



merlin standard

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

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1. KEY INFORMATION

Assessment Type	ACCREDITATION REVIEW
Assessor's Decision	STANDARD MET
Anniversary Date	18/08/2022
Assessment Dates	11/08/2020 – 13/08/2020
Lead Assessor's Name	PAUL HESP
Customer ID	C23368
Assessment Reference	PN104874

2. ASSESSMENT OUTCOME

OVERALL OUTCOME	84% GOOD
1. Design	77% Good
2. Procure	90% Excellent
3. Contract	93% Excellent
4. Fund	87% Excellent
5. Develop	80% Good
6. Performance Manage	91% Excellent
7. Quality Assurance and Compliance	80% Good
8. Review and Close	76% Good

3. METHODOLOGY

Serco Ltd Employment, Skills & Enterprise (Serco 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, present and potential Supply Chain Partners was carried out in advance of the assessment, to which a response from 51.5% (50 Supply Chain Partners) was received. The results of this informed the assessment planning process and was taken into account in the assessment.

20% of Supply Chain Partners were interviewed during the assessment drawn from all supply chains. Of these, eight were present Supply Chain Partners, seven were potential and five were past.

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 2.5 days gathering evidence against the Standard. The assessment was carried out remotely due to considerations of the coronavirus pandemic at the time.

Interview sessions were held with staff and with Supply Chain Partners as follows, using Microsoft Teams or telephone:

- Seven interview sessions with staff via Teams,
- Two interview sessions with staff via telephone,
- 20 interview sessions with Supply Chain Partners via Teams,
- Two interview sessions with Supply Chain Partner via telephone, and
- One interview session with a member of staff affected by TUPE¹ via Teams.

¹ Transfer of Undertakings (Protection of Employment) Regulations

4. ABOUT THE ORGANISATION

Serco ESE is a Sector within the Citizen Services Business Unit of Serco UK & Europe. Serco ESE operates a “service integrator” model in the delivery of its contracts, in that it brings together a number of Supply Chain Partners (referred to as providers in this Report) and manages their delivery. There is however a small element of self-delivery, undertaken in order to ensure Serco ESE remains close to the delivery situation. Since the last assessment the Business Unit structure has been modified, with a new Head of ESE appointed, and new key posts of Partnership Manager and Partnership Coordinator created. The previous demarcation of Employment, Skills and Enterprise as three discreet teams is now more holistic, with Employment & Adult Skills Team now sitting alongside the SSW² Team.

At the time of assessment three contract portfolios were being delivered by supply chains. The DWP³ ESF⁴ co-financed Employment Support for Troubled Families programme, branded by ESE as Inspiring Families, was being delivered in 10 Boroughs of London (Barking & Dagenham, Enfield, Greenwich, Hackney, Haringey, Havering, Newham, Redbridge, Tower Hamlets and Waltham Forest). This programme provides tailored interventions to individuals with specific barriers to move them into sustainable employment. 95% of this programme has been subcontracted to five providers, with Serco retaining a small proportion of delivery through a single Advisor. Delivery of these contracts began in 2017 and now has a planned end date of February 2023.

The largest contract is the ESFA⁵-funded SSW provision, which has expanded to a total of 15 LEP⁶ areas with the transition from SSW₂ to SSW₃. (Black Country, Coventry & Warwickshire, D2N2 (Derby, Derbyshire, Nottingham & Nottinghamshire covering two contracts), Dorset, Greater Birmingham & Solihull, Greater Cambridge & Greater Peterborough, Heart of the South West, Hertfordshire, Leicester & Leicestershire, Northamptonshire, South East Midlands, Stoke on Trent & Staffordshire, Swindon & Wiltshire, West of England and Worcestershire). SSW provides tailored training programmes and qualifications to meet skills gaps in local businesses and is aligned with LEP priorities in each area. 100% is subcontracted to a current network of 59 providers, and the programme also includes funding to enable SSR⁷ delivery. SSW₃ runs until July 2021 and an extension until March 2023 is under consideration.

Serco ESE began delivery of an Adult Education Budget programme in the West Midlands in four areas (Birmingham, Coventry, Dudley and Sandwell), known as Adult Skills for Work (ASW). The programme aims to improve or refresh learners’ skills and provide better employment or progression opportunities within work. 93% is delivered through a supply chain of six providers, with Serco Education delivering 7% of functional skills training. This programme runs until July 2022.

² Skills Support for the Workforce

³ Department for Work and Pensions

⁴ European Social Fund

⁵ Education and Skills Funding Agency

⁶ Local Enterprise Partnership

⁷ Skills Support for Redundancy

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:

In designing the supply chain Serco ESE carefully research and consider the commissioners' requirements and expectations. A broad range of providers have been included in the supply chains, including SMEs⁸, private, public and third sector organisations, national, regional and local organisations. The mix of organisations helps the supply chain not only to deliver contracted services, but to gain valuable insights into customers' needs and to access specialist support across the network. (1.1)

The procurement processes including pre-contract communications, the selection of providers and due diligence activities are excellent. Providers attested to the fairness and transparency of procurement processes. Organisations that had engaged in procurement activities knew what to expect and were given useful feedback on EOIs⁹ they had submitted regardless of the outcome. Opportunities are promoted through online channels, and this attracts a diverse range of applicants. (2.1)

There is great clarity between the organisation and its providers over volumes, funding arrangements and performance expectations in advance of contracts being agreed. Serco ESE are proactive in engaging in discussions with potential providers ahead of contracting, and providers are always clear about the volumes and funding they expect. Excellent use is made of group and individual discussions to ensure all parties are clear in their expectations. The dialogue around performance expectations continues into the contracting phase, when staff specifically ensure all providers are clear about the contractual obligations. Throughout the life of the contract performance expectations continue to be discussed to ensure clarity. (2.4, 3.2)

The dispute resolution process has been well devised and is clearly publicised through supporting guidance and referred to in contractual documentation. Staff reinforce the availability of the process during the "onboarding" process. Where the process has been used it was successful, resulting in a mutually agreed compromise relating to final payments. (3.3)

Serco ESE's management team structure is made clear to potential and present providers. Providers recognise and value the support they receive in return for the fees and are impressed by the resource and attention that is committed by Serco ESE. There is clarity over what to expect from all parties. (4.3)

There has been considerable effort and investment in supporting and developing providers to fulfil their obligations. The onboarding experiences of providers is very positive, good quality training is provided to staff particularly on system user training and ongoing support, and investment in management information systems has been very effective. (5.1)

⁸ Small and Medium Enterprises

⁹ Expressions of Interest

A completely positive and open culture of partnership has been created across the supply chains, built upon clarity in staff roles and responsibilities and a commitment to supporting provider performance. Performance management approaches are highly developmental and make use of timely and accurate data. Communications are excellent, and providers highly satisfied by the accessibility of Serco ESE contacts and the value of their support. (6.1, 6.2, 6.3, 6.4, 6.5)

Updating of the supply chains with legislative and regulatory requirements, and with policy and strategy information is timely, engaging and appropriate. Excellent communication channels are used to keep providers up to date, and the supply chain Toolkits- a carefully designed and well-managed internet-based resource- is used to great effect in this context. Providers feel engaged with important updates, and say news is professionally written and quickly disseminated throughout the supply chain. Providers feel they are always up to date. (7.1)

6. AREAS FOR DEVELOPMENT

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

Many providers felt they had been consulted about supply chain design, but some said they had not been involved in any discussions. This appears to be inconsistent across programmes, and it may be that providers who have not previously delivered for Serco ESE feel most excluded. Serco ESE could reflect on their practices and adapt as necessary to ensure that all potential providers feel they have a voice that can influence bids, processes and systems. (1.3)

There is generally good practice that encourages collaboration within supply chains. Although practice is recognised by this assessment as "good", there is an opportunity to refresh or tailor the approach during coronavirus operation. Communications have resorted to remote channels because of coronavirus restrictions but some providers feel there is less collaboration as a result. It may have been that this scenario was envisaged as short-term, but there is uncertainty over when face to face networking meetings can be restored. In order to mitigate any ongoing dip in collaboration, and to address the potential for ongoing remote networking sessions becoming part of the future communications plan, there would be value in reviewing what leads to collaborative opportunity and developing approaches to embed some adapted practices into remote meetings. (1.4)

Whilst there is general agreement among providers that there is much overlap in the ethics and values of Serco ESE and their own, the agreement remains implicit, and more can be done to secure discreet agreement from providers to commit to specific core principles and behaviours. Serco Ltd have a set of four values that were presented as part of the assessment, but these are not reinforced in the provider Code of Conduct, where a different set of values are promoted. Reviewing the Code of Conduct may be an appropriate first step in defining the core principles and behaviours. In addition, a mutual agreement to commit to the core principles and behaviours could be obtained from all providers. (1.5)

Good practice was found in the conduct of performance reviews and in the transfer of funds to providers. However, in some circumstances, payment arrangements can become complex and for some providers this creates a degree of frustration. Some providers become involved in discussions around managing complex payments within performance reviews, but depending on the responsibilities of individual positions this might not be appropriate. Sometimes operational managers feel ill-equipped to understand the complexities of financial management. Serco ESE may wish to consider if a proactive decision should be taken on whether to include financial management discussions in performance reviews, or to conduct such discussions with a different contact on a provider-by-provider basis. (4.2)

Good practice was found in the support and development of providers. The opportunity to introduce expert mentoring support for specific SMEs remains, and management were not able to implement this because of the onset of coronavirus and a necessary change of priorities. Now that the coronavirus response is stabilised, the opportunity to engage experts and experienced staff from the Enterprise Team or the Serco volunteering programme could be considered. This may be valuable for smaller providers in relation to sustainable business development not only within the supply chain, but within the wider commercial context. (5.2)

Providers value the staff development opportunities available during their relationship with Serco ESE. Much of the training offered is in relation to systems and processes which are a contractual obligation. Serco ESE could consider expanding their “non-contractual” training offer and doing more to enhance the skills and competence of staff working in the supply chains generally. Among the diverse range of providers now active in supply chains there may be some who are willing to offer some of their training expertise to others in the network, and this may be a possibility that could be explored. Some within the network have had pertinent experience in areas that had been identified by Serco ESE as a supply chain training need, yet on at least one occasion this existing expertise wasn’t identified. Taking a more holistic view of the expertise that exists within the supply chain might not only broaden the range of development that could be facilitated, but additionally could strengthen Serco ESE’s understanding of capability within the supply chain. (5.3)

Whilst positive progress has been made in introducing an annual improvement plan for SSW since the last assessment, more could be done to proactively engage providers in developing the plan. Providers are aware of the plan and feel involved in implementing it, but they did not feel they had contributed significantly to its production. It maybe that using a survey (as is the case for Inspiring Families) would be an appropriate way of gaining their input. (6.7)

The Serco Group Modern Slavery response has become stronger since the last assessment, and the ESE team raise awareness of modern slavery with all providers. To further develop provider practice and promote the spirit of the regulations, it would be possible to encourage providers to improve their workforces’ recognition of possible indicators of poor or potentially unlawful practices they might observe or hear of during their work. Management may wish to consider if they could develop this aspect and embed an effective monitoring capacity in the supply chains. (7.5)

Effective reporting tools are in place for E&D¹⁰ data and managers provide useful reports to providers on the diversity of their respective cohorts. Much data is focussed on engagement or participation, and whilst this may well be a requirement or expectation of commissioners, Serco ESE may wish to reflect on the value of E&D data in the context of outcomes for participants. The systems and processes are in place to enable comprehensive analyses of contractual outcomes to be carried out, cross-referencing results against participants’ data. Embedding this practice in all supply chains would highlight any inconsistencies in the achievement of outcomes so that improvements could be implemented, or alternatively it may demonstrate that all ethnic, gender or other groups achieve outcomes to the same extent. This has already been recognised in the Inspiring Families supply chain. (8.4)

¹⁰ Equality and Diversity

7. FINDINGS

PRINCIPLE 1: Design

Serco ESE have restructured the teams involved in supply chain management and this has given more responsibility and prominence to the key roles of Partnership Managers and Partnership Coordinators. Partnership Managers review the commissioners' specifications in detail, and Coordinators an instrumental resource in researching the marketplace, and play a vital role in identifying potential providers and specialist providers. A "service integrator" model is in place, in which the significant majority of delivery is outsourced to the supply chain. The range of organisations engaged as providers across the three current contracts is broad, and staff carried out extensive research into commissioners' requirements to establish priorities such as demographics, access to target customers and other requirements before procurement. The range of organisations engaged is diverse within each supply chain, with appropriate representation of public, private sector, charitable and other third sector organisations, as well as small and large enterprises.

"We develop relationships in slow time so we can respond quickly" -Staff

Providers are encouraged to carry out their own research and make local arrangements for specialist services wherever they can, and in addition Serco ESE identify appropriate external services that will add value. For example, a translation service has been engaged to support providers in the Inspiring Families supply chain, where it was recognised there were relatively high numbers on non-English speakers among the customer profile. In a potential programme for GLA¹¹, the Parental Programme, the services of a national association have been secured in principle to support providers who will be supporting people into work in the childcare sector. In current delivery, providers in the SSW supply chain often receive referrals from organisations identified by Serco ESE, and these include many local and national associations and agencies that have been sourced by Partnership Coordinators.

There was inconsistent evidence from providers relating to their involvement in consultations with Serco ESE over the initial design of the supply chains, although ongoing design consultation is good. In relation to ongoing design, good use is made of provider surveys to canvas views and this not only highlights gaps in provision and shortcomings with processes, but some providers also suggest solutions. Examples of how consultations have led to change included the adoption of digital signatures for SSW evidence and the redesign of the participant declaration form for Inspiring Families. Both eased the administrative burden on providers and customers. More strategically, consultation with Inspiring Families supply chain over under-utilisation of specialist service providers resulted in discontinuing with external specialists and providers instead using their own resources. Consultation is carried out through submission of the EOI and one-to-one discussions between Partnership Managers and potential providers.

¹¹ Greater London Authority

Providers feel encouraged to collaborate within their supply chains, and the positive overall culture as well as specific practical measures support collaboration. Partnership Meetings for SSW providers are seen as valuable opportunities for organisations to make and develop new relationships with peers. In both SSW and Inspiring Families, some providers have referred leads onto others where they felt they may be better able to support particular individuals or employers. There was a feeling among some providers that the change from physical to virtual meetings is reducing the levels of collaboration among providers.

Serco ESE staff are keenly aware of the company's four values of Care, Trust, Innovation and Pride. According to managers, these are the principles that should drive the behaviours of providers and supply chains. Management assert that these are the core principles and behaviours that are articulated to providers. The Supplier Code of Conduct however does not reiterate or reinforce these values; instead, it articulates a different description of "Our Values", which addresses such topics as bribery and corruption, gifts and conflicts of interest. While such values do not in any way conflict with the four stated values adopted by Serco ESE, they are not recognisable by providers or other readers as being the same. Trust is referenced in the Code of Conduct by a statement expecting suppliers (providers) to "*inspire trust by taking responsibility, acting ethically and encouraging honest and open debate*". Commitments to equality and diversity are strong, both among staff and providers. There are clear references to this within contract documentation as well as in provider guidance documents. Providers' equality and diversity policies are scrutinised during due diligence, and processes to collect and monitor data are well established. Providers were unable to describe specific common principles and behaviours, and could only say that their own values and principles were compatible with Serco ESE's. No evidence was found as to when any agreement on common principles had been reached; the assessment concluded that agreement was implicit rather than explicit, as were the principles themselves.

Serco ESE's managers are quick to respond to changing needs of customers or commissioners. To monitor customer needs, research studies are commissioned using Serco group resources, and these feed into annual review processes. Regular provider surveys also collect any observations made by providers of changing needs. An example of evolution in the Inspiring Families supply chain was in the discontinuation of external specialist support services because of low uptake. An example of responding to changing commissioners needs was also found in this supply chain, whereby three providers exited before an extension was launched. With less funding available, a consultation with providers was undertaken, and it was decided to move from a payment-by-results model to a cost-based non-profit model. In the ASW supply chain two providers that had been selected withdrew before beginning their delivery and Serco ESE rapidly negotiated and allocated funding across two alternative providers, making adjustments to the volumes and customer targeting in so doing.

PRINCIPLE 2: Procure

Serco ESE seek to optimise publicity for new subcontracting opportunities within and outside of the supply chains. All potential providers are required to go through a consistent procurement process. Internally, Partnership Managers and Performance Managers, as well as “news flash” email alerts are used to highlight new opportunities. Externally, a wide range of channels are exploited such as direct contact with a database of previous suppliers, promotion via Growth Hubs, Chambers of Commerce and training associations and online tender portals. Tailored Expressions of Interest are used per opportunity, and there is a clear process for evaluating and scoring submissions, and for providing feedback to applicants. For its SSW delivery Serco ESE make use of the *SourceDogg* platform, whilst in another current opportunity the GLA Parental Programme the EOI was managed through a different service provider, which was considered more appropriate to the nature of procurement. Due diligence is undertaken centrally at both EOI and Tender stages, and providers say they have found the approach proportionate at each stage. A range of policies and procedures, including safeguarding and data protection were requested and reviewed as part of due diligence. Providers are positive about their experiences of Serco ESE’s procurement practices and consider them to be fair and transparent.

“Serco are always open to engaging with us, even though we were unsuccessful on that occasion” -Provider

Over many years of managing supply chains and winning and completing service contracts, Serco ESE staff and particularly the shared Serco Group HR and legal resources have amassed considerable experience of managing TUPE transfers. Staff who had transferred under TUPE found the process to be well informed and clear and had moved into Serco’s employ without undue complications. Providers have confidence in the organisation’s competence in handling and guiding them on TUPE implications.

Providers have no surprises by the time contracts are issued because they gain a clear understanding of the market share allocations from early discussions during the procurement phase. At this stage, potential providers are also briefed on the anticipated or known funding models. Events are widely used to bring potential providers together regionally and brief them on specific opportunities, and following these events individual negotiations are held with each provider to explore capability, funding availability, geographic and other considerations, and to indicate the potential contract allocation. It was found that allocations have had to be adjusted during the life of contracts, for example when providers exit or under-perform. Where reallocations have been made, the providers understood the rationale.

PRINCIPLE 3: Contract

Contract documents are based on the commissioners' contracts and clearly define the obligations of each party. Contracts are drawn up by a centralised legal team, and as might be expected are legalistic in their language and not readily understood by all audiences. Serco ESE have recognised this and to enable providers to fully understand the contractual obligations devise supporting Annexes. These are more suited to operational managers, and are valued by providers. In addition, onboarding events are staged to explain contracts, and staff address any individual queries or concerns from providers. There is a formal Contract Variation Notice process in place, and this is used as a matter of routine to vary contractual terms wherever appropriate, as is the case for example in changing the funding model currently for Inspiring Families.

Providers say they are clear about the performance expectations, both from the "onboarding" process and conversations with staff that reinforce expectations. Key Performance Indicators are devised and used to highlight performance expectations, both of the supply chains as a whole, and of individual providers. In cases where some providers may not ask questions at events, Performance Managers or Heads of Service tend to follow up individually after the event to ensure expectations remain clear.

The dispute resolution process is clearly promoted and referenced in supporting documentation. Providers say they are aware of it. In one case where the process was invoked by an exiting provider, the process was followed as published and resulted in a compromise agreed by both parties. This example related to a final repayment due from the provider after financial reconciliation, and a payment plan was implemented to mitigate the negative cashflow impact on the provider. There have been no cases referred to the Merlin Mediation Service.

PRINCIPLE 4: Funding

Funding arrangements are by default a “flowdown” based on the commissioners’ main contracts, and so payments to providers tend to replicate those made to the organisation. Providers are briefed on the anticipated funding and payment models at procurement events and in discussions with staff prior to contracting. Early in the contract delivery phase Partnership Managers revisit the explicit terms and clarify them in network events and with providers individually. Within the Inspiring Families supply chain, providers have been actively encouraged to accrue funds to mitigate against potential clawbacks which could arise following the commissioner’s complex extrapolation process. Where appropriate there have been variations made to some providers payments for reason of cashflow pressures, and in these limited cases, at least one of which was instigated from Serco ESE staff suggestion rather than being requested by the provider themselves, the contracted payment periods have been increased in frequency, and payment days reduced. Providers affected say those arrangements have been effective. It was also found that during consultation over a change in payment model which appeared onerous to the supply chain was expertly handled by Serco ESE: In this case where the commissioner had required a change, financial modelling was carried out for providers, and demonstrated that in fact based on current forecasts would result in a better financial outcome over the next six months than the current funding model. The use of such modelling helped gain the agreement of the supply chain to accept new cost-based terms.

Excellent implementation and management of systems has enabled Serco ESE to achieve consistently accurate and timely payments to its providers, averaging 28 days compared to a contractual obligation (and Cabinet Office mandate) of 30 days. Payments on all contracts are facilitated through the *Tungsten* network solution, and providers are prompted monthly via management reports as to what claims can be made. They then upload their invoices as directed. Providers in general find the process simple to manage. They confirmed that payments are received on time and in full. There was some evidence that where payments due become complicated because of for example rolling payment reconciliations or activities that cannot be claimed because of compliance exceptions, these scenarios become difficult for some providers to understand. This may in part be attributable to discussions taking place during performance reviews, when the provider “representative” is in an operational role and may not be the most appropriate contact point.

Fees are explained clearly to providers before contracting, and during delivery as required. Providers say that they find the deductions made from programme-level funding representing 20% is referred to as a management fee, and that they find it good value for the support they receive. Some who contract with other organisations were particularly enthusiastic about Serco ESE's management fees, not because they were lower but because the support levels are higher. Providers understood that the systems support, marketing, performance management, quality assurance and compliance functions all contribute. One provider who hadn't understood why there was such a difference between the overall programme value and the individual provider payments said they were completely satisfied after a manager explained the figures in simple terms and in detail individually, and had no remaining concerns. The *Tracker* data system in particular was highlighted as very good value for the fee.

"They earn the fee" -Provider

"Their management fee is good value for money, particularly because of their great online systems" -Provider

PRINCIPLE 5: Develop

Serco ESE have made positive strides forward in enabling their providers to meet contractual obligations. Providers now benefit from very efficient and powerful data systems (*Tracker* as used in ASW and SSW was praised by providers), and onboarding is now recognised as strong. Providers say the training and support their staff get in using systems and documentation is effective. Providers have also been able to access marketing support from Serco ESE, in addition to being briefed and supported in engagement techniques. One provider mentioned that they had been alerted through an email “Newsflash” from Serco ESE Partnership Manager of a hospital that was recruiting 200 positions; that was useful knowledge for those on the Inspiring Families contract, and some participants were signposted to those opportunities. Corporate affiliate memberships with the IEP¹² was secured for Inspiring Families providers.

“We can pull off more data now” -Provider

“The Tracker system has been a massive change, now we can get real time, accurate data” -Provider

Serco ESE promote additional funding opportunities to their supply chains through newsletters and email alerts as well as during meetings and events, and some providers have successfully applied for additional contracts. They say this has been valuable in increasing their capacity and the diversity of income streams. The use of financial modelling tools to demonstrate impact of a major change in the Inspiring Families contract demonstrated Serco ESE’s interest in ensuring their providers remain viable and sustainable. A small minority of providers described how they have used Serco ESE as a sounding board for commercial development ideas, and one specifically told how they had been positively encouraged to build their management development capacity. This hints at a remaining opportunity to become more proactive in a mentoring capacity for the smallest providers, as described earlier in the Report under Areas for Development.

“She’s so on it, putting forward cases to get additional funding for us and challenging eligibility criteria” -Provider

¹² Institute of Employability Professionals

Staff development is supported by Serco ESE, and they describe a case by case needs analysis with providers to identify specific needs, although no evidence of this in practice was gained from providers. Some training opportunities (in addition to training required to use the contractual systems and processes) have been provided, an example of which was the Digital Skills workshop that was highly rated by providers. One case of a provider who had made their online training course portfolio to the supply chain was described by staff, and it may be that others could be encouraged to do likewise. Some staff in SSW say that training needs in the supply chain are identified through monthly performance reviews. No examples from providers where this has led to training (other than for contractual compliance) were found. Key staff within the Inspiring Families provider supply chain have been provided with membership of IEP which enables them to access professional development resources, although this could not be corroborated by the provider representatives during interviews.

"The digital skills training was so good we rolled it out to others in our team" -Provider

PRINCIPLE 6: Performance Manage

Communication channels are excellent and have been further strengthened by the implementation of the *SharePoint*-based Toolkits. Toolkits are specific to each supply chain, and are an online repository for many useful resources including Network News editions, contractual documents and conversations. Performance Managers and other staff including those in quality assurance and compliance roles are readily accessible and said to be highly responsive by providers.

"Very, very positive relationships, very regimented and process driven, but they need that as a large organisation." -Provider

Communication between providers and Serco ESE staff, as well as between providers in the supply chains is open and honest. Providers and staff feel they can raise any matters without criticism, and this encourages pragmatic and effective solutions to be reached where necessary. There is a positive culture in all supply chains according to providers and staff.

"Always positive and supportive in my experience." -Provider

Regular performance reviews are conducted by Performance Managers with every provider, typically being a face to face meeting on a monthly basis, but now done remotely using *Teams* because of coronavirus restrictions. Most providers have experienced performance issues because of coronavirus lockdown restrictions, and they found their Performance Managers were quick to respond and supportive during the transition period. Some providers were able to adapt to remote delivery faster than others, but Performance Managers shared practices that others had introduced, informed not only by individual conversations but through a Covid-19 specific survey conducted across the SSW supply chain to identify readiness and issues.

"Very supportive throughout Covid-19, helped us to stay in business." -Provider

Management information systems are robust and effective in generating accurate reports for providers. For SSW and ASW programmes the Tracker system has been deployed since the last assessment, and this has been widely recognised by providers and staff as a significant improvement over its predecessor. In Inspiring Families, the PICS system is in use, and providers find this produces reliable reports, some being especially enthusiastic about its capability. Management information systems produce a suite of reports designed for each supply chain, and providers can additionally request tailored reports if appropriate. The data from these systems is used to inform performance reviews, and KPIs¹³ are highlighted and circulated across supply chains identifying individual providers, to encourage improvement. One provider explained how they had fallen below expectation and had identified a relatively high-performing peer from a data table that was featured in Network News and contacted them to share ideas, with a successful impact.

"They are always seeking ways of supporting us, very proactive." -Provider

¹³ Key Performance Indicators

Bi-monthly Steering Groups are hosted by Serco ESE's managers and they include identifying best practice within the agendas. Providers that attend these groups describe their approach, examples of which have included gaining and converting starts, progressing learners and achieving job outcomes. This information is distributed through the rest of the supply chain through performance reviews. One provider in the SSW supply chain described how they had paired with another in a different part of the country and learned alternative approaches that they subsequently introduced to improve their promotion and engagement effectiveness.

"The Steering Group is a good platform to share best practice, learn from others about how best to achieve the requirements; referrals, and compliance." -Provider

"Serco do recognise good performance, they highlight who's doing well across the network" - Provider

Annual continuous improvement plans are now in place in all programmes, and providers are aware of them. In all supply chains, a contract-wide SAR¹⁴ is produced, leading to an annual Improvement Plan or QIP¹⁵. For Inspiring Families, the SAR is aligned with the DWP's 11 Statements for Self-Assessment and is predominantly populated by Serco ESE's Performance Managers and Compliance Managers. In their 2020 SAR the results of a provider survey against the 11 Statements have also been included, adding an additional perspective. In the SSW and ASW programme SARs are aligned with the EIF¹⁶ and Ofsted's four key priority areas (Quality of Education, Behaviours and Attitudes, Personal Development and Leadership and Management). Providers generally do not feel they have made a contribution to the QIP, albeit they are aware of them. Among them, the level of engagement in annual quality planning is variable. One commented that they have little interest in the QIP, another said they understand the QIP but did not understand why they had not been consulted. Some said they had shared their own SAR and QIP, and that Serco ESE had taken elements from them to incorporate into the supply chain SAR and QIP. Improvement Plans are accessible in the provider Toolkits, and all providers were alerted to them via an email alert.

¹⁴ Self-Assessment Report

¹⁵ Quality Improvement Plan

¹⁶ Education Inspection Framework

PRINCIPLE 7: Quality Assurance and Compliance

Serco ESE actively communicates and promotes updates to legislative and regulatory requirements, as well as changes to policy and strategy. Providers are kept up to date via the Toolkit resources which contain reference documents, and are prompted to respond to important changes through email alerts and by their Performance Managers during reviews. Managers can and do monitor the Toolkits and can identify which providers have reviewed specific documents. Providers have been able to give access to resources to multiple staff, and in many cases their entire teams; this ensures that updates are rapidly disseminated throughout the supply chains. Providers generally find that such information is professionally and carefully written and self-explanatory. Practice in this area is now excellent.

A range of methods appropriate to each supply chain are utilised to monitor the quality of delivery. These include observations of delivery, customer surveys and audits of documentary evidence. Currently 100% of claim submissions are being audited by Serco ESE staff. Observations have in some cases not been carried out due to coronavirus restrictions, although it must be said that in cases where face to face delivery is being carried out it should be possible that delivery could be observed, even if remotely. Providers consider the arrangements to be proportionate and not overly onerous. Most find value in the feedback from observations and surveys, which they can use to inform improvements or sustain good practices. Serco ESE Quality staff review the results of their quality assurance and compliance activities in order to identify themes to be included within annual quality plans, and additionally they have frequent contact directly with individual providers to feed back their findings.

"The findings from audits and checks can be subjective, if we don't agree we can challenge – there is openness, they listen and we identify solutions." -Provider

"We have a very data-driven approach to claim scrutiny" -Staff

Methods of providing IAG¹⁷ throughout the supply chain are good, and Serco ESE assure its timeliness and impartiality. Many providers are accredited to the **matrix** Quality Standard, and Serco ESE review their Reports as well as monitoring delivery of IAG through observations and customer feedback. Within the supply chain the IAG provided by Serco ESE is effective and impartial, and rapidly communicated throughout the established communications channels.

Serco ESE undertake reviews of providers' strategies, policies and processes in relation to information security, health and safety, safeguarding and environmental sustainability, and make model templates available to providers who may be considered lacking. Such reviews are undertaken as part of the initial due diligence process, and annual refreshers are carried out. Providers are obliged to report any relevant incidents, and this is covered also by Performance Managers during monthly reviews.

¹⁷ Information, advice and guidance

The Serco Group, inclusive of Serco ESE, understand their obligations in respect of the Modern slavery Act and has provided training for providers and includes guidance on ethics including human trafficking, forced labour and human rights within its Supplier Code of Conduct. Modern Slavery response has become stronger since the last assessment, and the ESE team raise awareness of modern slavery with all providers. Most providers, including a majority who are not in scope for compliance with the Act, were aware of the key aims of the legislation. Those which are in scope of the regulations submitted their compliance Statements as part of the initial due diligence activity before contracting.

PRINCIPLE 8: Review and Close

A rich range of sources are used to obtain feedback from stakeholder groups. Feedback is collected from customers using externally and internally conducted customer surveys, and in the case of Inspiring Families through customer focus groups. In SSW contracts surveys of employer organisations are carried out. Feedback from the providers is collected informally during scheduled performance reviews, and formally through provider surveys for example to gauge the issues anticipated during Brexit and Covid-19. Serco ESE review Ofsted Inspection and Monitoring Reports for providers that are in scope, and similarly **matrix** Assessment Reports. The feedback gained is evaluated and used to inform improvements and change, where appropriate on a responsive basis, for instance in the case of Covid-19 provider survey feedback, or annually as part of the annual continuous improvement planning processes.

Serco ESE's assessment of the measurable impact of supply chain activities on the wider social objectives and policy intent of the commissioners has improved and is now good. Some providers were able to give examples of how they had improved sustainable employment within their communities and had supported small employers in growth and workforce upskilling. The engagement of local suppliers is a significant requirement of some commissioners, as is the engagement of SMEs within supply chains. Serco ESE are proactive in networking with local and regional agencies including LEPs to understand their expectations and priorities, and not only build their research into the supply chain design, but report on their performance within Annual Reports. The distribution of Annual Reports within the supply chains and beyond assists in demonstrating impact to a range of stakeholder groups.

"I really like these annual reports, they just bring what we've done to life" -Provider

Substantial improvement has been made in the assessment of the positive impact supply chains make on the intended customer groups, external stakeholders and wider communities in which the supply chains operate, and this is eloquently captured and published in the Annual Report. Annual Reports have been restored to a very high quality publication which is inclusive of rich narratives and meaningful data and infographics. Some providers were found to be fully engaged with the Report, suggesting that they add value within the supply chain as well as externally. Providers contribute to the assessment through the submission of case studies. There is now good practice in the assessment and reporting of impact on intended customer groups.

"We have extensive case studies to indicate the positive impact on the learners." -Provider

Although effective reporting tools are in place for E&D data and managers provide useful reports to providers on the diversity of their respective cohorts, data is typically focussed on the engagement and participation of customers. E&D Action Plans are in place to address gaps between target demographics and actual participation levels, and good quality data evidences the supply chain's performance. This data is combined with other data sets in Annual Reports, including those for SSW contract areas which were discreetly reported on not only for E&D purposes, but for holistic impact reporting too.

"Serco don't monitor the outcomes across ethnic groups, but we do that ourselves as a matter of routine. Their focus is just on engagement" -Provider

Exit procedures are planned in advance, are thoroughly documented, and providers confirmed they were aware of the process to be followed at the end of a contract. Those who had experienced it said their experience had been as expected, and as was planned. In most cases this has been efficient and prompt, however a small number of past providers commented that they were still in possession of some returnable contractual documentation, much of which would contain sensitive personal information, some months after withdrawal. There was some recognition from these providers that coronavirus restrictions may have or certainly had contributed to delay, but this is a scenario Serco ESE may wish to reflect on. It is acknowledged that Serco ESE management are confident that data has remained secure.

8. CONCLUSION AND CONDITIONS OF ACCREDITATION

Significant improvement has been achieved by Serco ESE since the last assessment particularly in their practice in Performance Management and in Review & Close. The overall score of “Good” fell only slightly short of the threshold for “Excellent” overall, and four areas of excellence are now recognised.

The senior leadership team should be mindful that any significant organisational or senior staff changes, and / or being awarded additional contracts using a significantly different supply chain may require a strategic review. Similarly, any decisions reached by the Merlin Mediation Service / Independent Complaints Examiner may also result in a strategic review being required to ensure the organisation continues to operate in line with the Merlin principles.

Holders of the Merlin Standard Accreditation must:

- Maintain and continually improve upon their approach to Supply Chain Management.
- Cooperate with annual Reviews as required by Assessment Services Ltd
- Inform Assessment Services Ltd (merlin@assessmentsservices.com) or their Lead Assessor if the key contact name or contact details change.
- Inform Assessment Services Ltd of any significant changes made to the organisational structure, senior management or systems that may impact on their accreditation; email: (merlin@assessmentsservices.com)
- Inform Assessment Services Ltd immediately if they gain additional contracts.
- Inform Assessment Services Ltd of any serious complaint or rise in numbers of complaints received from Supply Chain Partners.
- Not undertake or omit to undertake any activity that may be misleading and/or may cause Assessment Services Ltd and/or the Merlin Standard to be brought into disrepute.
- Only use the Merlin Standard Quality Mark for the areas within the scope of the accreditation and in accordance with the guidelines.
- Ensure in cases where accreditation is withdrawn or where they do not come forward for Accreditation Review, remove from display any certificates or plaques issued by Assessment Services Ltd and do not display the Merlin Standard Quality Mark, nor refer to being a former holder of the Merlin Standard.
- Be aware that Assessment Services Ltd reserves the right to remove any accreditation and/or certification previously applied if payment is not received for services provided.
- Submit their Booking Form for re-accreditation to the Merlin Standard at least 4 months prior to the accreditation anniversary date ensuring all pre on-site activity is completed in a timely way including planning, payment, completion of the Self-Assessment Questionnaire (SAQ), Pre-Assessment Notes (PAN) and interview scheduling. Accreditation Reviews are due 2 years from the anniversary accreditation date; it is expected that organisations will be assessed by this date or will risk being de-accredited.

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