



Summary

Date: 2022-02-08

Reference number: 3.1.1-2021-0252

RiR 2022:2

Calculate for less

– the annual recalculation of agencies' appropriations

Summary

The Swedish National Audit Office (Swedish NAO) has audited the annual price and wage recalculation of government agencies' appropriations for administrative expenses. The overall conclusion is that the price and wage recalculation contributes to the efficient management of resources by agencies financed by appropriations.

Government agencies' appropriations are recalculated each year so that they will not be affected when prices and wages change in the rest of the economy. A deduction is made because the agencies are expected to achieve productivity growth in line with the private service sector.

By not providing full compensation for wage cost increases, the model reinforces the requirement for agencies to strive for high efficiency. The price and wage recalculation also contributes to parity with the rest of the economy. This is a prerequisite for separating the Government's responsibility for the central government budget from the State's role as employer and party to wage formation.

The automatic cut in appropriations is a policy signal to improve efficiency

The built-in deduction in productivity growth of the price and wage recalculation has reduced the purchasing power of government agencies in the 2010s. It has served as a policy signal to improve efficiency and has contributed to increased budgetary space for the State.

The deduction in productivity growth has not prevented the agencies from fulfilling their remit, according to the Swedish NAO's assessment. However, price and wage recalculation could be more transparent. Greater knowledge of the model can strengthen governance towards more efficient resource management. The audit also indicates that there is no corresponding pressure towards efficiency in central government activities financed by fees.

The agencies have had their purchasing power reduced, but also received new contributions

There is no available information on the size of the deduction in productivity growth in kronor or on how the agencies have been affected by the lower adjustment of appropriations. For the period 2011-2020, the audit shows that the deduction totalled approximately SEK 1 billion per year. This corresponds to 0.6 per cent of the appropriations received by the agencies in the previous year.

An analysis of just over 160 appropriations shows that the agencies that received the appropriations lost 7 per cent in purchasing power over the period due to the continuous productivity requirement. This has freed budgetary space that the Government has used, among other things, to strengthen the agencies' budgets in connection with politically determined reforms and operational changes. Two-thirds of the agencies received politically determined contributions exceeding the productivity deductions during the period.

Fee-financed activities should also be included

The Swedish NAO considers that the productivity deduction is less noticeable for agencies with fee-financed activities. As the fees are normally set at full cost coverage and largely without competition from other actors, there is no pressure towards efficiency in the same way as for activities financed by appropriations. It is therefore important that fee-financed activities are also subject to productivity requirements.

The price and wage recalculation has not prevented the agencies from fulfilling their remit

The Swedish NAO considers that the price and wage recalculation has not produced undesirable side-effects that affect the agencies' ability to fulfil their remit. Although the agencies have not been fully compensated for wage cost increases, they have been able to cope with the consequences that have arisen.

The understanding of how the price and salary recalculation is intended to work differs between different agencies. Several of the agency representatives interviewed by the Swedish NAO feel that the price and wage recalculation is technically tricky and not transparent enough.

The Government has simplified the calculation model in several ways, but there is still room to improve the transparency of reporting of the recalculation to the agencies and the Riksdag. All ways to further improve transparency and predictability should be utilised. Increased understanding of how the price and wage recalculation is intended to work can contribute to more efficient resource management.

Recommendations

The Swedish NAO makes the following recommendations to the Government:

- Clarify the Government's expectations of the agencies, for example by:
 - specifying the productivity requirement per agency in the appropriation directions
 - clarifying the purpose of the price and wage recalculation in the agency dialogues.
- Improve the transparency of reporting to the Riksdag by presenting the budgetary impact of the productivity deduction in budget bills.
- Examine the conditions for introducing a deduction in productivity growth also for fee-financed activities.