



merlin standard

2018

**SERCO LIMITED:
Employment, Skills & Enterprise**

COMPACT REPORT

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1. KEY INFORMATION

Assessment Type	ACCREDITATION REVIEW
Assessor's Decision	STANDARD MET
Anniversary Date	03/06/2020
Assessment Dates	30/07/2018 – 01/08/2018
Lead Assessor's Name	PAUL HESP
Customer ID	C16287
Assessment Reference	PN103542

2. ASSESSMENT OUTCOME

OVERALL OUTCOME	76% Good
1. Design	77% Good
2. Procure	85% Excellent
3. Contract	80% Good
4. Fund	80% Good
5. Develop	73% Good
6. Performance Manage	77% Good
7. Quality Assurance and Compliance	72% Good
8. Review and Close	60% Satisfactory

3. METHODOLOGY

Serco Ltd Employment, Skills & Enterprise (ESE) nominated a Coordinator to support the planning and scheduling of the Assessment. The Coordinator submitted a Self-Assessment Questionnaire, and Pre-Assessment Notes based on this were shared before the Assessment by the Lead Assessor. The Lead Assessor prepared an Assessment Plan, and the Coordinator created a timetable for interviews in line with this.

A survey of past and present Work Programme Supply Chain Partners was carried out in advance of the Assessment, to which a response from 43% was received. The results of this informed the Assessment planning process and were taken into account during the Assessment.

23% of Supply Chain Partners were interviewed during the Assessment. This included 6 (35%) of the Work Programme supply chain, 6 (86%) of the Inspiring Families supply chain and 5 (10%) of the SSW¹ supply chain.

The Assessment Team comprised Paul Hesp (Lead) and Lorna Bainbridge. The Assessment launched with an Opening Presentation given by members of the Management Team and concluded with verbal feedback being given by the Assessment Team, and discussed with members of the management team. Each Assessor spent 1.75 days gathering evidence against the Standard.

Interview sessions were held with staff, and with Supply Chain Partners as follows:

- 5 face to face interview sessions with staff,
- 6 remote interview sessions with staff,
- 17 remote interview sessions with Supply Chain Partners.

¹ Sector Skills for the Workforce

4. ABOUT THE ORGANISATION

ESE is a Business Unit within the Citizen Services Division of Serco UK & Europe, one of five sectors in which Serco Limited operates. ESE comprises three operational teams, which are Employment, Skills and Enterprise respectively. The Enterprise team's operations are not in scope of this Assessment, since it does not operate through supply chains; this team delivers enterprise support services and a LEP² Growth Hub service. The Employment Team manages 100% sub-contracted delivery of the DWP³ Work Programme in South Yorkshire and the West Midlands, as well as 100% sub-contracted delivery of a portfolio of 15 contracts for the DWP ESF⁴ co-financed Troubled Families programme, known as Inspiring Families, in 10 Boroughs of London. The Skills team manages 100% sub-contracted delivery of ESFA⁵-funded SSW provision in 9 LEP areas (Dorset, Gloucestershire, Worcestershire, Stoke and Staffordshire, Coventry & Warwickshire, Cornwall & Isles of Scilly, Swindon & Wiltshire, Heart of South West and South East Midlands).

The Inspiring Families supply chain became operational in January 2017 and includes 7 Supply Chain Partners. The Work Programme launched in June 2011, and a revised funding model was adopted in 2017. This programme is winding down, having ceased to take referrals of new customers since 2016, and 17 Supply Chain Partners remained in scope for this Assessment, of which 8 have exited in the last year. SSW delivery began in the latter part of 2016 and there are 50 Supply Chain Partners.

Changes to Serco's organisational structure have affected the teams delivering these contracts. In late 2016 a new team structure was implemented, which saw Serco Welfare Services merge into a new Business Unit (ESE) and renamed as the Employment team, alongside the Skills and Enterprise teams. Serco Welfare Services was previously accredited against the Merlin Standard.

² Local Enterprise Partnership

³ Department for Work and Pensions

⁴ European Social Fund

⁵ Education and Skills Funding Agency

5. AREAS OF SIGNIFICANT STRENGTH

A number of significant strengths were identified during the Assessment and these are described below. The numbers in brackets refer to the criteria of the Standard:

Serco ESE has fully embedded the concept of diversity in supply chain design. In all contracts there is a broad range of Supply Chain Partners, which enriches the supply chain capability and demonstrates high levels of inclusivity. (1.1)

A highly proactive approach is taken to negotiating volumes and funding, and in particular, it was found that the reallocation of volumes in Work Programme provision is very well handled, and that in SSW the indication and discussion of volumes and capability is brought forward early in pre-contract consultation. These approaches ensure clarity and openness in relationships ahead of contract commencement. (2.4)

Performance expectations are particularly clearly defined, and there is a total absence of any ambiguity throughout the supply chain. Expectations remain equally clear when contract variations are applied and hence there is clarity throughout the life of the contract. (3.2)

At all levels and in all contracts communications are very effective and open, and it is clear that there is a genuine culture of support and honesty. Performance management is a two-way process that is not restricted to structured, robust reviews but is integrated into all aspects of operations. All staff both within ESE and the Supply Chain Partners welcome challenge and respond proactively and positively. (6.1, 6.2, 6.3)

The approach to quality assurance is robust and diligent, and highly visible to Supply Chain Partners. Supply Chain Partners respect the tenacity of quality assurance activities, and very good use is made of appropriate sampling and risk management strategies. (7.2)

6. AREAS FOR DEVELOPMENT

A number of areas where further development would be beneficial were identified during the Assessment. These are for ESE to consider as a contribution to continuous improvement. The numbers in brackets refer to the criteria of the Standard:

Raised as an Area for Improvement in the last Assessment, there remains a concern among some Supply Chain Partners over the complexity of legalistic language used in contractual documentation. Whilst it is appreciated that legal advisers will have a view on this, the interests of particularly small or inexperienced organisations can be better addressed by developing simpler, concise and unambiguous terminology. It may be that this is best done through the use of a non-binding side document or glossary that does not detract from legal obligations, but rather clarifies and simplifies some of the terms to reduce the burden. (3.1)

Although assessed as Good, there is an opportunity to further develop the way in which the organisation supports, develops and encourages its Supply Chain Partners to fulfil contractual obligations. With the smaller and least experienced Supply Chain Partners in mind especially, ESE could consider the value of pro-bono business mentoring, potentially making available the time of experienced staff within the Enterprise Team. These staff, and possibly others elsewhere in Serco, have commercial and enterprise experience and mentoring skills that could be made available to selected Supply Chain Partners via the Serco staff volunteering programme. (5.1)

There is potential to strengthen learning and development interventions for supply chain staff by introducing a more robust Training Needs Analysis and following up interventions with an effective impact measurement process. In addition, the focus of learning and development could appropriately be refocused towards the future skills and competence needs of staff post-contract. (5.3)

Already identified as an area for development by ESE, the management information system in use for SSW is relatively restricted in terms of reporting capability, compared to the aspirations of management. Actions are already being implemented to evaluate and select a replacement. (6.4)

Whilst there is recognition and discussion of practice within supply chains, the uptake of new practices by Supply Chain Partners appears to be less prolific. ESE could introduce more encouragement for Supply Chain Partners to implement or pilot new practices and in particular monitor the implementation of new practices among the supply chain and the associated improvements gained. (6.6)

The way in which information about how the supply chains impact on the intended customer groups, stakeholders and wider community has become diluted, and some of the rich content of annual reports has been lost. The reliance on infographics misses some aspects of the impact, in particular how the impact was achieved. It is acknowledged that resources have been reduced, but there may be other ways in which the "background information" could be communicated other than through a full editorial/ publishing service approach. (8.3)

7. AREAS REQUIRING SIGNIFICANT IMPROVEMENT

The following areas were identified as needing improvement as there was limited or insufficient evidence found during the assessment (a score of less than 3). The numbers in brackets refer to the criteria of the Standard:

Core principles and behaviours expected of the supply chain were found to be implicit rather than explicit. There was no evidence found that the principles had been mutually agreed with Supply Chain Partners: The principles were assumed by Supply Chain Partners, rather than being clearly communicated. It was noted that the Supplier Code of Conduct is a global reference publication in use across Serco, and that ESE therefore have limited ability to incorporate principles and behaviours within it; it may therefore be necessary to produce an additional reference document that incorporates the desired principles and behaviours specific to their supply chain. Moreover, ESE could consider taking the earliest opportunity to discuss and agree the principles with their Supply Chain Partners. (1.5)

There is low awareness of the existence of a quality improvement plan among Supply Chain Partners in the Work Programme and Inspiring Families, and they are unaware of any contribution they may have made to its production. ESE could consider what methods may be most appropriate in engaging their Supply Chain Partners, potentially making use of individual or network meetings. In SSW provision, there is an absence of a quality improvement plan. ESE need to introduce a quality improvement plan for SSW, and to share it with the supply chains as appropriate, seeking their engagement and contributions to it. (6.7)

There was no evidence that the requirements of the Modern Slavery Act have been proactively communicated to or promoted among the supply chains. ESE should make clear their strategic intentions and policy regarding the way and extent to which the Act is applied within its supply chains and communicate this to their Supply Chain Partners. It is acknowledged that it may be inappropriate to include this in the Serco global Supplier Code of Conduct, because of the highly international dimension. (7.5)

There was limited evidence as to how ESE assesses its measurable impact on the wider social objectives and/or policy intent of commissioners. Although there are some broad measures of impact reported annually, no links with the commissioners' wider social objectives or policy intent were clear. ESE need to be clear in identifying from their research or relationship knowledge what the commissioners' intent or policy objectives are, in order to give context to the impact of their supply chains in this respect. (8.2)

The way in which equality and diversity data is used may satisfy the requirements or expectations of commissioners, but there is a lack of any practical analysis of the data to inform supply chain improvements. Data is collected and reported on, and good inclusivity practice is promoted, but ESE should develop their use of data in order to inform and monitor improvements in supply chain activities. (8.4)

8. FINDINGS

The feedback below is reported against key criteria of the Merlin Standard, aligned with the “Plan-Do-Review” business cycle.

PLAN
<p>Through planning an effective supply chain, the range of Partners and how they are engaged ensures there is a group of organisations that cover a diverse range of providers that all understand the requirements of the contract and their contributions to achieving the desired outcomes.</p>
<p>There is a high level of consideration shown by relevant staff when designing and considering the future shape of supply chains. At all levels, staff are mindful of the value of having a highly inclusive approach, and ESE sets out to embrace as diverse a supply chain as is feasible. The Work Programme supply chain has evolved in recent years, and whilst considerably smaller than when last assessed, and when the programme was initially launched, there is still representation of private and third sector organisations within the supply chain and a wide spectrum of sizes of organisation. Public, charitable and third sector organisations have also exited in the last year. In the SSW supply chain there is an inherent requirement that Supply Chain Partners are sourced from the education sector, and within this there is representation of public, private and third sector, and a broad range of skills delivery capability. Inspiring Families Supply Chain Partners have been drawn from predominantly the third sector, but is also inclusive of private, charitable and public sector organisations.</p> <p>Supply chains are continuously reviewed throughout the life of each contract, with a particular emphasis being placed on performance. Examples were found where some Supply Chain Partners’ performance had not improved following implementation of a Performance Improvement Plan, and as a consequence the Supply Chain Partner had exited, or a proportion of contracted volume reallocated to another Supply Chain Partner; this arrangement protects the overall quality of the supply chain. In addition, there have been occasions when the commissioner’s actions have prompted changes in the delivery model, as was the case in 2016 with the Work Programme; at that time a “mini-EoI⁶” was implemented, in which performance was the primary selection criterion, and which resulted in a reduction of some 50% of the supply chain, reflecting a significant reduction in necessary activity levels.</p>

⁶ Expression of Interest

Good practice is demonstrated by ESE in their handling and facilitation of TUPE⁷ within the supply chain. ESE takes a relatively passive approach, encouraging affected Supply Chain Partners to engage and discharge their responsibilities rather than interfering in proceedings. Staff who have transferred from one Supply Chain Partner to another say the process was efficiently handled, and that ESE played a part in initiating conversations and information-sharing between affected Supply Chain partners. ESE staff are clear about their organisation's responsibilities and are conscious of and sensitive to the implications of contracts winding down upon Supply Chain partners and the supply chain staff.

Supply Chain Partners in all contracts say they had complete clarity about performance expectations at all stages. During procurement, there is a high focus on this, and in some contracts monthly profiles are drawn up early in the procurement process, and this enables detailed and constructive dialogue between ESE and the Supply Chain Partners. Contractual documents make clear what is expected, and this has been consistent with the Supply Chain Partners understanding of pre-contractual discussions and negotiations. KPIs⁸ are in use, and used effectively as a management tool.

Funding and payment arrangements are considered fair within the supply chains. Different models are used for different contracts, and in general the arrangements follow closely the models applied between the commissioner and Serco. Consideration has been given by ESE to the financial risks to Supply Chain Partners, and in some contracts there is a mix of regular monthly payment, plus an outcomes-based payment. This was particularly welcomed by some smaller, third-sector organisations. In all cases the terms and funding arrangements were proactively discussed and agreed with Supply Chain Partners before contracting, and where changes have been implemented, there has been complete transparency and agreement.

⁷ Transfer of Undertakings (Protection of Employment) Regulations 2006, as amended

⁸ Key Performance Indicators

DO

Supply Chain Partners are supported to develop their services to meet or exceed expected performance and quality assurance requirements.

ESE has well-developed approaches to encouraging and supporting its Supply Chain Partners to fulfil their contractual obligations. There has been appropriate investment and development of systems for management information and payment management, and all Supply Chain Partners have received training and support as appropriate to enable them to optimise the available systems capabilities. An Annual Provider Systems Questionnaire is used to help ESE identify areas where individual Supply Chain Partners may require more support.

Supply Chain Partners confirmed that they are able to contribute ideas and make any concerns known without restriction or hesitation, and that there is a strong and positive culture in all their communications and dealings with ESE and with other Supply Chain Partners. Communications are open and honest, and that was the experience of the Assessment Team also during interviews with staff and Supply Chain Partners.

There are clear channels for performance management, and this is built around regular, scheduled face to face or sometimes remote meetings between Supply Chain Partners and their Performance Managers. Meetings include a review of recent data, accessible in advance, and a forecast of future performance outputs. There is healthy exploration of new and planned activities, and of any new aspects of delivery or changes in staff. Performance Managers have the flexibility to vary the frequency of performance reviews between one and three months, recognising risk and track record. Less formal weekly contact is a feature of all supply chain relationships and helps Performance Managers remain alert to change within the Supply Chain Partner organisation, and within the delivery environment. Performance Managers frequently highlight and acknowledge effective practice, and among examples found during the Assessment were some relating to the management of ESA⁹ customers.

⁹ Employment Support Allowance

Management Information for Work Programme is collected and reported using a highly bespoke *Salesforce* solution branded as *Impact*, which also generates self-billing payment claims. This is a mature, process-driven system, supported internally by a dedicated team in Rhyll. The *PICS* Learner Management Solution, a popular system in the skills and employability sector, is used as the primary information system for Inspiring Families. In SSW provision, an alternative system is currently being sourced to replace “Data Centre”, which has provided essential data and reporting capability but lacks developmental capability in tailored reporting. System-generated data is regularly imported into custom spreadsheets by Performance Managers, and presented and manipulated specifically to facilitate performance reviews; for example, in SSW a spreadsheet populated with 10 dedicated worksheets and making use of RAG¹⁰-rated formatting, is used to guide performance discussions. Data relating to the whole supply chain is also shared across supply chains, and this enables Supply Chain Partners not only to engage in discussion about the contract as a whole, but to contextualise their individual contributions.

ESE have a particularly diligent approach to quality assurance. Some Supply Chain Partners who work with other Prime contractors commented that the approach is more rigorous, but none felt it was unduly onerous. In some cases the levels of scrutiny have been relaxed at the request of individual Supply Chain Partners who have been able to demonstrate low risk. In Work Programme delivery, quarterly site visits take place during which file checks and audits are carried out, which are formally scored, the results being shared and discussed with Supply Chain Partners. Any corrective actions are agreed with Supply Chain Partners; for example, in March 2018 one Supply Chain Partner achieved an overall score of 3, falling below the minimum requirement of 2. Findings included that only 4 out of 25 customers had a future appointment booked, and 3 out of 25 had recorded clear actions which linked to their needs / barriers. In June 2018 the overall score increased to 83% with a score of 82% (previously 52%) for the setting of smart targets. The most recent Provider System Questionnaire identified that customers were failing to follow the complaints process consistently, and as a result guidance was provided and Supply Chain Partners were expected to review their policy. In Inspiring Families, there is a requirement for prescribed, monthly audits, and if these are carried out and reported well by Supply Chain Partners the frequency of ESE directly carrying out audits is reduced accordingly. SSW quality assurance is carried out by a geographically-deployed team of three Quality advisers, who include graded observations of delivery and file audits in their regular activities. The intensity of scrutiny is varied per Supply Chain Partner; for example, for some the delivery observations carried out by Supply Chain Partners may be typically weak for those who are not in scope for Ofsted Inspection, and this is reflected in a higher sampling regime. The frequency of quality monitoring visits is varied between monthly and quarterly.

¹⁰ Red Amber Green

REVIEW

Review and evaluation is used to demonstrate the impact of the services delivered and continuously improve service delivery.

Processes for assessing and sharing information about the way in which the supply chains have a measurable impact on wider social objectives of the commissioner, and a positive impact on the intended customer groups, external stakeholders and the wider community are underdeveloped and not embedded. Supply Chain Partners were unable to validate how ESE assesses these considerations, but some ESE staff signposted the Assessment Team to a published Impact Report 2016, and Impact Infographic 2017. These documents relate specifically to ESE activities, and the Impact Report goes some way to meeting the requirements of the Standard. However, this format has been discontinued, and replaced by the abbreviated Impact Infographic.

The Impact Infographic demonstrates impact on intended customer groups. In the case of SSW it shows the number of SME businesses provided with skills support and the number of individuals provided with training. For Work Programme the Impact Infographic shows the number of people supported into employment and includes the number of those with health conditions and the number who are ex-offenders. The number of people using the service and the number of those who have entered employment, also including a breakdown of health conditions and ex-offenders is shown for Inspiring Families. The Impact Report includes the equivalent Infographic, and is supported by rich and broad content including case studies and other narratives that demonstrate positive impacts of supply chain activities. However, there was no explicit reference to the commissioners' wider social objectives or policy intent, and the impact on wider communities in which supply chains operate was not discreetly identified.

9. CONCLUSION AND CONDITIONS OF ACCREDITATION

The Assessment outcome should be seen in the context of significant change in the nature of contracts being delivered; compared to the time of the last Assessment, the range of contracts being managed is more diverse, and the Work Programme is now winding down. The management structure has also evolved, resulting in considerable staff turnover. In addition, this is ESE's first Assessment against the refreshed version of the Merlin Standard.

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