

Analysis of the cost of implementing public digitalization and ICT projects in the municipal sector using A-ordningen as a case

Oslo Economics and Agenda Kaupang have on behalf of KS assessed to which extent implementation costs in the municipal sector are estimated before introducing new public digitalization and ICT initiatives. We have also considered factors that may contribute to more realistic cost estimates in the future.

To investigate this issue, we have conducted a survey of the introduction of A-ordningen in the municipal sector. A-ordningen is a project initiated by the central government. A-ordningen replaces the previous individual reporting of income and employee information to three government agencies in one electronic message, A-meldingen, which is reported monthly.

We have investigated the municipalities' actual cost of implementing A-meldingen and compared the actual cost to the ex-ante estimates of the implementation costs.

We find that there was little focus on estimating implementation costs in the municipal sector before the decision was made to introduce A-ordningen through a parliamentary adoption of A-opplysningsloven on 22 June 2012. The proposition states that employers are expected to have an additional cost in the first year related to preparing for the new reporting scheme and to implement new procedures and systems (ref. Prop. 112 L (2011-2012)). Beyond this, there were no concrete estimate of the implementation cost for employers or the implementation cost in the municipal sector. A cost-benefit analysis of A-ordningen conducted after A-ordningen was decided, provides some general estimates of the implementation cost for employers, but no estimates of the cost in the municipal sector, specifically.

The actual costs of implementing A-ordningen in the municipalities were substantially higher than the cost estimates presented in the cost-benefit analysis. Our analysis shows that the average implementation cost per municipality was around 285 000 kroner (excluding Oslo). For the municipal sector as a whole, the implementation of A-ordningen costed around 140 million kroner. In addition, around 35 percent of the municipalities had an increase in the annual licensing and maintenance costs for their human resources management systems (HRM-systems). There are great differences in implementation costs depending on the municipality's supplier of HRM-system. Large municipalities have on average higher implementation costs than smaller municipalities.

Many municipalities did not expect implementation costs of this size and had not taken the implementation into account in their budgets. This meant that the municipalities had to change their spending priorities in order to cover the unforeseen costs.

The municipal sector has expressed a need for more accurate estimates of implementation costs before introducing new digitalization and ICT initiatives. Utdredningsinstruksen is a list of requirements for the preparatory work which is mandatory before introducing a new public initiative such as a new law or an infrastructure investment. Utdredningsinstruksen states that the project owner should describe the expected consequences for the municipalities if they are affected. Moreover, the project owner should, if possible, quantify the costs occurring in the municipal sector.

Implementation costs are important to municipalities and should therefore be examined at an early stage. Estimates of implementation costs make municipalities able to take account for such costs in their budgets. If municipalities are presented with estimates on implementation costs, it also can incentivise them to negotiate with their suppliers and to start the process of adjusting their systems and routines earlier.