



Department for  
Communities and  
Local Government

**Brandon Lewis MP**  
*Parliamentary Under Secretary of State*

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Your Ref: RWP/TK  
Date: 27 March 2013

To: The Leader  
Local authorities in England

Dear Leader,

## **TRANSFORMATION CHALLENGE AWARD**

**I wrote to you on 21 March inviting expressions of interest from areas for support from the new network we are establishing to spread learning from the four Whole-Place Community Budget pilots and to work directly with local areas to co-design practical public service reforms. When announcing the network I also set out our plans for the new £9 million Transformation Challenge Award to support local authorities that are radically overhauling how they do business. I am now writing to invite bids from local authorities, either individually or from groups of two or more authorities, for support from the Challenge Award**

### ***The Transformation Challenge Award***

This Challenge Award is available to support local authorities, including fire and rescue authorities, that are at the cutting edge of innovation for service transformation so that they are going further and faster in re-engineering service delivery and achieving efficiency savings. Such authorities can be exemplars for other local authorities across the country.

Accordingly, we are looking to provide support (**major multi-authority awards**) for radical innovations involving two or more local authorities combining their operations across all or a major part of their service delivery and back office, whilst maintaining their separate identity and political representation. The combined arrangements meriting support could, for example, involve several local authorities coming together to create shared arrangements over their major services of adult social care and children's services, perhaps linked with novel approaches on commissioning, procurement and the use of assets. A further example might be where several local authorities decide to move to a single operation across all front-line service delivery and back office, coming together to share a single chief executive and management team, a single workforce, common IT systems, joint procurement and contracting, and shared service delivery.

We also recognise that local authorities may wish to develop such combinations as part of wider public service reforms in their area, involving other public and private sector service providers and drawing on support from the new network.

We are also prepared to provide support (**authority awards**) for local authorities (either individually or jointly), which are pursuing particularly innovative measures for delivering efficiencies, increasing resilience, and giving better value for money for taxpayers. In addition we are also making funds from the Transformation Challenge Award available to support local authorities in receipt of Efficiency Support Grant.

### ***Accessing the Transformation Challenge Award***

Local authorities (either individually or jointly), or groups of two or more authorities, wishing to take advantage of either **major multi-authority awards** or **authority awards** should by 14 July 2013 submit to the Department their bid for funds from the Award, setting out the innovative proposals for which they are seeking support. Bids should include a description of the proposed innovations and why the authority or group of authorities considers them to be at the cutting edge of innovation, estimates of the transitional costs of implementing the innovations and of the expected resulting savings, and in the case of a group of authorities, details of council resolutions confirming support for creating the group and implementing the proposed innovations.

We will select bids for awards, and the amount of any award, having regard to the total resources available, the number and nature of proposals received, including the scale of combination in group proposals and the level of innovation, and the estimates of costs and savings of each proposal. The intention, if sufficient bids meriting support are received, is to provide several major multi-authority awards and up to 30 authority awards. Major multi-authority awards may be up to £2m., with authority awards in the range £50k to £500k.

Further information on the Transformation Challenge Award, particularly on making bids and the basis of selection is set out in the annex to this letter

This is an important opportunity for your authority and I look forward to receiving your bid.

A handwritten signature in black ink, appearing to read 'Brandon Lewis', written in a cursive style.

**BRANDON LEWIS MP**

## TRANSFORMATION CHALLENGE AWARD

### How to Bid and how Bids will be assessed

#### THE CHALLENGE AWARD

This Challenge Award is available to support local authorities, including fire and rescue authorities, that are at the cutting edge of innovation for service transformation so that they are going further and faster in re-engineering service delivery and achieving efficiency savings. Such authorities can be exemplars for other local authorities across the country.

There are three categories of awards.

The first category (**major multi-authority awards**) is to support particularly radical innovations involving two or more local authorities combining their operations across all or a major part of their service delivery and back office, whilst maintaining their separate identity and political representation.

The combined arrangements meriting support could, for example, involve several local authorities coming together to create shared arrangements over their major services of adult social care and children's services, perhaps linked with novel approaches on commissioning, procurement and the use of assets. A further example might be where several local authorities decide to move to a single operation across all front line service delivery and back office, coming together to share a single chief executive and management team, a single workforce, common IT systems, joint procurement and contracting, and shared service delivery.

It is recognised that local authorities may wish to develop such combinations as part of wider public service reforms in their area, involving other public and private sector service providers and drawing on support from the new network.

The second category (**authority awards**) is to support local authorities, either individually or jointly, which are pursuing particularly innovative measures for delivering efficiencies, increasing resilience, and giving better value for money for taxpayers, whilst not involving a major combination of services.

Such initiatives meriting support could, for example, include two authorities moving to a single chief executive or having a shared senior management team; the adoption of an innovative model for commissioning or for the strategic management of assets by a local authority, either individually or jointly with others; joint procurement arrangements; or several authorities adopting a shared delivery for a particular service.

The third category (**efficiency support awards**) is to support local authorities in receipt of Efficiency Support Grant. This is in recognition of the particular pressing needs these authorities have for efficiency savings and for pursuing innovation. Where these authorities demonstrate additional progress by going further and faster on reforms than planned for the purposes of Efficiency Support Grant, they will receive an additional 25% of their Efficiency

Support Grant allocation. At the six month stage of the Efficiency Support Grant scheme, the Department will review evidence of the progress made by Efficiency Support Grant authorities. Following this review, consideration will be given to releasing the additional 25% allocation.

The overall Transformation Challenge Award pot is £9.2m, £2.3m will be available for efficiency support awards, and the remaining £6.9m will be available for major multi-authority awards and authority awards. A major multi authority award could be up to £2m. and authority awards could range between £50,000 and £500,000. It is expected that there will be several major multi-authority awards and up to 30 authority awards.

Awards will be a contribution to the net transitional costs incurred in 2013-14 and 2014-15 of setting up the combined arrangements or other innovations. It is expected that local authorities will use their award to off-set the transitional costs in 2013-14 and 2014-15, including redundancies, set up costs, and costs of shadow running say new management arrangements for a combined operation, and building capacity.

## **MAKING A BID FOR AN AWARD**

**Bids are now invited for major multi authority awards and authority awards. Bids should be submitted by 14 July 2013 to the Department at the address below.**

### Major multi-authority awards

Bids will be welcome which demonstrate how a group of local authorities will join together to form a multi-authority operation or area. This might, for example take the form of three or four boroughs coming together on their major services, several shire district councils likewise combining all or most of their operations, or one or more districts substantially combining their operations together with the county council.

The bid must set out which services will be shared, and by when. Political agreement from each of the participating local authorities must be secured before bids are submitted. Each bid should include the following:

- A full description of the combined service delivery and /or back office, including details of timing and implementation; this should also indicate whether the proposal is being developed alongside, or as part of, any wider public service reforms, including those supported by the new network;
- A business case for the proposed combination, including information on the purpose of the proposal, its expected costs, benefits and savings, including how the proposal offers value for money;
- Estimated transitional costs in 2013/14 and 2014/15;
- A statement as to why the authorities consider the proposal is particularly innovative and would make a good exemplar for all or a range of local authorities;
- Details of council resolutions for creating the combination; and
- Amount of award sought.

### Authority awards

Bids will be welcome from local authorities, individually or jointly, which are pursuing particularly innovative measures for delivering efficiencies, increasing resilience, and giving better value for money for taxpayers, whilst not involving a major combination of services.

Bids could involve proposals for moving to a single chief executive or having a shared senior management team; the adoption of an innovative model for commissioning or for the strategic management of assets by a local authority, either individually or jointly with others; joint procurement arrangements; or several authorities adopting a shared delivery for a particular service. Bids could be made where authorities have already started to share services and have plans for innovative and radical development to extend their current arrangements. All this is not an exhaustive list of proposals for which bids may be made, rather an indication of the kind of innovative proposals which can be considered for an authority award.

The bid must describe the proposal. Where authorities are jointly submitting a bid, political agreement from each of the participating local authorities must be secured before bids are submitted. Each bid should include the following:

- A full description of the proposal;
- Information on the purpose of the proposal, its expected costs, benefits and savings, including how the proposal offers value for money;
- A statement as to why the proposal is particularly innovative and would make a good exemplar for all or a range of local authorities;
- Estimated transitional costs in 2013/14 and 2014/15; and
- Amount of award sought.

## **ASSESSMENT OF BIDS**

### Major multi-authority awards and authority awards

Decisions on the selection of bids for awards, and the amount of any award, will be made having regard to the total resources available, the number and nature of proposals received, including the scale of combination in any group proposals and the level of innovation, and the expected costs, benefits and savings of each proposal. Regard will also be had, particularly for major multi-authority awards, to whether the proposal is part of, or potentially connected to, any wider public service reform involving other public and private sector service providers, and whether such wider reforms are supported by the new network.

Awards will be made only where the Secretary of State is satisfied that in his opinion the proposal involves a high degree of innovation for the authorities concerned, and could be an exemplar for other local authorities. If for each category of award the bids meriting support exceed the available resources, decisions on both which bids to select and the amount of any award will be made having regard to the extent to which the bids demonstrate innovation and the level of expected benefits, including savings. The intention, if sufficient bids meriting support are received, is to provide several major multi-authority awards and up to 30 authority awards

## **Timetable**

<i>Activity</i>	<i>Timing</i>
Bids in	14 July 2013
Decision on bids & payment of award from	August 2013
Review	March 2014

## **Bids should be sent to:**

Julie Stephenson  
Team Leader  
Accountability and Transparency Division  
Department for Communities and Local Government  
Zone J5, 3rd Floor  
Eland House  
Bressenden Place  
London SW1E 5DU

**Email:** Julie.Stephenson@communities.gsi.gov.uk