

**This guide to ICT co-operation between Norwegian local authorities** provides advice on how to implement the ICT co-operation, based on the experience from several years of the Høykom program for public broadband applications.

The guide is the result of an initiative from the Norwegian Association of Local and Regional Authorities (KS) and the Ministry of Government Administration and Reform. The internet version of this guide ([www.iktsamarbeid.no](http://www.iktsamarbeid.no)) also provides links to relevant information on legal regulations, contractual templates and other resources useful for local authorities planning to implement this type of ICT co-operation with other local authorities in the region.

The usual objectives for this type of initiative on ICT co-operation are:

- Direct economic gains from collaboration and scale benefits
- Improved ability to meet legal obligations through more efficient services
- Possibility of new services to the public
- Easier recruitment of ICT personnel to a larger (joint) ICT organization

Local authorities require robust ICT solutions, as the solutions become more business critical for the public services for which the local authorities have responsibilities for. ICT competent and demanding end users, 24x7 digital services and content rich public portals require a secure infrastructure and robust solutions. In particular, local authorities in small communities have great difficulties in meeting this challenge. Co-operation can enable the local authority to give more professional services, to develop better delivery and benefits of scale.

The local authorities who co-operate often start with simple solutions, where there are obvious and immediate gains for all participants - for instance joint purchasing, competence sharing or exchange of simple operational services like running a joint Human Resource Management System. It can also be a way to handle infrastructural issues like broadband roll-out in rural areas. Co-operation on infrastructure often expands to areas like network management and internet access, ICT security issues, servers and software platforms, ERP solutions, software license management, portal services, intranets, ICT training and end user help desks. The local authorities harmonize their ICT strategies, and the practical co-operation is based on joint operational plans.

Some local authorities have reached the stage where they co-operate on applications and special ICT functions related to core services to the community. For some, the wish for more co-operations on services to the public is actually the driving force for the initiative on co-operation. For others, the co-operation on infrastructure issues comes first - while the possibilities for joint services are dealt with when it becomes an explicit demand from the actual business units.

Experience has shown considerable benefits from such ICT co-operation, for example in reduced communication and internet access costs, better price on equipment and software due to larger volumes, reduced costs on operations, enhanced service quality and operational performance, more efficient use of existing specialized ICT competencies, and more and better digital services to end users or local enterprises.

The most significant benefits are achieved when the co-operation reaches a level where it also includes functional collaboration on service quality in "core" areas such as school administration, local planning and building operations, health services and child care services. Furthermore, the potential benefits appear more substantial the more comprehensive the actual co-operation is, and the more local authorities that participate in the initiative.

Obviously, a co-operation between local authorities also generates costs, at least in the short term. Implementing new systems takes time, while existing systems still have to be kept operational. Earlier investments in equipment and systems must be written off long before the equipment's "natural" technical replacement time. The ICT employees must acquire new competence. In addition, the infrastructure might have to be upgraded or extended.

The ambition level and the administrative arrangements of the collaboration vary a lot. There is no easy answer here, the starting point has to be the actual challenges the region and the joining local authorities experience. Further, the expectation has to be in accordance with the participants' ability to implement the plans.

The collaborations can be roughly grouped in three distinct types:

- The top-down approach is based on the needs and challenges of the geographical region as a whole, and prepare for collaboration on cost-effective service production and enhanced service quality at

“core” business areas. The main focus area is to develop the region demographically, socially and industrially. The ICT strategy and ICT solutions of the local authorities in the region must be co-ordinated to support these efforts.

- The bottom-up approach can have collaboration on common infrastructure as a starting point – for instance as a base for Ip telephony solutions and benefits from reduced telecommunications costs. Another starting point can be to use each others competence on specific areas of expertise. It may include common purchasing routines or other joint measures to exploit scale advantages commercially. The involved local authorities may desire lower cost without losing the freedom as to how ICT is implemented on different areas of public service production. The main goal is easier and cheaper ICT operations – and as long as the collaboration actually reduces costs for all involved participants, everybody is pleased.
- Full integration of systems and solutions in one specific area may be a third approach. By testing on one service area and co-ordinating the ICT solutions that supports this service area, the involved local authorities can gain experiences, identify pitfalls and handle practical problems before they expand the collaboration to more service areas. The co-operation can include ICT operations, responsibility for common legacy systems, new work processes, and an efficient exploitation of available joint competence.

Experience shows that there are conditions for successful co-operation:

- There has to be a win-win situation. No participant should benefit on the expense of the others. There should be obvious benefits for all involved local authorities, even in the short-term.
- Willingness to co-operate. The participants must share a common vision underlying the collaboration. For all participants the interests of the co-operation has to be seen as more important than the local interests and considerations.
- Agreement on ambitions. There has to be a clear understanding of the degree of co-operation and commitment to the joint structures, i.e. from the simple, informal network and collaboration on single non-critical ICT functions, to the complicated and demanding – long-term collaboration on almost any area of public service production and administrative services.
- Everyone has to be well informed. The co-operation has to be anchored in and accepted by all the participating organizations. Those who are affected on daily basis must recognize the rationale and see the advantages. In fact, there should be established a strong regional identity.
- The implementation of a regional, extensive co-operation between local authorities on ICT must be well planned and managed. Time has to be spent on detailed planning, and management must show commitment. The roles of those involved must be clearly defined. The “Regionråd” (a regional steering committee with political representation) can be used as a coordinator and for process management. The preparatory work can require half a year or even more – while the implementation phase often lasts for several years.

The establishment of an inter-local authorities co-operation can be divided into a preparatory or initiation phase, an ordinary pre-project phase, an implementation phase, and an operational phase – all according to traditional project management methodology. The guide describes typical activities in the different phases. Experience is unambiguous: a well-defined and well-managed process is among the most important guarantees for a good result.

Co-operation must be a smarter strategy than being alone. Informal networks between local authorities means a low level of commitment. They will end once they don’t provide benefits without problems or loss for any of the participants. More permanent and extensive collaboration need more predictable and well-defined structures. The ICT functions must be organized according to a legal framework that ensures the interests of the participants and gives necessary financial and managerial clarity and order.

In the hosting model one of the participating local authorities provides one or more tasks on behalf of the others, but without any legal or organizational superstructure. Such collaboration can include several hosting local authorities as hosts for each their services, subject to mutual contracts between the participants. This arrangement allows for work division and specialization on different areas.

More comprehensive co-operation may need a dedicated joint body to be established, that can be given the operational responsibility. This can legally be authorized by the Local Government Act (Kommuneloven), as a so called §27 co-operation. Alternatively it can be authorized in the Act on Inter-Local Authorities’ Companies (Lov om interkommunale selskap) as a company owned by a group of Local Authorities – a legal arrangement tailored for this kind of regional collaboration on public service production in small

communities. The participants don't practice authority directly, but indirectly through representatives. The company is by itself defined as a legal entity.

Local authorities and counties might establish limited liability companies. Common ICT functions can be allocated to the company, as a kind of outsourcing. Establishing a limited liability company is particularly relevant when no market player offers the services in question. The Limited Liability Companies Act (Aksjeloven) defines governing arrangements, employers rights etc. The local authorities may influence and govern through the ordinary steering bodies of a company.

Alternatively, if the local authority outsources its ICT operations to an ordinary market player, the written contract defines their influence on how the ICT functions are organized, the service quality etc. As the commercial ICT partner also has other customers, the numbers of detailed conditions the local authority can set up are strongly limited. When several local authorities co-ordinate their purchases from commercial vendors they will strengthen their buying power, and thereby be able to force down prices and to set up more specific and detailed conditions.

The degree of owner influence and steering is crucial for the kind of legal model the local authorities apply to their joint ICT functions. For instance, a §27-based co-operation provides a better basis for active ownership than the inter-local authorities' company (IKS) model or the limited liability company (AS) model. If short decision lines and commercial freedom are necessary, one should apply a model where the ICT organization itself is a legal entity.

The relation to the market place is also of importance for the co-operation. If local authorities want to buy any service from a neighboring host local authority (see the hosting model described earlier), they can do so without any market place exposure or tendering procedures as long as the actual local authority has been given an exclusive right to deliver the services. This exclusive right has to be expressed as a formal resolution by the local authorities involved.

Participating local authorities co-operating under the Local Government Act (§27) can order services from the joint body without any tendering procedures, exactly as if they handled the tasks themselves. This also counts for collaborations under the Act on Inter-Local Authorities Companies (IKS), even if the IKS itself is a legal entity. A condition is that the local authorities own and control the company. Furthermore, the owning local authorities' purchases must exceed 80 percent of the total sales of the IKS.

Purchases from a limited liability company (AS) must be subject to open tendering procedures. Nevertheless, the company can deliver to the owning local authorities without competition in the market place, as long as the company has no (minority) private share holders. As for the hosting model, the requirement is that the company is given an exclusive right to deliver the actual services by a formal resolution by the local authorities concerned.

A third important factor is the employees' rights. For the hosting model or for the Local Government Act (§27) the ICT employees of the hosting municipality or the joint operational body are still civil servants, and the work and employment conditions unaffected by the co-operation arrangements. If a new legal entity takes over the actual tasks, responsibilities and duties, this is considered a transfer of business. The employees are then transferred to the new body, but have the right to remain at their original employer. Salaries and other individual employment conditions and rights should not be negatively influenced in the case of transfer to a new employer.

The different models can be combined in different ways. For instance, local authorities can agree to establish an IKS that has the responsibility for infrastructure and basic ICT services, while operations and support related to one of the legacy systems the local authorities share are organized according to the hosting model.

If the local authorities initially decide to establish a new legal entity for some of their joint ICT functions, involvement at both political and administrative level in all the local authorities involved is of great importance. Those who decide on the implementation of the collaboration must not only be informed of project plans and benefits, but they must also fully understand the consequences of the decisions. This is particularly important in relation to the situation of the involved ICT personnel and the local authorities' relations to the market place.

One common experience seems to be that the operation of standardized and basic ICT functions in the public sector seldom needs to be placed under political control. As a result, a valid alternative for municipalities is to outsource or transfer basic ICT functions to independent (but publicly owned) organizational entities, or to commercial market players.

The participants in a comprehensive ICT collaboration with high ambitions must agree on the rationale for the initiative and all follow the agreed rules. The foundation for the ICT co-operation is an overall vision and a joint "enterprise" strategy on important public sector activities, as well as how ICT and collaboration on ICT can provide better performance. It should be obvious that the local authorities' operational ICT strategies need to be harmonized. There is also a need for common operational ICT strategies, which in detail define areas of co-operation, common systems and architectural principles, roles, practical work processes, financing mechanisms, cost distribution and benefit sharing principles, pricing mechanisms, systems for payments, etc.

The need for formalism and mutual agreements is of course much less in the case of co-operation on a few basic ICT functions. Still, most collaboration will require a certain harmonizing of the participants' ICT strategies and technology choices.

The participants must each consider the possibilities and limitations that the ICT co-operation implies for their own reform efforts. Some co-operating local authorities establish a joint strategic forum which takes an overall responsibility for the strategy and co-ordinates operational plans, initiatives and purchases from the joint ICT service delivering body.

Experience shows that roles and responsibilities are important issues. The hosting model implies that the participants help each other. This is about sharing competence and resources. The participants have at least partly common ICT strategies, and see positive effects of scale and direct benefits. The co-operation is pragmatic and non-bureaucratic. The division between the delivering and the purchasing roles is not sharp.

When a new legal entity is established, the division between the different roles becomes clearer. Participating local authorities have the owner and purchasing roles, while the new organizational structure has the delivery role. The owners' control of deliveries is through the steering structures of the delivering company, and not directly. The local authorities' ICT investments go through the joint ICT service company. Operational services are delivered in accordance with regular contract conditions between legal entities, for instance regulated by a contract that includes Service Level Agreements (SLA).

Some of the pitfalls for ICT co-operations between local authorities are:

- o The preparatory and anchoring work is of weak quality
- o The agreed objectives are ambiguous or vague
- o Important stakeholders and relevant parties are involved too late in the process
- o The local authorities have a weak purchasing competence
- o Cost factors related to the collaboration are underestimated
- o The principles for cost distribution are unclear or unfair
- o There are no robust mechanisms for ensuring deliveries, including legal and economic sanctions
- o Poorly defined models for purchasing and payment

A lot of factors influence the success of the ICT co-operation. One important factor is the number of participants and differences in size and population. A co-operation can be constituted by a large number of local authorities representing small communities geographically surrounding a remote fjord, or by a few local authorities representing densely populated areas surrounding a large city. Experience from the first type of co-operation cannot be transferred to the other type.

Common understanding, common values and knowledge of, and respect for, the needs of the other participants is important for an effective co-operation.

Local authorities planning ICT collaboration should look at established collaborations, at their arrangements, plans and ambitions, organizational models and practical experience of the process itself.