patients have been admitted, we see that the average cost actually increases by an average of 4 per cent per care day. This indicates that on average fewer care days save costs corresponding to 3 per cent.

This annex presents some key indicators and the overall income statements of municipalities and of county councils, as well as an aggregate income statement for the sector to give an overall picture.

For diagrams showing the distribution of costs and revenue for municipalities and county councils separately, tables presenting overviews of central government grants and other data that we usually present in the Annex to the *Economy Report*, we refer to our website, a page called *Sektorn i siffror* (The sector in figures). Go to www.skl.se, choose *Ämnen, Ekonomi, Sektorn i siffror*.

An aggregate picture of municipalities and county councils

Table 24 • Key indicators for municipalities and county councils, 2013–2017
Per cent and thousands of people

	Outcome	Forecast		Calculation	
	2013	2014	2015	2016	2017
Average tax rate, %	31.73	31.86	31.90	31.98	32.15
municipalities, incl. Gotland	20.61	20.65	20.65	20.63	20.71
county councils*, excl. Gotland	11.17	11.26	11.30	11.40	11.49
No of employees**, thousands	1,071	1,084	1,098	1,113	1,131
Municipalities	810	819	831	842	855
County councils	261	265	268	271	276
Volume change, %	1.4	2.0	1.9	2.1	2.2
Municipalities	1.1	1.5	1.8	1.8	2.0
County councils	2.0	2.8	2.0	2.6	2.6

*The tax base of Gotland is not included, which is why the totals do not add up.

**Average number of people in employment according to the National Accounts.

Sources: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

Table 25 • Aggregate income statement for the sector, 2013-2017

SEK billion

	Outcome	Forecast		Calculation	
	2013	2014	2015	2016	2017
Income of activities*	173	172	181	189	199
Expenses of activities	-832	-867	-906	-949	998
Depreciation	-27	-28	-30	-32	-33
Net expenses of activities	-686	-724	-755	-792	-833
Tax revenue	584	605	637	674	710
Gen. gov. grants and equalisation	123	126	124	127	132
Net financial income	-7	2	1	-1	-1
Net income before extra-ordinary items	14	10	7	8	8
Share of taxes and grants, %	2.0	1.4	0.9	1.0	1.0

Note: Consolidation has taken place by purchases between sectors.

*The non-recurring effect of a repayment of AFA premiums of SEK 11 billion is included in Income of activities for 2013.

**The non-recurring effect of the reduction of the RIPS-rate (discount rate used in pension calculations) of SEK -10 billion is included in Net financial income.

Table 26 • Income statement for the municipalities, 2013-2017

SEK billion

	Outcome	Forecast		Calculation	
	2013	2014	2015	2016	2017
Income of activities*	127	124	132	137	143
Expenses of activities	-551	-574	-598	-626	-658
Depreciation	-19	-19	-20	-21	-22
Net expenses of activities	-443	-469	-487	-510	-537
Tax revenue	379	392	412	435	458
Gen. gov. grants and equalisation	77	80	78	80	84
Net financial income	2	2	1	1	0
Net income before extra-ordinary items	16	6	5	5	5
Share of taxes and grants, %	3.5	1.2	1.1	1.0	1.0

*The non-recurring effect of repayments of AFA premiums of SEK 8 billion is included in Income of activities for 2013.

**The non-recurring effect of the reduction of the RIPS-rate (see table 25) of SEK -2 billion is included in Net financial income.

Table 27 • Income statement for the county councils, 2013-2017

SEK billion

	Outcome	Forecast		Calculation	
	2013	2014	2015	2016	2017
Income of activities*	47	49	51	54	57
Expenses of activities	-282	-295	-309	-325	-342
Depreciation	-8	-9	-10	-11	-11
Net expenses of activities	-244	-255	-268	-282	-296
Tax revenue	205	213	225	239	253
Gen. gov. grants and equalisation	46	47	45	46	48
Net financial income	-9	0	0	-1	-1
Net income before extra-ordinary items	-2	5	2	3	3
Share of taxes and grants, %	-0.7	1.8	0.6	1.0	1.0

*The non-recurring effect of repayments of AFA premiums of SEK 2.8 billion for 2013 is included in Income of activities.

**The non-recurring effect of the reduction of the RIPS-rate (see table 25) of SEK -8.3 billion is included in Net financial income.

Source: The Swedish Association of Local Authorities and Regions.



The Economy Report. April 2014

On Swedish Municipal and County Council Finances

is a series published twice yearly by the Swedish Association of Local Authorities and Regions (SALAR). In it we deal with the present economic situation and developments in municipalities and county councils. The calculations in this issue extend to 2017.

We are now in a period during which our sector will have to deal with major demographic changes, especially in schools, elderly care and healthcare. In this issue we therefore present in-depth analyses of some of these areas, in which we try to learn from history so as to be better able to depict the course of developments in the coming years. In addition to demographic change, we have now had several years with high levels of investment resulting in greater costs. We expect net income for the sector to be a surplus of about SEK 10 billion in 2014, corresponding to 1.4 per cent as a share of taxes and transfers. The level of net income will then decrease gradually. To achieve net income of more than SEK 8 billion in 2017, which corresponds to 1 per cent of taxes and transfers, the tax rate will have to be increased by 0.29 percentage points, and government grants by almost SEK 11 billion compared with the present level.

The report is not for sale, but it can be downloaded from the website of Sveriges Kommuner och Landsting: www.skl.se. Choose In English and then Publication and reports.

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