Nordic
Credit
Rating

24 Feb. 2025

Model description
Local and regional government
forecast and scoring model

PURPOSE OF THE MODEL

1. We use our local and regional government forecast and scoring model (LRG model) as an input when rating local and regional governments (LRGs) according to our Local and Regional Government Rating Methodology.

2. The LRG model supports our indicative credit assessment in accordance with our criteria.

3. The LRG model is a tool to compare a LRG's demographics, budget performance, debt burden and liquidity to other domestic LRGs. In addition, the model includes forward-looking estimates of key credit ratios for up to two years.

4. The LRG model also includes a scoring table, where subfactor assessments, relevant calibrations and all steps resulting in the final issuer rating are recorded, using the structure of the methodology.

DESCRIPTION OF THE MODEL

5. The LRG model consists of a collection of demographic and financial performance data from domestic LRGs. This data is used to establish the rated entity's relative performance among domestic peers as well as comparing the indicative credit assessment of the rated entity to domestic LRGs.

6. The model also includes a forecasting tool to developing a forward-looking view for the rated entity and peer and sector comparison overviews. Projected key metrics are used to determine whether the rated LRG will improve or underperform its historical performance relative to domestic LRGs.

7. The model also includes a tool to upload new data to the database.

8. In rating committees, projected key metrics and relative performance are compared to the defined scoring guidelines for demographics, budget performance, and debt burden and liquidity. The final decision on individual rating subfactors is never directly based on forecast or historical ratios; rather the ratios act as key inputs alongside other relevant considerations for each rating factor. Adjustments to key metrics, factor scoring and relevant calibrations are all discussed by the rating committee prior to a final rating decision.

ASSUMPTIONS UNDERLYING THE MODEL/KEY RATING ASSUMPTIONS

9. No assumptions are made in the LRG model that are not subject to analytical inputs that can affect the final rating.

INPUTS

10. Publicly-available financial performance and demographics data for the domestic LRG sector are used as inputs into the LRG model.

11. Analysts are responsible for inputting forward-looking assumptions and key inputs to reflect the forecasted performance of the entity. These inputs are allowed only in certain unlocked fields.

DATA USED IN THE MODEL

12. The LRG model is designed for use with publicly-available financial performance and demographics data for the domestic LRG sector. The primary sources of this data are national statistical bureaus, national employment agencies, and similar data providers.

THE LIMITS AND WEAKNESSES OF THE MODEL

13. The LRG model could be subject to incorrect or missing inputs which could subsequently affect the comparison to domestic LRGs. We use analytical judgement to scan for errors and consider whether missing information has a material impact on the model output. We also use the committee process to establish if the reported and forecasted metrics conform with our expectations.

MATERIAL CHANGES TO THE MODEL

14. The LRG model includes a version log and changes require rigorous approval (four-eyes signoff). Checks and balances flag input errors and/or missing data and semantic versioning is used for all updates. Previous versions are maintained separately.

RELATED METHODOLOGY AND PRINCIPLES

15. Local and Regional Government Rating Methodology

16. Rating principles

NORDIC CREDIT RATING AS

OSLO	STOCKHOLM
Ruseløkkveien 34	Norrlandsgatan 10
0251 Oslo	111 43 Stockholm
Norway	Sweden

www.nordiccreditrating.com

For questions or comments regarding our methodologies please use:
criteria@nordiccreditrating.com.