

# Final Report

# NNR's Municipal Review 2020

Survey of Swedish Municipalities



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# NNR

BOARD OF SWEDISH  
INDUSTRY AND COMMERCE  
FOR BETTER REGULATION  
– CUTTING RED TAPE FOR BUSINESS –

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## Foreword

The business climate in Sweden is created by many different factors. Customer demand and competition from domestic and foreign commercial players are essential elements, but they are difficult to influence. One element of the business climate that can be influenced is the application of the various regulatory frameworks that govern the operations of companies. Regulatory frameworks are adopted at a national level by the Swedish parliament (the Riksdag), the government and government agencies. To maintain and strengthen a good Swedish business climate, growth and competitiveness, the regulatory frameworks must be as clear and cost-effective as possible, and their application should be predictable with high legal certainty.

Many regulatory frameworks that govern the operations of companies are applied by municipalities. The application requires a certain amount of interpretation of the regulatory frameworks, both by the municipality (at an overarching level) and by the individual administrator (at a more detailed level). But even the clearest and most cost-effective regulations must be interpreted; no regulation can be sufficiently detailed to preclude the need for interpretation or application.

The interpretation and application of the regulatory frameworks can, in fact, be influenced by the municipalities. Companies request regulatory frameworks that are predictable and create equal conditions for companies all over Sweden. The predictability of a regulatory framework is governed by two factors. Predictability is, in part, governed by how well an entrepreneur perceives that the regulatory framework agrees with the actual outcome when applied, and, in part, by how well the entrepreneur's experience of how the same regulatory framework was applied on an earlier occasion and/or in a different location agrees with the actual outcome when the entrepreneur encounters the regulatory framework again later on. Good predictability in both aspects contributes to the perception of a legally certain regulatory framework that creates fair and equal conditions for companies.

Over the years, NNR has understood from companies that they do not always recognise how the regulatory frameworks are applied in different municipalities. An entrepreneur's experience-based perception of how a regulatory framework is applied is based on how the regulatory framework is applied by the first municipality in which they are active. When the entrepreneur later expands their operations to another municipality and discovers that their previous experience-based perception is no longer valid, problems arise. A new, experience-based learning process must be initiated. This learning process consumes some of the time and resources that the entrepreneur could otherwise have spent on operating and developing their business. The inability to rely on their own knowledge of how national regulations, such as the Swedish Alcohol Act, are applied causes uncertainty for the entrepreneur. Taken together, this results in a poorer business climate than would otherwise have been possible.

Uncertainty regarding the application of regulations cause problems for entrepreneurs, as they must have confidence in their knowledge in the area in which they are active. Entrepreneurs feel empowered to spend all the time and energy required from an entrepreneur if they perceive that they are in control of the situation. The perception of being in control is a prerequisite for a good business climate. Once this perception begins to waver due to a difference in application by one municipality compared to the municipality where the entrepreneur first learnt the rules, the conditions for forceful efforts are impaired. Differences in application between two municipalities or between two administrators may cause the entrepreneur to doubt their own knowledge. When an entrepreneur discovers a discrepancy between two municipalities, the following question will naturally arise: "Did I miss anything else?" This feeling is not a positive contribution to the business climate and must be prevented in every possible way.



The entrepreneurs' perception of not being able to rely on knowledge gained from experience prompted NNR to investigate whether this perception is founded.

This report summarises the results and knowledge on municipal regulatory application that NNR obtained from responses to questionnaires sent to municipal civil servants in March 2020 regarding the five areas dealt with in the 'Municipal Review' project.



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## 1. Background

NNR's survey in March 2020 was partly a new follow-up on three previous surveys carried out by NNR (in 2010, 2012 and 2016), but it also included some changes. The area of public procurement was removed and the questionnaire on business pilots was changed entirely to instead include questions on the conditions for new establishments of companies. The other questionnaires largely remain the same as before, but some questions were added, and others were removed.

Within the scope of the project, five partial reports were presented – one for each area covered by the project. These reports were based on the survey that was carried out in March 2020, which targeted municipal civil servants in charge of licensing, permits and supervision related to food control, alcohol licences, environmentally hazardous activities and building permits. The survey also included questions to municipal heads of economic development (or the equivalent) regarding the services offered in connection with new establishments in the municipality. Contact details of the civil servants in the municipalities and municipal heads of economic development were collected from each municipality's website and directly from the municipalities. The questionnaires were preceded by a control mailing to ensure that the contact details were accurate and that no municipalities that wanted to respond would miss the opportunity.

This report summarises the five published follow-up reports from 2020 regarding regulatory application at a municipal level.

## 2. Summary of the results from NNR's review and the reports on the municipal application of regulations

NNR has reviewed five areas in total that affect the municipal business climate: conditions for new establishments, alcohol licences, building permits, food control and environmentally hazardous activities. The surveys of these areas are directly related to the municipal application of regulations, which makes them interesting for identifying the underlying reasons why companies perceive that there are such major discrepancies among municipalities.

Differences in the application of regulations are difficult to document directly. NNR has therefore attempted to identify them by documenting their symptoms, such as processing times, fees and risk assessments. NNR believes that there may be several explanations for the differences in processing times and fees, but that the differences indicate a variation in the amount of time spent by municipalities on the same task. Assuming that all administrators are acting correctly based on their interpretation of the regulations, the varying amounts of time spent on the same task and the varying fees charged for the same matter indicate that the administrators read and interpret the same regulations differently.

To obtain comparable data from the municipalities, NNR has used fictional case studies in the questionnaires, so all municipalities have provided information based on the same basic conditions. To create a picture that is as comprehensive as possible, NNR has posed questions to the municipalities regarding several different areas of supervision.



## Conditions for new establishments

When a company decides whether to locate a new establishment in a certain municipality, the municipality must provide the entrepreneur with important information, so that the investment decision can be properly substantiated. According to NNR's survey, only a third of the responding municipalities state that they are able to provide information on the total cost of the permits or licences required at the first contact with the municipality or, at least, prior to the application is made. Also, 36 percent of municipalities do not provide such information unless it is specifically requested, or only by sending the invoices. With regard to information on the expected total processing time for all required permits, licences and notifications, 56 percent of municipalities are able to provide such information at the first contact with the municipality's business services or, at least, prior to the application. Of the responding municipalities, 14 percent only provide such information if specifically requested or only when they notify the company whether the permit has been granted.

It is evident that municipal fees must be simplified and made more transparent, so that someone like a business pilot can easily understand and calculate the fee in other parts of the municipal administration. A perfectly reasonable requirement from the business community is that Swedish municipalities should be able to provide at least a rough estimate in response to the question "What will it cost?" – regardless of the industry of the establishment.

NNR is of the view that the difficulties experienced by many heads of economic development or the equivalent when estimating the maximum processing time could be remedied by service guarantees. Today, some – albeit very few – business pilots are able to give a simple response to the following question from an entrepreneur: "How long will it take, as a maximum?" "It will take four weeks (which is our maximum service guarantee), provided all applications are complete."

An establishment should be followed up by an evaluating contact between the municipality and the entrepreneur. Three out of four of NNR's proposed evaluating measures are taken by over 75 percent of the responding municipalities. However, it is evident from the municipalities' comments that there are discrepancies in their interpretation of the response options. What NNR is looking for here is a way for the municipality to regard its own working methods from the companies' perspective, thus allowing the municipality to structure its inspections and supervision in a way that would match the companies with solutions that have minimal negative impact. The inspection/supervision methodology should be such that companies can manage it in an economical manner, and it should encourage mutual learning (both for the entrepreneur and the municipality's administrator). In an evaluating dialogue with entrepreneurs, there must be an interest in, and a systematic reception of, the issues brought up by the entrepreneur.

In 77 percent of municipalities, entrepreneurs can make one (1) application or notification online in any of the 13 areas covered by NNR's questionnaire. Only 14 percent of the responding municipalities stated that it is possible to make all queried permit and licence applications and notifications online. E-services for municipal services are being developed in many parts of the country, and it is therefore important to require that the various services that are being developed be integrated. Much can be gained by taking a "wide" approach early in the process, to avoid ending up with several separate solutions.

An important aspect of digitalisation is that an entrepreneur should be able to monitor a matter online. The number of municipalities where a company can monitor at least one (1) type of matter online has risen from 21 percent in 2016 to 40 percent in this year's survey. There are time savings to be made for the company and the municipality if there is no need to call or write merely to follow up on the status of a matter.



## Alcohol licences

NNR's survey found major discrepancies in the restaurateurs' conditions for applying for and holding an alcohol licence. It may take up to 11 weeks longer (from the time when the application is complete) for a restaurant in one municipality to obtain a licence compared to a restaurant in another municipality that is applying for the same kind of licence, and the restaurant may have to pay five times as much in application fees or nearly six times as much in supervision fees. The national average for the licence fee set by the municipalities for the restaurant in our case study has risen by 26 percent since 2012, far exceeding the increase in consumer price index and the salary increases during the same period.

In general, the results show that large municipalities that handle many matters, which should result in a higher degree of specialisation and increased efficiencies, have higher application and supervision fees than small municipalities with few matters. For example, the average application fee in the 25 smallest municipalities is roughly SEK 2,500 less than the fee in the 25 largest municipalities. To increase the transparency towards companies, the municipalities should therefore make a clearer separation of the cost of the supervision of the individual company and the overall costs for all restaurant businesses in the municipality.

Of the municipalities, 23 (nine percent) have chosen one of the two options that involve charging in arrears for supervisory work already performed with regard to the restaurant in our case study. The logic in when the fee is invoiced and the specification of the measures and costs on which the invoice is based involves the treatment of the entrepreneurs. If there is a link between the number of hours of supervision stated on the invoice and the number of hours spent on this year's inspection, trust in the municipal supervisory activities is created. Trust is highly important if the dialogue is to have the desired result. The municipalities' supervisory personnel need support to make the administration surrounding the fees easy to explain and logical to an entrepreneur. There is much to be gained from charging in arrears based on actual inspection hours. This kind of charging can, of course, be supplemented by a fixed annual fee that covers other costs related to the municipal supervisory activities.

Nearly one third of municipalities (29 percent) have adopted a clear policy that the supervision of restaurant businesses should take a business-promoting perspective. Nevertheless, it is astonishing that half of the municipalities (47 percent) seem to have communicated their business-promoting efforts in such a weak manner that the administrators working with alcohol licences are sure that there are no such efforts in their municipality.

## Food control

It is apparent from NNR's survey that there are still major differences between municipalities with regard to the risk classification of food operations and that these differences have increased over time. As the municipality's classification governs the number of inspection hours required for a food store, which in turn governs the fee, fees may also vary greatly. The store in the case study, which was defined in advance, pays SEK 33,000 more in annual supervision fees in the most expensive municipality that participated in NNR's survey, compared to the same store in the least expensive municipality. The number of inspection hours required for the store in NNR's case study has increased over the years, and the average supervision fees have risen sharply, by 58 percent, compared to the survey in 2012. Consumer price index and salary increases have not increased at the same rate over the period.





The overwhelming majority of municipalities charge the supervision fee in advance, even though they have the option of doing otherwise. Of the municipalities, 12 (4 percent) chose one of the two options that involved charging in arrears for supervisory work already performed.

As many as 30 percent of municipalities respond that they do not know whether the companies are in any way affected financially by the control activities, and 67 percent are of the view that there is no impact at all. NNR interprets this to mean that very few municipalities consider the impact such activities have on companies when the activities are evaluated. More municipalities must evaluate and gain an insight into this impact.

A narrow majority of municipalities (46 percent) have adopted a clear policy that the control activities should take a business-promoting perspective. Nevertheless, it is astonishing that as many as a third of the municipalities (32 percent) seem to have communicated their business-promoting efforts in such a weak manner that the administrators working with food control are sure that there are no such efforts in their municipality.

## Environmentally hazardous activities

According to NNR's survey, there are major discrepancies in notification fees between municipalities for the notification of new or changed environmentally hazardous activities. The supervision fees stated by the municipalities vary from slightly less than SEK 1,000 to just over SEK 25,000 for the car wash in NNR's case study. An increasing number of municipalities are of the view that an annual inspection visit is required for the car wash in NNR's case study, and 74 percent of municipalities state a higher supervision fee than in 2016. The supervision fees stated rose by approximately SEK 1,200 (15 percent) on average from 2016 to 2020.

The overwhelming majority of municipalities responded that they charge in advance, based on the estimated time required, according to their rates. Only 11 municipalities (5 percent) charge in arrears and responded "in arrears, based on the time spent."

Of the municipalities, 8 percent (17 municipalities) responded in the affirmative to the question whether it can be determined that companies are affected financially by a regular inspection, in addition to the actual supervision fee. Of the municipalities, 55 percent (124 municipalities) responded in the negative and 37 percent (84 municipalities) stated that they did not know. According to NNR, this proves that too few municipalities are aware of the impact of their supervision on companies. Consequently, there is a need for municipalities to evaluate their supervisory activities based on their impact on companies' operations and finances.

Less than half of the responding municipal administrators (42 percent) responded in the affirmative to the question whether the municipality has adopted a clear business promotion policy. Nevertheless, it is astonishing that a third of the municipalities (29 percent) seem to have communicated their business-promoting efforts in such a weak manner that the administrators in the environmental health department are sure that there are no such efforts in their municipality.

## Building permits

NNR's survey shows major and growing discrepancies in the conditions for developers who are applying for building permits in Sweden. The survey uses a simple building permit matter as a case study, which has remained identical in each survey since 2012. The processing time for the



same building permit can differ by ten weeks depending on the municipality that administers the building permit, and the fee (including the planning fee) can differ by just over SEK 234,000 – a considerably greater difference than in the survey in 2016, which in turn showed a considerably greater difference compared with 2012.

However, it is not merely the extreme values that differ; the national average building permit fee has also increased from SEK 26,281 to SEK 29,944 (+14 percent) since 2016, and the average planning fee has risen from SEK 18,146 to SEK 24,286 in the same period (+34 percent). This is far above the cost increases in society.

Sweden's municipalities focus on building as a way to contribute to the rebooting of the economy after the Covid-19 pandemic. As part of the business-promoting efforts, the building office in each municipality should be in close contact with the economic development department to increase the understanding of companies' operations, which would improve the possibility of taking a proactive approach to granting permits. Companies should be encouraged by making it desirable, easy, fast and smooth to apply for and obtain building permits. The building offices should aim to be perceived as enablers in development projects, not merely as a review body.

The responses of 96 municipalities (43 percent) were interpreted to mean that their building permit processes are largely digitalised. Of the municipalities, 87 (39 percent) provided a response that NNR interpreted to mean that their building permit services are not digitalised at all, or only to a minor extent. NNR compared the digitalisation levels of municipalities with the answers related to processing time and fees but did not find that a higher degree of digitalisation has any general impact on the efficiency of the administration. The best possible way of benefiting from the digitalisation and ensuring that it provides efficiencies that are noticeable for companies should be further analysed and discussed.



### 3. Conclusions

Following the observations above regarding the municipalities' supervisory and service activities, NNR believes that the differences cannot be fully explained by differences in costs for salaries or premises, geographical differences or other different circumstances. The observed differences also seem to depend on the fact that municipal administrators differ in the way they read, interpret and apply regulations.

Some conclusions drawn by NNR after weighing together the results from the five surveys are presented thematically below.

#### Fees and tax funding

One reason for the considerable differences in fees that is highlighted by municipalities in their communication with NNR is that not all municipalities fund all their activities with fees, as some activities are partially funded by taxes. Based on this reasoning, the most expensive municipality could be entirely fee funded and all other municipalities may be partially tax funded. NNR believes that this factor has a natural effect on the differences observed, but that it is insufficient as an explanation of the significant differences.

In one area studied by NNR, food control, the Ordinance (2006:1166) regarding fees for the official control of food and certain agricultural products provides that the entire cost of the supervision must be covered by fees – no tax funding is allowed. If the tax funding issue had a major impact on the differences documented by NNR, the differences in food control would be distinguished from the other areas studied. This is not the case, however. Even though the tax factor does not affect actual fees, NNR noted the same amount of variation in the area of food control as in the other municipal areas of supervision included in the review. NNR therefore believes the tax factor to be of little consequence in relation to the variations observed.

#### Fee inflation

In all areas reviewed by NNR since 2012 (alcohol licenses, food control, environmentally hazardous activities and building permits), it is noted that fees have risen by more than would be justified merely by the general cost increases in society (such as consumer price index and salary statistics). For example, the average supervision fees in NNR's food store case study have risen sharply, by 58 percent, compared with the survey in 2012.

NNR queries the reason for these accelerating fee increases for nearly identical matters. NNR is of the view that the increases may be linked to a change in the application of the regulations. A generally more stringent application of the regulations by municipalities could cause an increase in the determined needs for supervision and therefore result in an increase in supervision fees. Nevertheless, there are municipalities in all regions and in all municipal areas studied that have reduced their fees for the case studies. NNR considers that an improved common understanding of the interpretation of the regulations, both internally and in the municipalities, regionally and nationally, might counteract this kind of shift in the municipalities' application, a shift that the municipalities may be unaware of. Regulations with nationwide application should have more similar outcomes at the level of application.



## Changed risk assessments and an increased number of inspections

The municipalities' assessments of the risk levels in the companies' operations seem to increase over time. It is possible for NNR to make this observation, as the same case studies have been used in the areas of food control and environmental protection since 2012.

With regard to food control, the average number of inspection hours stated in NNR's case study has increased over the years. In 2012, the average time spent was 5.94 hours; in 2016, it was 6.44 hours; and in the survey in 2020, the average time spent was 6.87 hours – even though the assessments were based on the same fictional food store since 2012.

With regard to the environmentally hazardous activities in NNR's car wash case study, an increasing number of responding municipalities stated that inspection visits to the company were required every year. The average number of assessed visits rose from 2.3 visits in three years in the survey in 2012 to 2.5 visits in three years in the survey in 2020.

There may be several underlying reasons for the changed risk assessments, but NNR believes that a contributing factor may be that risk assessments often focus on general risks in a specific industry. This may cause the failings of individual companies to impact the risk assessment for all companies. According to NNR, a greater focus on individual risks may turn this trend of increasing risk assessments.

NNR cannot find any proof that the actual risks have increased in the reviewed areas. Instead, NNR is of the view that risk awareness has increased in society and among companies, which should reduce risk levels in various operations. The municipalities' risk assessments of companies' operations should therefore be adjusted. One way of moving towards an increased focus on individual risk would be to avoid visits, to the extent possible, to companies where no or minor problems have been, or are expected to be, discovered.

## Charging in arrears

In the three supervision areas of food control, alcohol licensing and environmentally hazardous activities, between 4 and 9 percent of municipalities (45 municipalities in total) have chosen one of the two options that involve charging in arrears for supervisory work that has already been performed. Only one municipality charges in arrears in more than one of the areas studied by NNR.

It is important for the business climate that there is a clear link between the fee and the supervisory activities. The design of the fee systems may affect the business climate by making systems transparent and logical for the fee-paying companies. From the companies' perspective, fees can often be likened to the purchase of consultancy services, such as a quality assessment. The supervision provided by the municipality is not voluntary but based on the principle that the municipality undertakes certain measures to ensure regulatory compliance and fair competition and charges a fee for these measures. Many municipalities take a subscription-based approach to their supervision. Companies pay a fixed fee in advance but must then wait and see what visible supervisory activities the payment results in, if any. If there is no time to carry out an inspection, many municipalities explain to the companies that there will be twice as many inspections in the following year – a 'supervision debt'. In this context, NNR queries whether an activity will be twice as safe just because the municipality's inspector spends twice as much time on inspections the following year. If the inspector finds that an activity is properly managed, there is no reason to spend an additional 10 hours on the inspection just because there is a supervision debt. Unfortunately, this is just one example of how the fee system is applied in an illogical manner.



Companies find it acceptable to pay for supervision that actually takes place (whether internal or external), but they find it logical to pay after the supervision in question has been carried out. There is a certain logic to pay in advance for the recurring internal supervision that is carried out annually, as a matter of routine, at the municipal office. However, entrepreneurs want to pay less if the external inspection visit is cut short because it is evident that the company's activities are of a high standard or more if the visit takes longer due to discovered deficiencies. The trust in the municipality's supervision grows stronger if an entrepreneur can see what they are paying for. A civil servant that charges a standard fee in advance often starts off the inspection visit from a position where they will be doubted. Distrust is a poor basis for successful supervisory work. Charging the main part of the supervision fee in arrears would be a simple solution to this problem. In the area of food control, there is now a requirement to charge in arrears, according to Ordinance (2021:176) regarding fees for the official control of food and certain agricultural products<sup>1</sup>.

In addition to the payment model, the attitudes of the municipal supervisory personnel are crucial for creating trust in the supervisory activities. NNR, like several municipalities in Sweden, believes that a focus on dialogue in the meeting between companies and supervisory personnel creates the best conditions for long-term, continuous safety for the population in the municipality. With the right attitude, the municipality's supervisory personnel can strengthen the entrepreneur's desire to act correctly and ensure that the entrepreneur acts as the authority's on-site representative in the business on a daily basis. Daily supervision through a representative is better than strict troubleshooting once or twice a year.

## Service guarantees

When a company considers whether to locate a new establishment in a certain municipality, the municipality must provide the entrepreneur with important information, so that the investment decision can be properly substantiated. NNR's survey finds that 56 percent of municipalities are able to provide information on the expected total processing time for all required permits, licences and notifications at the first contact with the municipality's business services, or, at least, prior to the application. Of the responding municipalities, 14 percent only provide such information if specifically requested or only when they notify the company of whether the permit has been granted. In a complex establishment matter with many different licenses and permits from different municipal departments, it may be difficult for a business pilot to keep their knowledge of processing times continuously up to date. A solution for this problem would be to introduce service guarantees for all the municipality's various licensing and permit matters.

Entrepreneur: "How long will it take?" Pilot: "It will take no more than four weeks, according to our longest service guarantee, provided all applications are complete."

In addition to facilitating matters for the municipality's business pilots, service guarantees also provide a clear signal to companies that the processing of matters is important to the municipality – so important that the municipality is prepared to make a promise in this context and maybe even link it to a sanction in case of a delay. To state an average processing time instead does not have the same clear symbolic value at all. To plan their operations, an entrepreneur must know the maximum time they need to take into account. How long it has taken for other entrepreneurs' matters are of less interest in their planning.

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1 <https://nnr.se/obligatorisk-efterhandsdebitering-av-kontrollavgifter-inom-livsmedelsområdet/>



A service guarantee should be set close to the average processing time, and it must be accepted that some matters will miss the deadline. It must be challenging for municipal administrations to meet the guaranteed deadline in all matters. The cases where the guaranteed deadline could not be met can then be measured and form a basis in the internal evaluation of the activities. If a municipality determines that certain kinds of complex matters are less well suited for the service guarantee deadline, it is possible to make an exception for such kinds of matters.

## Evaluation

Eight percent (17 municipalities) of administrators in the environmental area and 4 percent (9 municipalities) of administrators in the food control area responded in the affirmative to the question whether it can be determined that companies are affected financially by a regular inspection, in addition to the actual supervision fee. The remaining respondents to each questionnaire (over 90 percent) responded in the negative or that they did not know. According to NNR, this proves that too few municipalities are aware of the impact of their supervision on companies. Consequently, there is a need for municipalities to evaluate their supervisory activities based on their impact on companies' operations and finances. More municipalities must evaluate and gain an insight into this impact.

NNR's survey of the municipalities' business pilot function (Conditions for new establishments) finds that three out of four of NNR's proposed evaluating measures are taken by over 75 percent of the responding municipalities. However, it is evident from the municipalities' comments that there are discrepancies in their interpretation of the response options. What NNR is looking for here is a way for the municipality to regard its own working methods from the company's perspective, thus allowing the municipality to structure its inspections and supervision in a way that would match the company with solutions that have minimal negative impact. The inspection/supervision methodology should be such that companies can manage it in an economical manner, and it should encourage mutual learning (both for the entrepreneur and the municipality's administrator). In an evaluating dialogue with entrepreneurs, there must be an interest in, and a systematic reception of, the issues brought up by the entrepreneur.

Evidently, very few municipal civil servants understand how much and in what way their supervision affects companies. Companies should naturally be affected – supervision is important for equal competition, proper safety and high quality in businesses operations in each respective area. However, the impact should be minimised while the benefits should be maximised. To allow municipalities to maximise the benefits and minimise the impact when exercising public authority, evaluating measures must be taken regularly. Without proper knowledge of the impact on companies, it is impossible to balance the impact and the benefits proportionally. The evaluating measures that are being taken by the business pilots, according to NNR's survey, do not appear to be shared with the administrations that exercise public authority or are not being handled the right way. There appears to be a good understanding of the impact in the municipal departments at large, but this knowledge must be disseminated more widely internally. Administrations that exercise public authority must request the knowledge obtained in the economic development departments and other departments. Silo mentalities must be minimised in municipal administrations.

## A business-promoting perspective

NNR's starting point for this issue is that virtually every municipality in Sweden have some kind of policy stating that the local business community should be strengthened and promoted.



NNR partly founds this assumption on the fact that 65 percent of municipalities responded in the affirmative to the question whether they had a business-promoting perspective in at least one of the three areas.

In each one of the three areas of alcohol licenses, environmentally hazardous activities and food control, between 29 and 46 percent of municipalities responded in the affirmative to the question whether a clear business promotion policy had been adopted. Nonetheless, it is astonishing that between 29 and 47 percent of municipalities seem to have communicated their business-promoting efforts in such a weak manner that the administrators in the respective administrations are sure that there are no such efforts in their municipality, i.e., they responded in the negative to the question.

Of the municipalities that responded in the affirmative to the question regarding a business-promoting perspective, there are 21 municipalities whose administrators in all three areas are aware of the business-promoting policy. In 185 municipalities, administrators responded in the affirmative in at least one of the three areas examined, but in the negative in one of the other areas. Consequently, the number of municipalities where the knowledge of the business promotion policy is spread unevenly among the various municipal departments is very high.

A policy promoting the business community in the municipality is not an encouragement to municipal administrations to be 'kind' to companies. According to NNR, it is about ensuring that municipal supervisory personnel should have a good understanding of the other conditions (including commercial conditions) affecting companies. Supervisory personnel are experts in the requirements on companies posed by the protective legislation. The municipal administration, such as the economic development department, includes experts in the commercial conditions of companies. Good interaction between the economic development department and, for example, the environmental protection department is necessary for a good business climate. The economic development department's role in control and supervision issues must be strengthened. It must be possible to combine proper protection of people's health, for example, with a good business climate and business-promoting priorities.

The companies most frequent contacts with the municipality are with various permit, licence and supervisory administrators and not to the same extent with the economic development department or the political level. For the business-promoting perspective to be effective, it must therefore permeate all work in the municipality.

In addition to internal knowledge-sharing in the municipality to disseminate the understanding of companies' commercial conditions, measures must be taken to give civil servants opportunities to meet entrepreneurs outside the exercise of public authority. Another example of a measure may involve giving administrators time to practice exercising public authority with their colleagues.

## Good self-inspections and third-party certification

Approximately half of the responding municipalities are of the view that good self-inspections reduce the need for supervision and reduce supervision fees. However, only 20 percent of the responding municipalities are of the view that a third-party certification reduces the need for supervision and reduces supervision fees. According to NNR, the municipalities that state that good self-inspections and third-party inspections reduce the need for supervision are highly confident that companies want to do things right. This wish among companies to do things right grows stronger if municipalities show their trust in them, such as in this way: it is a self-reinforcing process.



As the skills required for and the work carried out in a third-party certification process in many important respects are reminiscent of the municipality's exercise of public authority, synergy effects should be possible, resulting in certain cost savings for municipalities and companies.

## Digitalisation

In 77 percent of municipalities, entrepreneurs can make one (1) application or notification online in one of the 13 areas covered by NNR's new establishment questionnaire. Only 14 percent of the responding municipalities stated that all requested permit or licence applications and notifications in a complex new establishment matter can be made online.

The responses of 43 percent of municipalities in NNR's building permit questionnaire were interpreted to mean that their building permit processes are highly digitalised.

An important aspect of digitalisation is that an entrepreneur should be able to monitor a matter online. The number of municipalities where a company can monitor at least one (1) type of matter online has increased from 21 percent in 2016 to 40 percent in 2020. There are time savings to be made for the company and the municipality if there is no need to call or write merely to follow up on the status of a matter.

It is evident that there are major differences between municipalities with regard to the level of digitalisation. Some municipalities and counties have come far and should notice the effect of their development in the form of efficiency gains. However, other municipalities have not made as good progress, and there are some that do not seem particularly interested in taking measures to increase the digitalisation of, for example, the building permit process.

In a comparison of the degree of digitalisation between different types of municipalities, our surveys show that municipalities with a higher population, such as major cities, have double the degree of digitalisation in the building permit process compared with rural municipalities. Populous municipalities seem to have various advantages, such as a higher degree of digitalisation, better opportunities for specialisation (more employees with the same skills) and more often engage external experts if they lack resources. Still, these advantages do not generally seem to result in higher efficiencies that are reflected in shorter processing times or lower fees, according to NNR's surveys. The best possible way of benefiting from the digitalisation and ensuring that it provides efficiencies that are noticeable for companies should be further analysed and discussed.

Naturally, it is not enough to digitalise each individual part of the process separately; the different areas must be interlinked and be able to communicate and share information. Also, connections to other IT systems in the municipality are important for the digitalisation to be properly useful; for example, the administration system for building permit matters should be able to communicate with the municipality's ERP system for invoicing purposes. The integration of different IT systems that were created at different points in time by different entrepreneurs for different purposes is complex and requires the allocation of resources if the potential to make them more efficient is to be realised.

E-services for municipal services are under development in many parts of the country, and it must be a requirement that the various services that are being developed can be integrated. Much can be gained by taking a "wide" approach early in the process, to avoid ending up with several separate solutions.





## 4. Measures

What can be done to address these differences? NNR assumes that most municipalities already have procedures in place for handling individual differences in application between administrators in the same municipal department. For example, the municipality probably has methods to counteract the risk that one building permit administrator is known to be 'kinder' or 'stricter' than another administrator. One way of achieving this is to ensure that the municipality's administrators meet regularly to discuss consensus in their assessments. It should be possible to apply the systems for creating consensus, both internally in the municipality and also at a regional level, when administrators from adjacent municipalities meet. It should then be possible to raise this work on achieving consensus to the national level. Regulatory authorities in each area are often responsible also for providing guidance to municipal administrators in their area of expertise. The creation of opportunities and platforms for such efforts to achieve consensus is an important element of this guidance.

NNR believes that one of the keys to reducing differences between municipalities is to expand the work on identifying forums and increase the tools for increased consensus. The responsibility for this rests not only with the municipalities, but also with the Swedish Association of Local Authorities and Regions (SALAR) and the government agencies. Central guidelines and application documents issued by SALAR or the regulatory authorities are another conceivable method. Another important aspect is to enable the access to and increase the exchange of data and information electronically between municipalities. If municipalities have easy access to other municipalities' assessments in similar matters and are able to measure and compare resources and efficiency, the application can become more uniform and good examples can be disseminated. The efforts to promote consensus should include discussing case studies, with the starting point that there may be no right answers but there are diverse ways of reasoning, which can be developed and refined through dialogue.

The major differences that have been noted by companies and repeatedly documented by NNR are unacceptable, especially considering the fact that there are reasonably easy ways to materially reduce the differences, thereby strengthening the business climate in Sweden. NNR believes that Sweden's municipalities must undertake all conceivable measures to correct the situation, which, in turn, will have a positive impact on the factors of the business climate that can be influenced by the municipalities. If ambiguities and/or a lack of efficiencies in the underlying regulations are discovered during the process, municipalities should, of course, take the initiative and demand that adapted regulations are developed by the Riksdag, government and/or government agencies. One such example that has been identified by NNR in its surveys is the principle of when and how supervision fees are charged. NNR believes that it would be more advantageous to charge a part of the supervision fee in arrears. This has now been regulated in the area of food control, through the Ordinance (2021:176) regarding fees for the official control of food and certain agricultural products<sup>2</sup>. Charging in arrears should also be applied to other areas where supervision and control are exercised by public authorities.

The differences documented in NNR's surveys have in some ways been described in a comprehensive manner, and in-depth studies of the municipalities' application efforts would be beneficial. These could comprise in-depth interviews with municipal administrators or additional surveying of one of the areas reviewed by NNR, from a sample of municipalities. The municipalities could be

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2 <https://nnr.se/obligatorisk-efterhandsdebitering-av-kontrollavgifter-inom-livsmedelsomradet/>



selected based on the extremes in NNR's surveys or by choosing municipalities that show differing results in SALAR's 'insight' surveys compared with various surveys of local business climates. Another possible measure would be to review and compile existing data held by government agencies or individual municipalities.



## 5. NNR's recommendations

Considering the results of the surveys, NNR makes the following recommendations to the municipalities:

### Conditions for new establishments

**1. Municipality websites should contain or refer to clear and easily accessible information on the rules, requirements and fees that apply to companies' different activities.**

Companies, in particular those with establishments in several municipalities, would benefit if information on the application processes for different permits and licences is easy to find; municipality websites should be structured based on a logic that is recognisable from municipality to municipality.

**2. Municipalities must strengthen the communication between the economic development department and the other administrations to increase their understanding of the commercial conditions for companies.**

The municipality's business-promoting policies and measures must be brought to the attention of the entire municipal administration to have the intended effect on the exercise of public authority.

**3. The municipality should coordinate its administration of cases where various permits or licences are required.**

The administrative tasks that are carried out within the municipality's administrative channels in relation to various permits and licences that are required for a company's operations should, to the extent possible, be coordinated and carried out simultaneously. In connection with this, companies should be offered the opportunity to meet the various administrators involved in the case, either together or individually.

**4. All municipalities should offer a service guarantee for the exercise of public authority.**

The service guarantee should include an undertaking that the municipality must decide whether to grant a licence or permit within a certain given time and that the fees will be reduced or waived if the municipality fails to meet the guarantee. The guarantee should also contain undertakings to the effect that the companies are assured clear information on what an application should contain, how and when decisions will be made and to whom they can turn with questions and complaints.

**5. It should be possible for a company to monitor its matters with the municipality online.**

More municipalities must offer their entrepreneurs the option to monitor their matters online. Municipalities that do not offer this today should introduce it gradually, by identifying types of matters that have higher priority and then extending the service to cover more areas.

**6. Regulatory authorities and municipalities should regularly evaluate how regulations affect the municipal application of regulations and, in turn, how companies are affected.**

Regulatory authorities and municipalities must improve their overview of the entire level of application.



## Building permits

**1. Municipalities should take no more than three weeks to decide on a building permit that complies with the detailed development plan.**

The faster a building permit is granted, the faster the company can start operating. Today, some municipalities are able to grant a building permit that complies with the detailed development plan within three weeks of a complete application. This period should therefore apply as the main rule for all municipalities and be included in a service guarantee.

**2. All municipalities should offer a service guarantee for building permits.**

The service guarantee should include an undertaking that the municipality will decide whether to grant a building permit within a period that is shorter than the statutory period and that the fee for the building permit will be reduced or waived if the municipality fails to meet the guarantee. The guarantee should also contain undertakings to the effect that the companies are assured clear information on what an application should contain, how and when decisions will be made and to whom they can turn with questions and complaints. A service guarantee may very well have several time limits depending on the type of matter.

**3. Regulatory authorities and municipalities should regularly evaluate the effects of their application of regulations on companies.**

The introduction of a maximum processing time may be a way of monitoring and governing the activities internally.

**4. Municipalities' fees should be more clearly linked to the services provided in return by the municipality to the individual company.**

It should be clear when, and for what, fees are payable by companies. It should also be made clearer than is the case at present how the municipality sets the level and calculates the fee for the building permit based on the work involved/costs incurred by the municipality. If the municipality.

**5. Municipalities' undertakings to promote the local business community should include making it easier to obtain building permits.**

As the application for building permits is a sign of expanding companies and increased employment opportunities, municipalities should strive to ensure that all aspects of the administration act as facilitators in the planning and building process.



## Environmentally hazardous activities

- 1. All municipalities should clearly report the factors considered in the calculation of fee levels for the notification and supervision of environmentally hazardous activities.**

The costs included in the calculation of fees should be stated clearly on municipality websites and information materials.

- 2. Municipalities' fees should be more clearly linked to the services provided in return by the municipality to the individual company.**

It should be clear when, and for what, fees are payable by companies. Regarding supervision, fees should chiefly be charged when an on-site inspection has been carried out or the company's documentation has been checked. When fees are calculated or adopted, the link to the work carried out by the municipality with regard to the individual company should also be more obvious. The fee should be reduced if on-site inspections are not carried out or cannot be justified.

- 3. Municipalities' supervisory activities should aim for a dialogue with the companies carrying out the activities to ensure that the objective of a good environment is met in the most effective way.**

Naturally, the control and documentation of deficits should be included in the assignment, but they should not be the only focus.

- 4. Municipalities must strengthen the dialogue between the economic development department and the other administrations to increase their understanding of the commercial conditions for companies.**

The municipality's business-promoting policies and measures must be made available throughout the municipal administration to have the intended effect on the exercise of public authority.

- 5. Regulatory authorities and municipalities should regularly evaluate how regulations affect the municipalities' application of regulations and, in turn, how companies are affected.**

Regulatory authorities and municipalities must improve their overview of the entire level of application.



## Alcohol licences

**1. All municipalities should offer a service guarantee for alcohol licences.**

The service guarantee should include an undertaking that the municipality must decide whether to grant an alcohol licence within a certain given time and that the application fee will be reduced or waived if the municipality fails to meet the guarantee. The guarantee should also contain undertakings to the effect that the companies are assured clear information on what an application should contain, how and when decisions will be made and to whom they can turn with questions and complaints.

**2. Municipalities should take no more than three weeks to decide whether to grant an alcohol licence.**

If licences are granted more quickly, companies can begin their operations earlier. Today, some municipalities are able to decide whether to grant an alcohol licence within three weeks of a complete application. This period should therefore apply as the main rule for all municipalities and be included in a service guarantee. Municipalities should also measure and categorise different types of matters regarding processing times and set targets based on this.

**3. Municipalities' fees should be more clearly linked to the services provided in return by the municipality to the individual company.**

It should be clear when, and for what, fees are payable by companies. Regarding supervision, fees should chiefly be charged when an on-site inspection has been carried out or the company's documentation has been checked. When fees are calculated or adopted, the link to the work carried out by the municipality with regard to the individual company should also be more obvious. The fee should be reduced if on-site inspections are not carried out or cannot be justified.

**4. Municipalities' supervisory activities should aim for a dialogue with the companies carrying out the activities to ensure that the objective of good order and sobriety is met in the most effective way.**

Naturally, the control and documentation of deficits should be included in the assignment, but they should not be the focus.

**5. Municipalities must strengthen the communication between the economic development department and the other administrations to increase their understanding of the commercial conditions for companies.**

The municipality's business-promoting policies and measures must be made available throughout the municipal administration to have the intended effect on the exercise of public authority.

**6. Regulatory authorities and municipalities should regularly evaluate how regulations affect the municipal application of regulations and, in turn, how companies are affected.**

Regulatory authorities and municipalities must improve their overview of the entire level of application.



## Food control

- 1. All municipalities should clearly report and justify the factors used as a basis for the classification of the municipality's food facilities as well as the level of the municipality's hourly rate.**

The costs included in the calculation of fees should be stated clearly on municipality websites and information materials.

- 2. Municipalities' fees should be more clearly linked to the services provided in return by the municipality to the individual company.**

It should be clear when, and for what, fees are payable by companies. Regarding food control, the fee should chiefly be charged in arrears, after the on-site inspection. When fees are calculated or adopted, the link to the work carried out by the municipality with regard to the individual company should also be more obvious. Fees should be reduced or waived if the on-site inspection has not been carried out or was less extensive than planned.

- 3. Municipalities' control activities should aim for a dialogue with the companies carrying out the activities to ensure that the objective of high food safety is met in the most effective way.**

Naturally, the control and documentation of deficiencies should be included in the assignment, but they should not be the focus.

- 4. Municipalities must strengthen the communication between the economic development department and the other administrations to increase their understanding of the commercial conditions for companies.**

The municipality's business-promoting policies and measures must be made available throughout the municipal administration to have the intended effect on the exercise of public authority.

- 5. Regulatory authorities and municipalities should regularly evaluate how regulations affect the municipal application of regulations and, in turn, how companies are affected.**

Regulatory authorities must improve their overview of the entire level of application.



## Appendix with all summaries

### Executive summary – New establishments report

NNR's report on new establishments (*"Villkor för nyetablering – Tillämpning, service och myndighetsutövning,"* available in Swedish only) is the fifth of five follow-up reports on the application of regulations on the municipal level. The report gives an account of how municipalities responded to NNR's questionnaire on the conditions for new establishments and indicates various measures that could improve the municipalities' services to entrepreneurs. Other reports in the series deal with similar issues in the areas of alcohol licences, food control, building permits and environmentally hazardous activities.

NNR's survey shows that the business pilot function can be developed further in many municipalities. The number of municipalities where an establishment such as the one in the establishment case study is fully guided by a business pilot function has risen somewhat from 45 percent in the 2016 survey to 50 percent today. However, our interpretation is that the number of municipalities that offer coordination meetings in connection with such an establishment has fallen from 82 percent in 2016 to 66 percent today. It is also apparent from this year's survey that in 64 percent of the responding municipalities, the business pilot can take proactive action and arrange meetings and follow up on and monitor a matter to the end, in an establishment such as the one in the case study. NNR is of the view that the business pilot function should be used in a proactive manner to achieve the best possible effect on the business climate.

When a company decides whether to locate a new establishment in a certain municipality, the municipality must provide the entrepreneur with important information, so that the investment decision can be properly substantiated. According to NNR's survey, only a third of the responding municipalities state that they are able to provide information on the total costs at the first contact with the municipality or, at least, prior to the application is made. Also, 36 percent of municipalities do not provide such information unless it is specifically requested, or only by sending the invoices. With regard to information on the expected total processing time for all permits, licences and notifications required for the operations, 56 percent of municipalities are able to provide such information at the first contact with the municipality's business services or, at least, prior to the application. Of the responding municipalities, 14 percent only provide such information if specifically requested or only when they notify the company whether the permit has been granted.

NNR also asked the municipalities to state the total costs of all permits, licences and notifications required in the establishment case study. Only 36 out of 150 municipalities (24 percent) responded to the question with a figure. The other respondents provided a comment, which in some cases lists the fees that the head of economic development or similar is aware of, and in other cases explains that the response to the question is difficult and complex and that no exact figure can be provided.

It is evident that municipal rates must be simplified and made more transparent, so that colleagues elsewhere in the municipal administration can easily understand and calculate a fee. A perfectly reasonable requirement from the business community is that Swedish municipalities should be able to provide at least a rough estimate in response to the question 'What will it cost?' – regardless of the industry of the establishment.





NNR is of the view that the difficulties experienced by many heads of economic development or the equivalent when estimating the maximum processing time could be remedied by a service guarantee. Today, some – albeit very few – business pilots are able to give a simple response to the following question from an entrepreneur: “How long will it take, as a maximum?” “It will take two weeks (which is our service guarantee), provided all applications are complete.”

In 77 percent of municipalities, entrepreneurs can make one (1) application or notification online in any of the 13 areas covered by NNR’s questionnaire. Only 14 percent of the responding municipalities stated that it is possible to make all queried permit and licence applications and notifications online. E-services for municipal services are under development in many parts of the country, and it is therefore important to require that the various services that are being developed can be integrated. Much can be gained by taking a “wide” approach early in the process, to avoid the municipality ending up with several separate solutions.

An important aspect of digitalisation is that an entrepreneur should be able to monitor a matter online. The number of municipalities where a company can monitor at least one (1) type of matter online has risen from 21 percent in 2016 to 40 percent in this year’s survey. There are time savings to be made for the company and the municipality if there is no need to call or write merely to follow up on the status of a matter.

An establishment should be followed up by an evaluating contact between the municipality and the entrepreneur. Three out of four of NNR’s proposed evaluating measures are taken by over 75 percent of the responding municipalities. However, it is evident from the comments from the municipalities that there are discrepancies in their interpretation of the response options. It is important in the evaluating dialogue with entrepreneurs that there is an interest in, and a systematic reception of, the issues brought up by the entrepreneur.

Based on the responses and comments on the survey, the impression is that some municipalities see no need to develop the municipal services. However, NNR is of the view that every single permit/licence/inspection/supervision probably can be reasonably justified, but that the accumulated regulatory burden is often overwhelming for an entrepreneur, particularly for a small company. It is of the greatest importance that every single action by a public authority is as effective, as efficient and as proportional as possible to minimise the burden on each company.



## Executive summary – Building permits report

NNR's report on building permits (*"Bygglövs – Handläggningstider, avgifter och digitalisering,"* available in Swedish only) is the third of five follow-up reports on the application of regulations on the municipal level. It involves the length of the municipalities' processing time for granting a building permit (and starting clearance), which fees they charge for the building permit, whether they have service guarantees, the orders of priority used for building permits, the degree of digitalisation and the use of external resources. Other reports in the series deal with similar issues in the areas of alcohol licences, environmentally hazardous activities, food control and conditions for new establishments.

NNR's survey shows major and growing discrepancies in the conditions for developers who are applying for building permits in Sweden. The survey uses a simple building permit matter as a case study, which has remained identical in each survey since 2012. The processing time for the same building permit can differ by ten weeks depending on the municipality that administers the building permit, and the fee (including the planning fee) can differ by just over SEK 234,000 – a considerably greater variation than in the survey in 2016, which in turn showed a considerably greater variation compared with 2012. However, 34 percent of the municipalities that responded to NNR's survey in 2016 had succeeded in cutting their processing time in 2020, which shows that attention has been paid to the issue of companies' significance for municipal growth and that it is possible for the municipalities to rationalise their work.

NNR recommends a processing time of no more than three weeks for simple building permits. The average in most groups of municipalities is close to the national average of 4.0 weeks, except for the groups comprising metropolises and large cities, whose average is closer to five weeks.

There are major differences within counties with regard to fees; in some cases, the difference may be as high as SEK 120,000 in total costs for building permit and planning fees. However, the differences in Blekinge, Kronoberg and Södermanland are minor, which shows that the efforts to reduce differences can begin on the county level. The fact that the difference between the lowest and the highest building permit fee in a simple building permit matter can rise from SEK 45,561 to SEK 62,480 in four years must be regarded as astounding. However, it is not only the extreme values that differ – the national average building permit fee has risen from SEK 26,281 to SEK 29,944 (+14 percent) since 2016, and the average planning fee has increased from SEK 18,146 to SEK 24,286 in the same period (+34 percent). This is far above the cost increases in society and must be explained by the municipalities.

A comparison between different types of municipalities made by NNR with regard to the degree of digitalisation shows that more populous municipalities, such as major cities, have double the degree of digitalisation compared with rural municipalities. Also, larger and more densely populated municipalities more often engage external resources when needed. Large municipalities seem to have various advantages, such as a higher degree of digitalisation and better opportunities for specialisation, and they more often engage external experts if they lack resources. Still, these advantages do not seem to result in higher efficiencies in the form of a shorter processing times or lower fees.

The increase in the number of municipalities that offer service guarantees that was noted in 2016 has changed to a reduction. The maximum limits on processing times in the guarantees vary from seven to 70 days, and the maximum limit is often far beyond the average processing time. With differences that may be as high as 63 days between the maximum limit and the processing time in a simple building permit matter, the maximum limit loses its value, both as information to companies and as a governance tool in the municipality's activities. Of the 19 municipalities that provide



compensation in case the maximum limit is exceeded, only six municipalities have a maximum level that is shorter than the statutory limit of 70 days.

This is a reduction from eight such municipalities in 2016, and it is astonishing how few municipalities work actively with a service guarantee that is shorter than the statutory limit. Also, the compensation offered is often of low economic value, such as a repayment of 10 percent of the fee.

Municipalities sets the order of priority differently, but it is most common by far to set the order of priority according to the date of receipt. The order of priority seems unclear in a handful of municipalities, which in a worst-case scenario may lead to arbitrariness and random variations in processing times.

Sweden's municipalities focus on building as a way to contribute to the rebooting of the economy after the Covid-19 pandemic. As part of the business-promoting efforts, the building office in each municipality should be in close contact with the economic development department to increase the understanding of companies' operations, thus improving the possibility of taking a proactive approach to granting permits. Companies should be encouraged and find it desirable, easy, fast and smooth to apply for and obtain building permits. The building offices should aim to be perceived as enablers in development projects, not merely as a review body.

According to NNR, the results of the survey indicate that municipalities apply the building permit regulations in different ways and that service levels vary. Municipalities may also differ in how efficiently they use the available resources. Differences in application and resource efficiency between municipalities increase the hassle for companies. NNR determines that municipalities and regulatory authorities have good reason to investigate the differences observed by NNR. NNR is of the view that municipalities and regulatory authorities must ensure a more uniform application of regulations throughout Sweden. This is important for legal certainty, equal treatment, neutrality in competition and the business climate in Sweden.



## Executive summary – Environmentally hazardous activities report

NNR's report on environmentally hazardous activities ("*Miljöfarlig verksamhet – Tillämpning, avgifter, tillsyn och god myndighetsutövning*," available in Swedish only) is the fourth of five follow-up reports on the application of regulations on the municipal level. The report gives an account of how municipalities responded to NNR's questionnaire and indicates various measures that could improve the municipalities' services to entrepreneurs. Other reports in the series deal with similar issues, including processing times, in the areas of alcohol licences, building permits, food control and conditions for new establishments.

According to NNR's survey, there are major discrepancies in notification fees between municipalities for the notification of new or changed activities. The notification fees stated by the municipalities varied from slightly less than SEK 1,000 to just over SEK 17,000 for the car wash in NNR's case study. Just over half of the municipalities state that their notification fees are higher than in the survey in 2016. The greatest increase in an individual municipality is approximately SEK 9,000. The largest municipalities have on average stated considerably higher notification fees than the smallest municipalities. On a positive note, the average increase in notification fees is considerably less than the consumer price index and the salary development.

On the other hand, supervision fees have risen even more. The difference between the lowest (SEK 723) and the highest (SEK 25,600) supervision fee stated for a car wash has grown by approximately SEK 6,000 since the last survey in 2016. Of the municipalities, 74 percent state a higher supervision fee than in 2016. The greatest increase stated in an individual municipality is SEK 11,000. The supervision fees stated (the average value) rose by approximately SEK 1,200 (15 percent) on average from 2016 to 2020.

The number of municipalities that would carry out an annual on-site inspection in our car wash case study has risen, while the number that carries out on-site inspections every second or every third year has fallen. Of the municipalities, 60 percent stated in this year's survey that they would carry out an annual on-site inspection of the car wash in our case study. The survey includes examples of municipalities that state that they would carry out annual inspections, for which they would charge almost SEK 26,000. At the other end of the scale, we find municipalities that state that they would carry out inspections every third year, for which they would charge an average annual fee of less than SEK 1,000. It is obvious that this difference is unreasonable and clearly indicates the need for increased coordination and an increased link to the time actually spent on the matter.

Only one (1) municipality always repays the supervision fee if no on-site inspection has been carried out. This is a clear deterioration compared with the survey in 2016. The 11 municipalities that responded in 2016 that they would repay the fee have changed their procedures and in 2020, they no longer make a repayment. On the other hand, a small – but growing – number of municipalities charge in arrears according to the time spent, and in those municipalities, a repayment is never required. NNR takes a positive view of the fact that a growing number of municipalities apply this principle, as it results in increased trust in the fee system and in the supervision as such.

Roughly half of the municipalities consider that the time required for an inspection should be reduced if the company can show that they make good self-inspections. In the same way, roughly a fifth of municipalities are of the view that the time required for supervision should fall if a company presents an approved third-party certification. NNR believes that these figures should be considerably higher.



In a large part of municipalities, the municipal and/or administrative leadership have an express desire of a business-promoting perspective. Many municipalities have also expressed that they believe good supervision includes advice and dialogue as well as regulatory supervision. NNR believes this is a positive trend.

In the survey, nearly 100 municipalities reported their methods for making their working methods more promoting. The most common methods include giving administrators more scope for helping each other and providing communication training to administrators. Methods such as training to improve working methods and arranging meetings with entrepreneurs are used less often. NNR recommends an increased use of such methods, as they are effective.



## Executive summary – Alcohol licenses report

NNR's report on alcohol licencing ("*Serveringstillstånd – Tillämpning, avgifter, tillsyn och god myndighetsutövning*," available in Swedish only) is the second of five follow-up reports on the application of regulations on the municipal level. The report gives an account of how municipalities responded to NNR's questionnaire and indicates various measures that could improve the municipalities' services to entrepreneurs. Other reports in the series deal with similar issues in the areas of food control, building permits, environmentally hazardous activities and conditions for new establishments.

NNR's survey found major discrepancies in the restaurateurs' conditions for applying for and holding an alcohol licence. It may take up to 11 weeks longer for a restaurant in one municipality to obtain a licence compared to a restaurant in another municipality that is applying for the same kind of licence, and the restaurant may have to pay five times as much in application fees or nearly six times as much in supervision fees. In general, the results show that large municipalities that handle many matters, which should result in a higher degree of specialisation and increased efficiencies, have higher application and supervision fees than small municipalities with few matters. For example, the average application fee in the 25 smallest municipalities is roughly SEK 2,500 less than the fee in the 25 largest municipalities. To increase the transparency towards companies, the municipalities should therefore make a clearer separation of the cost of the supervision of the individual company and the overall costs for all restaurant businesses in the municipality. Of the municipalities that responded to NNR's survey in 2016, 45 percent had succeeded in reducing their processing time in 2020 – some by as much as 7 weeks, which shows that it is possible to rationalise the work in the municipalities.

Many municipalities state that they have some kind of service guarantee or maximum processing time, but the number of municipalities with a maximum processing time is falling. Also, the maximum processing time is often considerably higher than the actual processing time, so it is apparent that they can be reduced. A maximum processing time communicated by a municipality to entrepreneurs should have information content that indicates the expected processing time. NNR is of the view that if the differences are too large, the maximum processing time is a kind of disinformation. According to NNR, three weeks would be a reasonable maximum limit and service guarantee for a regular matter.

Very few municipalities provide compensation if the maximum limit is exceeded or repay a supervision fee if no supervision has been carried out. In this context, the municipalities should consider the purely communicative advantages of increased clarity regarding the meaning of the maximum limit and supervision, through paying compensation if the service is inadequate and balance these advantages against the economic risk of repaying a part of the supervision fee if no on-site supervision is carried out. This is to make it more clear to the companies what they receive in return.

An alternative approach is to only invoice on-site supervision in arrears, after it has been carried out; this has many communicative advantages. The overwhelming majority of municipalities charge the supervision fee in advance, even though it is possible to do otherwise. Twelve municipalities (4 percent) charge in arrears for the hours of supervision actually carried out, and 11 municipalities charge one part in advance, based on a rate, and one part in arrears, based on the time spent.

A large and growing part of municipalities focus on dialogue in their supervision efforts; 67 percent in this survey make dialogue the highest priority, compared with 52 percent in the survey in 2016. Nonetheless, it is astonishing that 95 municipalities have chosen to check and document deficiencies as their highest or second highest priority, considering all comments from municipalities that find other methods to be more effective to achieve good order and sobriety. NNR is of the view



that it is desirable to shift the focus from control and deficiencies towards dialogue, advice and support. As opposed to the municipality's supervisory personnel, the entrepreneur is constantly present in the operations and is best placed to discover all potential risks.

From this perspective, an entrepreneur who takes his business seriously is a very important inspector and should be strengthened in this role through a focus on dialogue.

Nearly one third of municipalities have a clear policy stating that the supervision should take a business-promoting perspective. Nevertheless, it is astonishing that as many as half of the municipalities seem to have communicated their business-promoting efforts in such a weak manner that the administrators working with alcohol licences are sure that there are no such efforts in their municipality.



## Executive summary – Food control report

NNR's report on food control ("*Livsmedelskontroll – tillämpning, avgifter och god myndighetsutövning*," available in Swedish only) is the first of five follow-up reports on the application of regulations on the municipal level. The report gives an account of how municipalities responded to NNR's questionnaire and indicates various measures that could improve the municipalities' services to entrepreneurs. Other reports in the series deal with similar issues, including the municipalities' processing times, in the areas of alcohol licences, building permits, environmentally hazardous activities and conditions for new establishments.

It is apparent from NNR's survey that there are still major differences between municipalities with regard to the risk classification of food operations and that these differences have increased over time. As the municipality's classification governs the number of inspection hours required for a store, which in turn governs the fee, fees may also vary greatly. The store in the case study, which was defined in advance, pays SEK 33,000 more in annual supervision fees in the most expensive municipality that participated in NNR's survey, compared to the same store in the least expensive municipality. Compared with the previous surveys in 2012 and 2016, 45 municipalities have raised or reduced their fees by more than SEK 10,000. The average fees for the store in NNR's case study have risen sharply compared with the previous surveys – first by 29 percent and then by 23 percent. Consumer price index<sup>3</sup> and salary increases<sup>4</sup> have not increased at the same rate over the period.

The municipalities' hourly rates for control vary significantly, from SEK 842 in the cheapest municipality to SEK 1,522 in the most expensive municipality – a difference of nearly 81 percent. The average hourly rates have increased by 17 percent and 14 percent, respectively, compared with the previous surveys in 2016 and 2012. It can be noted that the average fee increases are considerably higher than the average hourly rate increases, which confirms that it is not only the burden of costs that has increased, but also the burden of control (the number of inspection hours).

There is a notable trend that more municipalities make more inspection visits per year and that fewer municipalities make one (1) visit per year to the store in NNR's case study. The trend can be tracked in a comparison of the average number of inspection visits per annum for the municipalities that responded at the time. According to NNR's surveys, the average was 1.3 inspection visits in 2012, 1.5 visits in 2016 and 2.0 visits in 2020. One explanation for this is that the increased number of inspection hours must be spread out over additional visits. All in all, this is a sign of an increasing burden of control for the companies.

The overwhelming majority of municipalities charge the supervision fee in advance, even though they have the option of doing otherwise. Twelve municipalities (4 percent) charge in arrears for inspection hours that have actually been carried out, and 15 municipalities charge in arrears in connection with the first visit to a newly established business.

As many as 30 percent of municipalities (72) respond that they are unsure whether companies are impacted in some way financially by the control activities, and 67 percent are of the view that there is no impact. NNR interprets this to mean that very few municipalities work on evaluating their activities with regard to their impact on the companies that are subject to the control. More municipalities must evaluate and gain an insight into this impact.

A growing number of municipalities focus on dialogue in their supervision efforts – 32 percent in this survey, compared with 21 percent in the survey in 2016. Nevertheless, it is astonishing that as many as 135 municipalities have chosen checking and documenting deficits as their highest priority,





considering all comments from municipalities that regard other methods as more effective to achieve high food safety. NNR is of the view that it is desirable to shift the focus from control and deficiencies towards dialogue, advice and support. As opposed to the municipality's supervisory personnel, the entrepreneur is constantly present in the operations and is best placed to discover any potential hazards. From this perspective, an entrepreneur who takes his business seriously is a very important inspector and should be strengthened in this role through a focus on dialogue.

A narrow majority of municipalities (112) have adopted a clear policy that the control activities should have a business-promoting perspective. Nevertheless, it is astonishing that as many as a third of the municipalities (77) seem to have communicated their business-promoting efforts in such a weak manner that the administrators working with food control are sure that there are no such efforts in their municipality.

NNR queries the reason for the accelerating fee increases for the shop in its case study, which has remained nearly identical over time. There could be a link to a change in the application of the regulations. A generally more stringent application of regulations by municipalities could cause an increase in the determined needs for supervision and therefore lead to an increase in supervision fees. However, there are municipalities in all regions that have reduced their fees for the store in the case study. NNR considers that an improved common understanding of the interpretation of the regulations, both internally and in the municipalities, regionally and nationally, might counteract this kind of shift in the municipalities' application, even if the municipalities are unaware of this shift. Regulations with nationwide application should have more similar outcomes at the level of application.



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## The Board of Swedish Industry and Commerce for Better Regulation, NNR

The Board of Swedish Industry and Commerce for Better Regulation was formed in 1982 and is a politically independent non-profit organisation wholly financed by its members, which include 25 Swedish business organisations and trade associations together representing just over 300.000 companies. This means that NNR speaks for all active companies in Sweden with one or more employees; companies in every industry and of every size. NNR's task is to advocate and work to achieve more effective and less costly regulations and a reduction in the extent to which companies are required to report information in Sweden and the EU. NNR coordinates the business sector's review of impact assessments of proposals for new or amended regulations as well as the business sector's regulatory improvement work at national and EU level. This focused area of activity makes NNR unique among business organisations in Europe. More information on NNR is available at [www.nnr.se](http://www.nnr.se).