



merlin

promoting supply chain excellence

Assessment Report

For

Serco Welfare Services

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On behalf of emqc Ltd

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About the Organisation

Serco Group is a service and outsourcing company that has been delivering essential public services for more than 40 years. More than 100,000 employees deliver services to government and private clients in over 30 countries. Serco operates in Europe, the Middle East, Asia Pacific and North America. Around 40% of turnover comes from outside the UK, and the range of activities varies from region to region.

Serco Welfare Services have been delivering the Work Programme in South Yorkshire, Coventry and Warwickshire, Staffordshire and The Marches (CPAs 15 & 17) on behalf of the Department for Work and Pensions since it went live in June 2011. Both Contract Package Areas receive 'match funding' from the European Social Fund. Serco Welfare to Work subcontract 100% of all front-line delivery to a network of 33 local and national welfare-to-work providers from the private, public and voluntary sectors and integrate these with smaller, community-based organisations. Serco have developed a model for delivering employment services to long-term unemployed people, with the aim of supporting them back into the type of work that is right for them.

Approximately 100 other organisations provide additional specialist support to meet the holistic needs of the customer, via the Serco Integrated Specialist Services (ISS) directory.

Assessment Methodology

An initial planning meeting between the Lead Assessor and a number of representatives of Serco, including the assessment coordinator, took place in March 2014 where support and guidance was given, including information as to how the assessment would take place and to agree which Supply Chain Partners who would be interviewed. Following this meeting, Serco Welfare Services created schedules for each of the assessors.

During the assessment, approximately 64% of the supply partners in CPA 14 & CPA 17 in which Serco deliver work programme were spoken to, by telephone or in most instances face to face interviews. During the assessment, assessors reviewed a range of documentary evidence and IT systems provided by Serco, interviewed a wide range of staff, including senior managers and customer facing staff from the Supply Chain Network and a range of staff from Serco.

A total of 23 representatives from 23 Supply Chain Partners were interviewed. 14 Representatives of Serco were interviewed. All principles of the Merlin standard were fully assessed by a team of 3 assessors; Rob Mottram (Lead Assessor), Stuart Morgan and David Folland who spent a total of 12 days onsite.

Assessment Outcome

Overall %	90%
Overall Outcome	Excellent
Supply Chain Design	Excellent
Commitment	Excellent
Conduct	Excellent
Review	Good

Strengths

A number of strengths were identified during this Merlin assessment and summaries of these are given below. The numbers in brackets refer to the criteria of the Standard to which the areas relate.

- ▲ Highly effective and well-designed supply chains, robust and featuring a good mix of diverse organisations which meet customers holistic needs and support commissioners, procurers and other partners in meeting and delivering comprehensive support. (1a.1, 1a.2 & 1a.3)
- ▲ Serco's approach to the development and capacity building of Supply Chain Partners through a variety of activities, including training, shadowing and best practice sharing. (2b.1, 2b.3 & 3b.8)
- ▲ Clarity of approach to Performance Management, particularly the way it uses Management Information to inform and support consistent and regular review mechanisms. (2c.3, 3d.2, 3d.3, 3d.4)
- ▲ Supportive and consultative approach to the implementation of policies and processes to ensure contractual compliance and maintain the security of all data within the supply chain. (3b.1, 3b.4 & 4a.1)
- ▲ The innovative use of the 'Make a Change' programme in supporting prison leavers to engage more quickly and effectively with Serco's Supply Chain Partners. (1a.2 & 1a.3)

Areas for Improvement

In order to support the organisation to further develop and improve its supply chain delivery strategy, the following suggestions for improvement are made. (However, the assessment team acknowledges that many of the points identified below had already been identified as areas for improvement within the organisation's Self-Assessment Questionnaire and are already under development.) The numbers in brackets refer to the criteria of the Standard to which the areas relate.

- ▲ Increase, and ensure the feedback of equality and diversity analysis is circulated to partners in a timely manner. (3e.3)
- ▲ Ensure the supply chain can calculate the Value for Money (VFM) of the services they receive from Serco, this may include clarifying the costs of Serco's support in delivery. (3d.5 & 2c.8)
- ▲ Ensure that environmental sustainability is promoted, monitored and measured across the supply chain network. (3b.7)
- ▲ Refresh with partners the core principles and embed within the operations of the welfare services team. (3a.1)
- ▲ Ensure that staff interactions with the supply chain are consistently reflecting Serco good practice by being positive and supportive across all areas. (3a.3)
- ▲ Ensure that the supply chain are aware of the good practices of Serco and are able to see the impact of this on their own service delivery. (3b.8)

Areas Requiring Further Development

Because Serco Welfare Services has met the Merlin Standard, as described in the assessment outcome above, there are no areas for development identified as requiring immediate action in order to gain accreditation.

Assessment Findings

Supply Chain Design

1a) Supply chain design

Serco's strength in this area is supported in part by its 'Service Integrator Model'; the use of this model allows a network of partners whose combined specialisms provide comprehensive support to customers. Very extensive consultation and mapping exercises took place prior to contracts being awarded involving over 500 providers and 250 key stakeholders including customers, local authorities and JobCentrePlus. The current supply chain is a rich and diverse

mix of organisations. Since the last assessment (2012) overall customer referral numbers have declined substantially, however a significant increase in some customer groups, for example customers claiming Employment Support Allowance (ESA) and the introduction of new customer groups, such as prison leavers has tested the robustness and appropriateness of Serco's supply chain arrangements.

With 100% delivery being undertaken by a network of partners, Serco's rich blend of organisations and its effectiveness of its supply chain is of significant importance. Serco utilises very well a wide range of organisations to support customers. 48% of the supply chain is from the voluntary sector (who receive 45% of customers), 12% from the public sector and 40% from the private sector. Serco's delivery model includes mainstream and specialist providers who are well positioned to meet the holistic needs of each customer. Serco's fully managed arrangements are seen positively by Supply Chain Partners, with Serco being able to focus on ensuring that they are fully equipped to deliver. The stability of the supply chain is further demonstrated by the resilience shown by it, with only 3 organisations exiting the chain during the last 34 months.

"...Serco are well positioned to deliver this contract, they don't deliver any of the provision themselves, so they concentrate all their efforts on helping us to deliver" – Supply Chain Partner

"...You will see that charity based providers make up a large proportion of the supply chain. There are many specialisms built into their models and methods of delivery." – Supply Chain Partner

In addition to its formal supply chain arrangements Serco maintains a directory of Integrated Support Services (ISS), which provide customers with access to additional local support to enhance delivery. Serco have a range of strategies which they deploy effectively, for example in Feb 2012 prison leavers were added to the customers who required support by the supply chain. Serco undertook an innovative and unique approach to engage this customer group, with a representative visiting prisons on a regular basis to raise awareness and talk about the pre-release support available to them. The approach is integrated with the 'Make a Change' programme which is delivered in collaboration with the other prime contractor delivering services within CPA 17. Supply Chain Partners were able to validate that there is a wide range of external networks not involved in delivery but providing support services. Housing associations, Citizens Advice Bureau (CAB) and others work with customers to provide valuable support.

"...Their [Serco] approach is to provide a service to prisoners at the end of their sentence to reduce the barriers when they actually leave and be aware of how the help is there to get them into work and let them lead a normal life." – Supply Chain Partner

Serco are increasingly developing individual's skills whilst engaged on Work Programme, recognising that not all customers will successfully secure employment. By partnering with organisations such as E-Achieve in Sheffield, which supports customers in gaining BTEC Level 1 IT Users (ITQ) Certificate delivered via classroom based provision.

2 Commitment

2a) Collaboration, cooperation and communication

Supply chain partners readily confirmed that during all stages of the procurement processes, communications were clear and transparent, as identified at the previous assessment. Supply Chain Partners were many given opportunities to make internal judgements in respect of their capacity to deliver elements of the Work Programme. Serco kept supply chain partners fully updated with information delivered in a variety of formats and methods during the procurement process. Supply chain partners made positive reference to the frequency of face to face meetings, flow of written information and email support given to them prior to the submission of any Expressions of Interest (EOI). Following scoring of EOI, useful feedback was provided to Supply Chain Partners. Supply Chain Partners also were given time to ensure the appropriateness of any legal contracts that were agreed between parties.

"It took a while for our legal team to sort out the vagaries of the contract but they [Serco] were patient and cooperative in helping us to ensure that our ethics and values would not be compromised." – Supply Chain Partner

Serco's communication with Supply Chain Partners is regular and systematic; weekly performance reports are communicated to the entire supply chain providing a summary of performance and a narrative message, it recognises best performing partners against a range of measures and encourages other partners to improve their performance.

"...I look forward to seeing how well we are doing, there's a couple of similar organisations to us in the supply chain which I look out for first" – Supply Chain Partner

"...Everything that needs to be communicated is communicated – Supply Chain Partner

Partners within the Serco network were able to describe how they contribute to decisions regarding the design and improvements to systems and processes. Recent examples include changes to the management information system used by Serco and its partners. As the supply chain matures, this area has developed, for example where there has been a requirement to support customers with more complex needs, this has been discussed at network meetings, which allowed all parties to collectively identify the best way forward.

"...We feedback via our Performance Managers tweaks that we feel would improve the IT system, they take it on board and seem to be improving it all the time" – Supply Chain Partner

Serco and its Supply Chain Partners were able to demonstrate and validate how they work collaboratively and with open participation to deliver comprehensive services. Serco's Performance and Quality managers play an active and influential role in this area. During regular network meetings best practice is shared, innovative approaches are identified within the network with how certain providers are more effective with specific customer groups

such as customers receiving Employment Support Allowance (ESA) and initiatives, such as Sparkle Sessions which were developed by izi are promoted to other partners. Serco has also encouraged the active promotion of learning from other Supply Chain Partners by facilitating visits across the network for advisors and managers to learn first hand about how others' are managing issues faced by operational delivery units.

The clarity of the communication is built on solid foundations; Serco's business structure is well-defined with clearly articulated roles and responsibilities described in their Delivery Assurance Framework (DAF). This framework clearly details Serco's contract management arrangements. These well defined structures and processes are complemented and enhanced by Performance Managers and Quality Managers who are experienced within the Welfare to Work sector. The professionalism and knowledge of the managers employed by Serco is valued by the supply chain partners.

"...Everyone is approachable and knowledgeable" – Supply Chain Partner

"...The people are committed to what they do" – Supply Chain Partner

The majority of partners were able to validate that Serco has created a culture which is honest, open and without unreasonable constraint. The performance management approach supports and fosters healthy discussions between Serco and its network partners, with frequent communications and highly responsive supply chain managers contributing to an open culture which is described by partners as two-way and very productive. Partners also find network meetings foster relationships, as does the sharing of performance figures and management information. Partners indicated that this area has strengthened over the last few months and feel the culture is softening as relationships mature and levels of trust increase.

"It [Serco] is a listening organisation, whatever you raise they will look into it and use what we suggest." – Supply Chain Partner

"I think that their culture is open. Of course they can only be successful if we are and they are a professionally focused commercial organisation." – Supply Chain Partner

"I think they are very open and transparent" – Supply Chain Partner

"A really nice partner to have – very partner like – not usual in this sector" – Supply Chain Partner

2b) Developing supply chain partners

Serco's development of Supply Chain Partners is very strong. The network is supported and encouraged through a range of mechanisms. Partners access an infrastructure, including case-management and payment system, robust suite of MI tools and a dedicated contract management team which allows them to focus on the delivery of front line services. Serco utilise a market share mechanism which allows providers to develop and grow, the mechanism has developed since the assessment in 2012 and now provides more effective

support to partners in allowing them to develop their businesses. Where providers are performing well, Serco will consider the opportunity to increase flows or reduce or remove flows from providers in the same area who are not delivering to the appropriate levels or when partners may need 'breathing space' in order to allow them the opportunity to refocus and consolidate their business activities.

Supply Chain Partners can and are encouraged to access subject area specialists, in the area of data security for example, managers who are employed by Serco offer very useful consultative approaches to develop partner's knowledge and ensure that they meet Serco's requirements. These support mechanisms are provided at no additional cost, the staff that provides this guidance form part of the contract management team.

Serco have made significant progress in the area of identifying and assisting the supply chain in obtaining additional funding or finance streams. For example Serco have supported the network in utilising the Wage Incentive (WI) to promote the employment of young people. Serco have produced marketing materials, visited provider team meetings to discuss WI, explained the eligibility criteria, facilitated and shared ideas on how to effectively market and promote the scheme and ensure that eligible customers are aware of the opportunity. Serco have also delivered WebEx sessions to the supply chain network and delivered a Wage Incentive event for all employer-facing staff. Serco provide network partners with information pertaining to future funding opportunities and more recently have offered and provided support and consultation to network providers who have bid for additional contracts.

Promotion and facilitation of staff development within the network is very good, Supply Chain Partners were able to validate that Serco provide high quality training for its staff. Formal and mandated, delivery critical training ensures that relevant staff meet a required standard before gaining access to IT systems, which is supported by additional bespoke training and advice and guidance which is provided by its contract management team. Responding to the changes in the customers cohorts which it supports, Serco has ensured that network partners have recently received Disability Awareness and Mental Health & Wellbeing Workshops. Over 50 events have taken place in the last 2 years covering areas such as Action Planning, Wage Incentive, Electronic Exit reporting, Universal Credit and Performance Management. Institute of Employability Professionals (IEP) membership is also available to its supply chain members. Surveys carried out following these training events allow Serco to analyse its effectiveness and plan subsequent events and activities.

2c) Contracting and funding

As identified during the assessment in 2012 Supply chain partners confirmed the procurement processes used by PPDG were fair and transparent, appropriate invitations to tender with Serco were made and Supply chain partners were selected on their ability to meet criteria. Recently a 'mini-tendering' process took place which involved Serco offering additional volume with CPA 17. All existing partners within the CPA were invited to bid, of which most partners expressed an interest. These expressions were scored and a number of partners were successful in increasing their market share. Partners felt fully informed and

believed that the manner in which the process was followed gave all people an equal opportunity to bid and put their respective case forward to additional volume. Expressions of Interest were submitted and scored before detailed discussions and consultation was carried out relating to potential work flow.

"They were tight, professional and efficient. No-one could possibly complain about the openness." – Supply Chain Partner

Serco use a range of funding and payment arrangements recognising the needs of its Supply Chain Partners and the minimum levels of funding required to deliver high quality services. Serco consulted with partners before developing a pricing structure which provided favourable conditions for all through multiple staged payments. Some payments were made earlier in the process to assist Supply Chain Partners budgeting and financial viability.. Serco do not flow down DWP's funding terms directly to its partners, instead it shoulders some of the long-term financial risk. Payment structures and incentives aim to increase cash flow and discourage 'creaming and parking' of customers. Payments have been introduced more recently to partners who refer customers out of their own provision to alternative delivery partners to cover administration costs and ensure customers receive the most appropriate support. There remain no fixed funding arrangements in place with those suppliers engaged on a call on/call off basis.

Serco have devised contractual documentation, which clearly defines both Serco's and Supply Chain Partners obligations. Currently 9 Key Performance Indicators (KPI's) are used to measure and monitor provider performance which are driven by DWP's payment terms to Serco. Serco's payment terms to providers and the minimum service requirements underpin the contract delivery. Supply Chain Partners find the KPI's useful in helping them to manage their contract delivery. Serco are currently considering the review of KPI's they use to ensure that they remain fit for purpose and continue to act as a driver of performance and customer service standards.

"...The KPI's are useful, there are a few of them but they help us manage our business – we'd be a bit lost without them" – Supply Chain Partner

Market share is clear, allocation is agreed during pre-contract negotiations and is based on expectations of what the provider could realistically deliver in their respective geographical locations. Percentage allocations are changed via moving flow where providers do not meet their targets. Before flow is moved from a provider a discussion is held with them to agree the changes and discuss any exceptional circumstances which may have led to underperformance. The flow change strategy has developed over time, which has been influenced by comments from providers. Serco look at the rolling quarter performance before instigating flow change. This allows for any potential minor peaks and troughs in performance to level out over a three-month period and the current arrangements are preferred by network partners.

There is a successful strategy to manage the transfer of funds within the supply chain. Claims are subject to a series of robust validation checks before a self-billing process ensures claims are paid promptly and efficiently. In a small number of instances where a delayed payment

may cause financial difficulties for Supply Chain Partners Serco have raising early vendor payments.

"...They [Serco] pay on time once the QA processes have been completed." – Supply Chain Partner

Serco contracts define pricing elements, payment definitions and billing mechanism. Partners were able to validate the range of support they receive from Serco, citing the infrastructure, the website, Quality Assurance Management arrangements, communication channels and IT systems. However Supply Chain Partners were unable to calculate the Value for Money (VFM) of the services they receive from Serco including being clear on the costs of Serco's support in delivery.

'...I know Serco get more funding than we do, I don't know what it is though, but know we get lots from them to help us deliver the contract" - Supply chain partner

'...Their model is complicated – I don't know what they get" - Supply chain partner.

3 Conduct

3a) Demonstrating commercial and business integrity

As in their previous assessment, Serco continues to demonstrate and partners validate clear business principles and an ethos of 'support and challenge' within the supply chain network. The diverse range of supply chain partners are aligned to Serco's core principles whilst retaining their individual values and specialisms. During the due diligence process the alignment of core principles and values is checked but there was no cognizance amongst partners that there had ever been any further check on alignment, however there was a belief that the same values were driving Serco as drives Supply Chain Partners. The network operates with a clear belief that the success of the prime contractor [Serco] is directly impacted by the network of partners operating within it.

"I couldn't tell you what the specifics are but I am convinced that their principles must be correct and are demonstrated every day in their actions. The really do live by their values." - Supply Chain Partner

As identified during the assessment in 2012, Serco use a series of clear strategies to manage the TUPE process very effectively. Serco paid particular attention in ensuring that supply chain partners and any affected staff are supported by a four-stage model. Serco provide support to partners where necessary and written documentation is available in the form of a TUPE Information Pack. Practical HR led advice is available and partners were able to validate that where staff had been transferred between parties, they're terms and conditions were aligned.

"We have good processes for TUPE but we liaised with Serco to make sure that it was done in the spirit of their processes and that we were acting correctly." – Supply Chain Partner

Interactions between Serco and its supply chain partners are strong. Most Supply Chain partners were able to validate very positive relationships with members of the Serco contract management team. Where Supply Chain Partners had experienced formal performance improvement processes these were conducted in a professional and supportive manner. Supply Chain Partners indicate that one of the strengths of Serco is their ability to focus solely on ensuring the network collectively meets its contractual targets and as it doesn't have its own delivery, this doesn't blur any lines of responsibility.

"...We have a close relationship with their quality and compliance teams. Their values and approach is the same as ours so it is that process which helps us to get better at what we do." - Supply Chain Partner

"They listen to our concerns and openly discuss ways forward. It helps us to get things right first time." - Supply Chain Partner.

Serco operate within a very robust framework, which ensures that a number of methods of communication are used to ensure supply chain partners receive timely updates to support and maintain legislative and regularly requirements. Weekly newsletters, the Toolkit system and regular telephone contact between supply chain partner staff and Serco's form the basis for the clarity in this area. Updates that have been communicated to the supply chain are checked during monthly review meetings for understanding and where identified additional training and support is offered.

3b) Quality Assurance and Compliance

Serco's quality assurance and compliance arrangements are very robust. Serco has substantial experience of well-proven Quality Management Systems (QMS) and apply a risk based approach to its activities. The Delivery Assurance Framework (DAF) is the major component of Serco's QMS and provides very clear operational framework for contract management activity to take place. The DAF details the management arrangements for Quality, Performance and Compliance and ensures management of each element is done in a structured, clearly defined and coordinated way. Serco are in the process of obtaining ISO9001 accreditation for their Quality Management System. Since the assessment in 2012 they have been subject to rigorous external audits from a number of bodies including DWP, the results of which indicate a 'extremely robust internal control environment'. A dedicated team of staff employed by Serco gathers assurances over delivery which mirrors those deployed by DWP.

Supply chain partners were able to validate that Quality Assurance Managers undertake regular reviews and evaluations of provider systems, processes and test the quality of customer journey. Written feedback is provided to each Supply Chain Partner following such meetings. The Quality Assurance process is seen positively by Supply Chain Partners and is increasingly leading to development activities for the Supply Chain Partner organisation and for individual members of staff, who receive desk based training to improve practices. Supply Chain Partners describe bespoke training delivered based on identified need, which is positive.

Serco have implemented appropriate policies and processes to ensure they maintain security of all data and assets within the supply chain. Due diligence activities establish a baseline for all providers and ensure they met Serco's required standard prior to contract delivery. The on-going adherence to this standard is supported by an annual programme of audits supported by providers self assessing their current position. Requirements are based on ISO27001 to ensure that DWP data is protected. A knowledgeable and approachable dedicated member of the Serco contract management team provides support any provider who doesn't meet the standard by providing practical advice and cost effective solutions.

Healthy and safe work environments are assured by Serco in a similar manner to that of data security and due diligence activities establish a baseline for all providers and ensure they met Serco's required standard prior to contract delivery. The on-going adherence to this standard is supported by an annual programme of audits supported by providers self assessing their current position. All Serco staff ensure that when on site an 'eyes and ears' approach is taken and report any concerns to operational managers.

People at risk and vulnerable groups are appropriately safeguarded by Serco through a range of mechanisms and process. Staff employed within the partner network are not allowed to access customers or come into contact with customers until all Baseline Personnel Security Standard (BPSS) checks are completed processes carried out during the partner verification process. As with other areas Serco ensures Supply Chain Partners on-going adherence to this standard, by carrying out an annual programme of audits supported by providers self assessing their current position. A whistle-blowing route is also available for any customer or staff member to raise concerns. Recently, Serco has been working with JobCentrePlus to develop processes to minimise the risk to any customers who are referred to the supply chain partners that have a history which may endanger themselves or partner staff.

"...They are thorough with the approach they take to checking we are fit to deliver, some may say its over the top but we understand they are only ensuring the customers are protected" – Supply Chain Partner

As with other areas, due diligence processes assures Serco that supply chain partners have a commitment environmental sustainability and an annual review of Supply Chain Partners environmental sustainability plans ensure they remain fit for purpose, however Serco need to further embed into the supply chain partner network activities to raise awareness of environmental sustainability and to ensure it is monitored throughout the supply chain. Serco are aware that the rich and diverse supply chain with which they contract means Supply Chain Partners are at different stages of their development against this area. Serco have identified and are working towards ISO14001 accreditation. Where appropriate, Serco ensure that practical measures such as utilising web-ex to facilitate training and contract management teams plan travel to reduce carbon emissions.

Excellent practice is currently identified, monitored and shared with the supply chain through a variety of methods. Serco identify excellent practice during Quality Assurance visits and monthly Performance Management meetings. Partnership meetings allow good practice to be shared across the network, with exempla providers leading these sessions and making valuable inputs. Serco actively promote the sharing of knowledge and practice and often

facilitate staff from one SCP visiting another's location to learn from what others are good at by job shadowing them in their role.

"... We've had staff from another provider visit us, it's good, we like to showcase what we do" – Supply Chain Partner

3c) Honouring Commitments

Supply Chain Partners were able to confirm that contract negotiations were clear and open, and partner expectations have been managed effectively. Forums were used to openly discuss contractual issues with senior representatives of Serco. Workshops were also used effectively and a Serco Finance Manager helped supply chain partners make informed choices over payment models, which best suited their organisations own business and risk appetite. Where changes to contracts have had to be made, for example following the introduction of prison leavers as a new customer group a contract variation is made and a teleconference with the supply chain partners highlights the necessary details and allows discussion in an open forum.

Supply Chain Partners are aware of Serco's formal dispute resolution process. At the time of assessment there had been no formal complaints from the supply chain. Serco and NCVO published a new code of practice to assist primes and subcontractors to improve the way they work together. Serco is committed to the code when it subcontracts service delivery and continues to encourage other outsourcing companies to sign up to the document.

Serco senior managers have stated they would fully respect decisions made as a result of the Merlin Mediation Service if it had been deemed to have not acted in accordance with the principles of the Merlin Standard.

Strong robust processes, complimented by strong communication channels at every level within supply chains ensure that all parties have clarity on a wide range of expectations. Contracts, KPI measures and procedural guides reinforce expectations. Supply Chain Partners are very clear of what is expected of them by Serco.

"...we are in no doubt what Serco expects of us, it's very clear" – Supply Chain Partner

3d) Performance

Serco have a strong performance management regime. Serco's 'Service Integrator' model lends itself to support collaboration across the supply chain network. Serco measures against collective targets and its mechanism for 'moving flow' between partners ensures collaborative working is effective in meeting these targets. Dedicated performance managers are assigned to supply chain partners and these managers work closely with supply chain partners to encourage and promote performance of the entire network. Supportive and challenging, Performance Managers are highly regarded by partners who are seen to provide useful support. Regular, monthly one to one meetings between supply chain managers and partners contribute significantly to this area, where a performance management template ensures the session focuses on ensuring improved performance.

Supply Chain Managers are rotated amongst partners on an annual basis, which further supply chain managers in helping them to identify trends across the network and ensure that best practices are shared.

Serco conduct weekly teleconferences on a one to one basis with Supply Chain Partners On a regional basis provider's meet to discuss good practice, develop new approaches and exchange ideas at partnership meetings or 'away days'. These sessions provide useful opportunities for Supply Chain Partner staff to meet and establish stronger working relationships. Comparative performance data of Supply Chain Partners is shared via daily, weekly and monthly updates and allows partners to deliver more effectively. Less well performing partners continue to be encouraged to work with higher performing partners to better understand, recognise and develop effective working practices. Opportunities to shadow high performing staff are encouraged and shared across the partnership.

Supply chain parties are clear about the performance expectations of Serco. The performance targets are agreed and understood by all parties. Where performance improvement has been required and Supply Chain Partners have moved into 'formal performance improvement' this has been approached in a very supportive manner.

As at the previous assessment, Serco have developed and continue to develop and invest significant financial resources to a dedicated and independent Management Information system and team who provide both Serco and supply chain staff with a wide array of Management Information reports using the IMPACT system. The system produces a wide range of reports which enables providers to manage their business, advisors their caseloads and managers to drive performance. Partners can run pre-designed reports as well as generate their own reports which gather data in 'real-time'.

Serco needs to define with its Supply Chain Partner how value for money is identified and what measures can be used in demonstrating value for money for the customers of Work Programme particularly in the value it adds to customers by supporting them to access funding to support skills development, but also to its supply chain partners who benefit from free of charge access to training, specialist support and IT systems. Serco promote the use of the ISS directory with its supply chain partners which provides valuable support to customers with additional need at no cost to either Serco, the customer, or the supply chain partner with alternative funding sources being used.

3e) Promoting Diversity & Equality

Through careful design, Serco have composed Supply Chain Partnerships with a wide range of organisations that align very closely to their own commitment to Diversity and Equality. Arrangements with small firms, voluntary and community organisations, social enterprises and ethnic minority businesses have been made and these organisations are important members of the Serco supply chain. Serco have reviewed and made suitable changes to their supply chain to ensure marginalised groups continue to be supported. Serco monitor both during due diligence and during contract delivery via the Provider Systems Questionnaire which ensures supply chain partners demonstrate and Serco validate compliance with expectations.

Serco continue to develop appropriate methods to ensure that effective monitoring and promotion of diversity and equality throughout the supply chain takes place, however these activities need to increase, and Serco need to ensure the feedback of equality and diversity analysis is circulated to partners in a timely manner and is appropriately reviewed with all its Supply Chain Partners.

4 Review

4a) Supply chain review

Since the last assessment Serco have made considerable improvements in this area. Serco have been monitored via a number of internal and external audits. The DWP PAT Team provided an excellent endorsement of Serco's approach to its internal controls and awarded a 'Strong Assurance' rating – the highest grade possible. Serco have reflected DWP's focus on ensuring the quality of customer journeys and now review this area of delivery on a regular on on-going basis with its supply chain partners. Good news stories continue to be collected shared across the Supply Chain network through a weekly newsletter; and complaints received are tracked through to resolution. A significant customer feedback exercise gathering data from 500 customers was completed by Serco and its partners in 2013 and the findings of this research was analysed and used by Serco's supply chain partners to develop services, identify good practice and inform improvements. Planned customer feedback activities this year include a very focused and targeted survey of ESA customers in collaboration with Leeds University Business School.

Serco develop an annual Self Assessment report, inline with their contractual obligations and utilise a range of feedback gathered from its supply chain partners on a continuous basis. Whilst all Supply Chain Partners contribute to the development of the self assessment, some partners were unclear of how they contribute to this process or what is contained within the Serco self assessment document.

Supply Chain Partners are kept informed of wider social policy objectives via the Supply chain managers and publications such as Ethos which are circulated. Serco also ensure that any changes made to operational delivery requirements (such as the introduction of electronic exit reports) are project managed effectively to ensure that requirements are embedded with minimal disruption.

Robust review of the supply chain arrangements take place to ensure that the supply chain is evolving to meet customers needs, for example a number of new organisations have been added to its Integrated Support Services directory which is used to encourage Supply Chain Partners to use a range of specialist local and national organisations. Supply Chain Partners were able to validate that there is a wide range of external networks not involved in delivery but providing support services. Housing associations, Citizens Advice Bureau (CAB) and others work with customers to provide valuable support. Serco have also recognised the importance of customers developing useful skills and were able to provide a good range of case studies to demonstrate how the activities have impacted positively on its customers. For example where partnering with organisations such as E-Achieve in Sheffield, which has

supported customers in learning and gaining useful qualifications such as BTEC Level 1 IT Users (ITQ) Certificate.

Conclusion

Serco has demonstrated behaviours that fully meet the requirements of the Merlin Standard, and several areas of good practice and excellent practice have been demonstrated.

It was evident to the assessment team that since their last assessment Serco continues to remain fully committed to developing its approach to the management of its supply chain partners and continues to improve practices and develop the supply chain partner's capacity it works with.

Internal changes within Serco and a maturing of supply chain relationships have resulted in subtle changes in Serco's approach, which is of benefit to the Supply Chain Partners it serves.