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INTRODUCTION

The development of the Merlin Standard has been progressed as a joint exercise between the Department for Work and Pensions (DWP) and its providers operating in the Welfare to Work (W2W) sector. There has also been active involvement from other government departments, including the Office of the Third Sector, the Commission for the Compact and from representative organisations within the industry.

This approach mirrors the consultative nature of the way the DWP Commissioning Strategy was developed, including the embedded Code of Conduct. It is the Code of Conduct that the Merlin Standard is specifically seeking to support.

DWP supports the Merlin Standard as a positive means by which it can provide stewardship of the W2W marketplace via a co-regulation approach with present and future providers operating in the sector.

The Merlin Principles

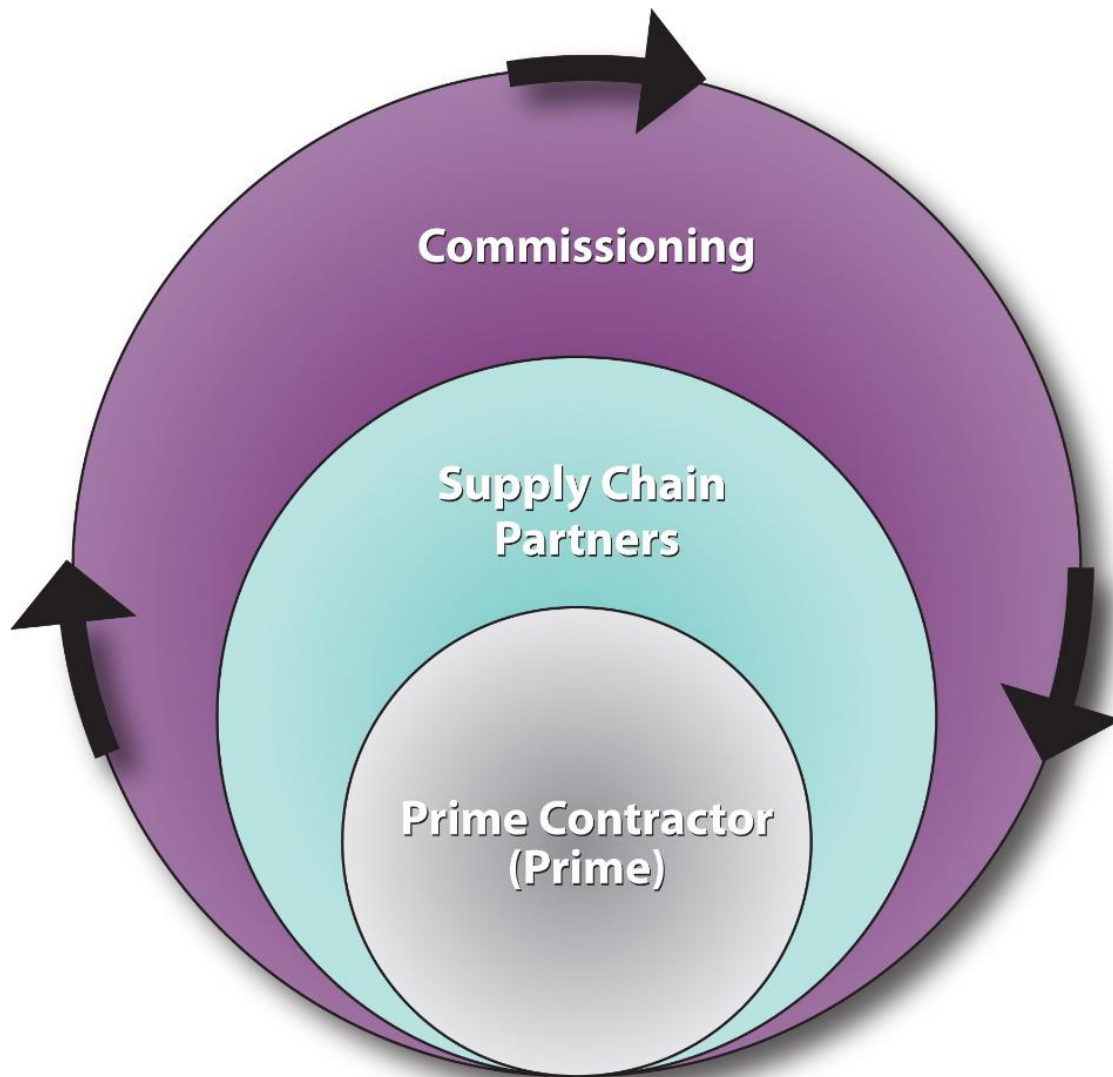
The Merlin Standard has been designed to recognise and promote sustainable excellence and positive partnership working within supply chains and provide guidance to those seeking to achieve it. It is built upon four fundamental and integrated principles; **Supply Chain Design, Commitment, Conduct** and **Review**. These Principles have been designed to examine key areas of the relationship between a Prime Contractor (hereafter referred to as 'Primes') and its Supply Chain Partners. Criteria underpinning the principles also seek to review the role of **Commissioning**, including the procurement process, and how supply chain behaviour is affected by the behaviour of the Commissioner. The Principles are established to validate positive behaviour of Primes and supply chain partners in line with the Code of Conduct, a key facet of the Commissioning Strategy in creating healthy and high performing supply chains.

The Elements of each Principle

Each Principle contains contributing Elements. The Elements allow managers to consider and better understand the cause and effect relationships between what their organisations do and the results that they achieve. A robust assessment can be carried out based upon the Elements to ascertain the degree of excellence of each applicant organisation's supply chain management. Evidence of achievement and excellence against each Element will dictate the final result of the Merlin Assessment and offer a clear indication of where an organisation needs to improve as well as highlighting and recognising excellence.

Within each Element there are a number of criteria which provide a structured approach to interrogate the overall performance of an organisation in both complying with the Code of Conduct and also exhibiting behaviours in the spirit of the Code. The criteria support the assessment process used by Merlin assessors, as well as providing guidance for each organisation's own self assessment.

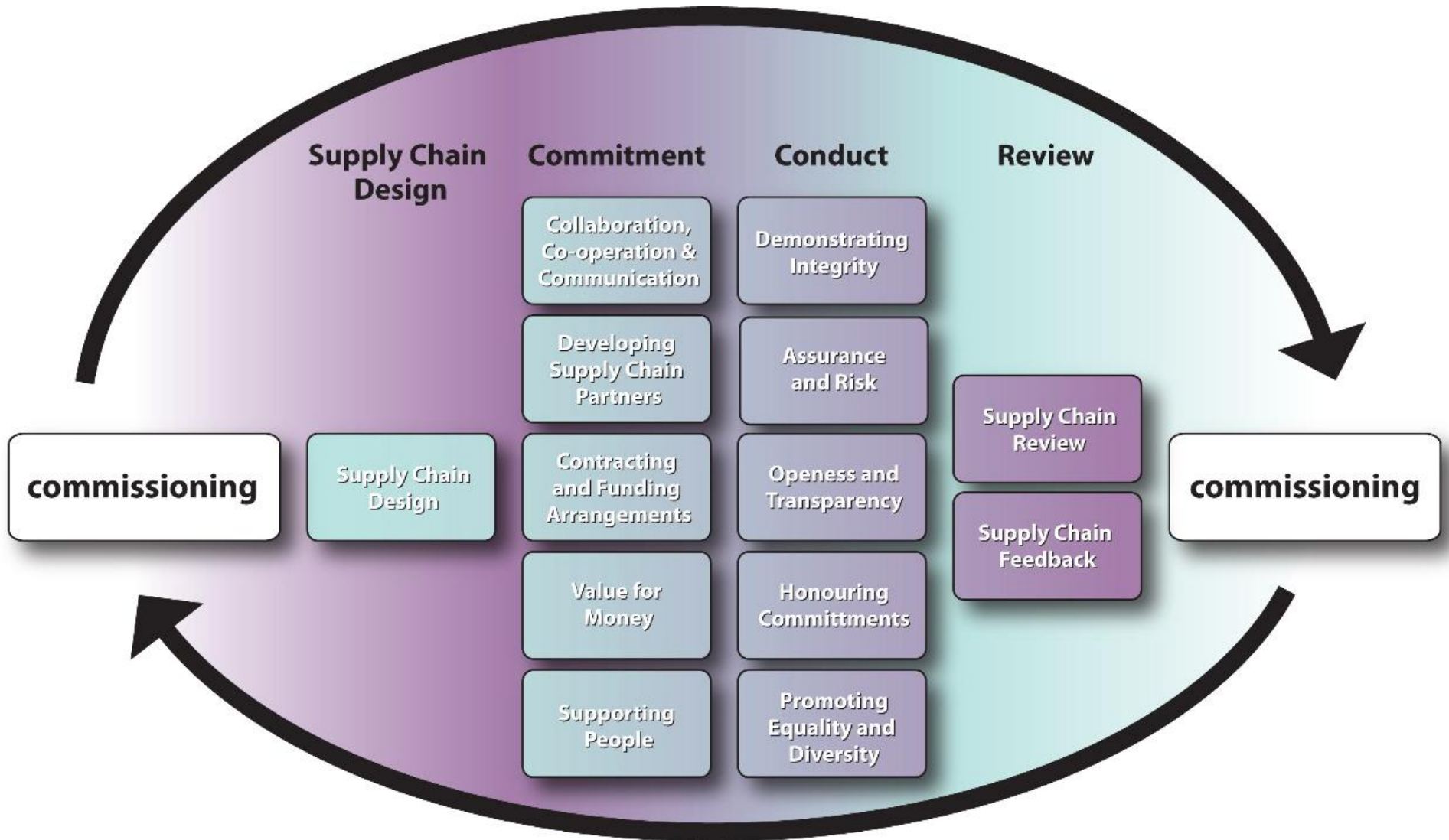
THE MERLIN MODEL



The Merlin Standard is designed to assess at 3 levels:

1. **Prime Contractor (Prime)** – by confirming compliance to the Code of Conduct, identifying best practice and gaining feedback on Commissioning activity.
2. **Supply Chain Partners** – by confirming the behaviour of Primes against the Code of Conduct, identifying and confirming best practice and identifying any Commissioning activity that affects supply chain behaviour.
3. **Commissioning** – identifying impacts on supply chain behaviour resulting from contract design and procurement activity.

THE MERLIN PRINCIPLES



1. SUPPLY CHAIN DESIGN

Successful supply chain design is fundamental to achieving healthy and high performance, including in the way supply chain partners are chosen. Primes should promote innovation within their supply chain and in the way that they approach supply chain management. Organisations should look to innovate and learn from each other, share good practice and strive to create new solutions to increasingly complex problems. By sustaining a truly innovative approach, supply chains will achieve and maintain excellence and meet the needs of stakeholders and customers.

Excellent supply chains are innovative, flexible and creative.

1a) Supply chain design

The Prime contractor can demonstrate:

- ▲ how it ensures scope and variety within the design of its supply chain to meet contract requirements
- ▲ how it utilises the different business drivers of third, public and private sector organisations to enrich supply chain practices
- ▲ how supply chain design and choice of supply chain partners is motivated to address the holistic needs of customer groups and local demographics
- ▲ that it has effective strategies to deliver comprehensive support services to customers through the use of wider networks outside of its own supply chain
- ▲ innovative approaches in pre and post contract award processes and payment structures to suit its individual supply chain partners
- ▲ partnering for performance in the way the supply chain is configured and partners are positioned and rewarded.

Supply Chain Partners:

- ▲ can confirm how the prime has established clear understanding of how the supply chain relationship will work and develop
- ▲ can describe how their organisation's services add value to the prime and the supply chain for the benefit of other partners and customers
- ▲ can demonstrate how they actively utilise additional support services for customers through wider networks outside of the supply chain
- ▲ can describe how their organisation's requirements have been taken into account in pre and post contract award processes and payment structures.



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In addition to evaluating Primes and Supply Chain Partners, feedback is sought regarding the manner in which **Commissioning**:

- ▲ facilitates innovation in the design and procurement of the supply chain based on early insight of programme requirements
- ▲ allows a sufficient period of time for short-listed organisations to fully develop their tender proposals, including development of partnership and consortia arrangements
- ▲ offers stewardship of the supply chain in its initial stages in the way providers at every level are supported, including the way in which it provides and encourages communication
- ▲ provides clarity of all stages of the procurement process and how supply chains will be reviewed during the life of a contract .

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2. COMMITMENT

Primes are contractually committed to behave in line with the Code of Conduct. They should also look to establish relationships with their Supply Chain Partners to mutual advantage. For such a supply chain relationship to be very positive, commitments made when supply chain relationships are formed must be honoured during the procurement process and as contracts are delivered. Supply chain partners should expect clear and consistent communication from Primes and must also play their role in developing a successful working relationship with the Prime.

Excellent supply chains are built through excellent relationships.

2a) Collaboration, cooperation and communication

The Prime Contractor can demonstrate:

- ▲ established processes to facilitate effective communication within the supply chain, at all stages of procurement activity; before, during and after contract award
- ▲ how it communicates proactively and effectively with its supply chain, including with organisations not successful in becoming supply chain partners
- ▲ effective strategies to communicate and manage change, during procurement stages and in anticipation of live running
- ▲ how it clearly defines and communicates any specific elements of its own delivery model that it expects its subcontractors to adopt and follow (and equally where it does not)
- ▲ how it manages the interface between supply chain partners and the commissioner effectively and proportionately, including promoting the strengths of its supply chain partners
- ▲ how consultation with the supply chain informs decisions (including the design of systems and processes)
- ▲ that it has made clear how communication and review will take place, including in respect of performance or other issues that may occur at the delivery stage.

Supply Chain Partners:

- ▲ can evidence how they have responded actively with primes during the formative stages of contracts and have established agreement of future communication arrangements
- ▲ can describe how the Prime Contractor fosters a sense of inclusion and partnership within the supply chain
- ▲ can demonstrate how all supply chain partners work collaboratively to deliver comprehensive services to customers
- ▲ have clear channels available with the prime for regular performance review, including for gaining credit for innovation and to raise issues and concerns should they occur.

2b) Developing supply chain partners

The Prime Contractor can demonstrate:

- ▲ how the development of supply chain partners, including small, specialist and third sector providers is supported and encouraged
- ▲ how the strengths and opportunities of the supply chain are identified, promoted and shared with providers and staff
- ▲ how its funding arrangements support and provide equitable risk transfer, including financial risk for small, specialist and third sector providers
- ▲ how it assists the supply chain to access additional funding streams and support services to build capacity and deliver comprehensive services to customers.

Supply chain partners:

- ▲ can evidence how they have worked actively with the Prime to identify areas where development and support would be to mutual advantage
- ▲ can describe how organisational development is supported and encouraged by the Prime
- ▲ can describe how risk transfer and funding regimes support the organisation's development and reduce risk
- ▲ feel confident that the working rapport and supporting communication channels established will enable positive mutual development activity throughout the life of the contract.

2c) Contracting and funding arrangements

The Prime Contractor can demonstrate:

- ▲ that its procurement processes are fair and transparent, including in the way it selects and communicates with its supply chain partners
- ▲ that pre-selection processes, including financial capacity assessments, are simple and minimise the bureaucratic burden on potential supply chain partners
- ▲ that funding arrangements are fair, proportionate and do not cause undue financial risk for supply chain partners
- ▲ that it devises contractual documentation that is legally robust and clearly defines the obligations of both the prime and its subcontractors
- ▲ effective processes to ensure a viable and transparent allocation of market share within the supply chain
- ▲ systems to ensure that feedback to unsuccessful providers given during pre-contracting is fair, consistent and timely
- ▲ that it provides and promotes processes to recognise excellence, address underperformance and resolve disputes quickly and effectively.

Supply chain partners:

- ▲ can describe how they have proactively negotiated with the Prime regarding volume, funding and performance expectations
- ▲ can confirm that contracting and funding arrangements are fair and proportionate to the needs of their organisation
- ▲ can confirm that payment terms have been agreed in line with or preferable to Prime contract terms via a formally agreed arrangement
- ▲ can describe how the Prime will communicate, review and address underperformance and will manage and resolve disputes if they occur.

2d) Value for money

The Prime Contractor can demonstrate:

- ▲ how the design of the supply chain structure has been constructed to ensure value for money within delivery and resulting quality of service for customers
- ▲ transparency in the way management fees and other costs have been explained, discussed and agreed with supply chain partners
- ▲ how performance review activity will highlight the support and development requirements to maximise revenues within the contract and for supply chain partners .

Supply chain partners:

- ▲ can confirm that they have discussed and understand the rationale behind any management fee or cost of services provided by the Prime
- ▲ can demonstrate how their role as a supply chain partner produces value for money within delivery and in respect of resulting quality of service for customers.

2e) Supporting people

The Prime Contractor can demonstrate:

- ▲ a clearly defined strategy for managing successful TUPE transfers and personnel issues across the supply chain
- ▲ that staff are inducted into the supply chain to meet the minimum standards of the Prime
- ▲ how interactions between its own staff and those of supply chain partners is effective and supportive.

Supply Chain Partners

- ▲ have proactively worked with the Prime to ensure that all affected staff have been communicated with successfully throughout the procurement process
- ▲ can describe and demonstrate the strategies in place between the Prime and supply chain partners to support and develop staff throughout the supply chain.

In addition to evaluating Primes and Supply Chain Partners, feedback is sought regarding the manner in which **Commissioning**:

- ▲ processes ensure that information is delivered in a timely manner to facilitate effective communication and change management within the supply chain
- ▲ ensures that the Prime has a route to share insights and common problems directly with the commissioner on behalf of its supply chain partners
- ▲ will facilitate where possible the exchange of full and complete TUPE information during the tendering process and between out-going providers of the service and the incoming service provider
- ▲ monitors during the procurement process that Primes are working both to the contractual requirement and spirit of the Code of Conduct
- ▲ creates a funding regime and performance expectation that allows organisations within the supply chain to recover their costs.

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3. CONDUCT

Primes have a responsibility to manage their supply chains with integrity and openness and in compliance with the Code of Conduct and regulatory requirements. Effective processes, assurance and clear business principles underpin effective relationships. Supply chain partners should expect to be clearly informed of the Prime Contractor's expectations, managed in a transparent way and supported via clear communication and guidance. Supply Chain Partners also need to play an active role in supporting Primes to comply and excel.

Excellent supply chains are led and managed with integrity, honesty and transparency and supported by effective processes.

3a) Demonstrating integrity

The Prime Contractor can demonstrate:

- ▲ how it is governed by a core set of business principles, including its commitment to customer service and that it has clearly communicated these within its supply chain
- ▲ how daily working practices adhere to their organisation's, and those of their supply chain's, mission, value, ethos and ethics and are reflected through to excellent service for customers
- ▲ the implementation of policies and processes to ensure the security of all data and assets within the supply chain
- ▲ effective policies and procedures to ensure compliance of the supply chain against legislative and regulatory requirements
- ▲ how all supply chain partners are kept informed of contractual/statutory requirements and are supported in meeting them, ensuring that a healthy and safe work environment is maintained by all supply chain partners
- ▲ policies and practices in place to ensure the safeguarding of vulnerable groups supported by the supply chain.

Supply chain partners:

- ▲ can describe how they have discussed alignment of their own business drivers and ethics with those of the Prime and the mutual objectives for the supply chain partnership
- ▲ can confirm that the behaviour of the Prime consistently reflects the Prime's declared business values and ethics
- ▲ can describe how the Prime Contractor supports them in ensuring compliance against contractual, regulatory and legislative requirements
- ▲ can provide confirmation that at all stages of the process that Primes have acted in line with both the contractual requirements and spirit of the Code of Conduct.

3b) Assurance and risk

The Prime Contractor can demonstrate:

- ▲ effective and proportionate processes and policies to monitor the quality of service and customer experience within the supply chain
- ▲ how it utilises the findings of Quality Assurance activity to inform and improve service delivery.
- ▲ a successful strategy to manage financial risk within the network
- ▲ processes to produce an accurate, inclusive annual Self Assessment Report
- ▲ how it ensures that customers are signposted to high quality additional support services outside of the formal supply chain
- ▲ how it ensures equitable sharing of risk, including clearly communicating how risk is transferred within the supply chain.

Supply chain partners:

- ▲ can evidence proactive and early agreement with the Prime regarding all aspects of assurance and risk for all stages of the process
- ▲ can describe how co-regulation and peer review is encouraged within the supply chain
- ▲ can demonstrate how risk is shared and transferred in an equitable manner within the supply chain
- ▲ can confirm how differences and issues regarding risk transfer have been resolved during the procurement process .

3c) Openness and Transparency

The Prime Contractor can demonstrate:

- ▲ how transparency is maintained in its dealings with actual and potential supply chain partners during all stages of the procurement process
- ▲ processes to ensure that at every level within the supply chain, all parties are aware of each other's expectations, before, during and after contract award and throughout the life of the contract
- ▲ clear two-way communication channels to ensure that there is no ambiguity regarding the business relationship underpinning the supply chain arrangement.

Supply chain partners:

- ▲ can evidence how it works with the Prime to ensure openness and transparency of the supply chain arrangement and underpinning terms and conditions at all stages of the process
- ▲ can describe how the Prime Contractor ensures transparency in all its ongoing dealings and in anticipation of contract delivery.

3d) Honouring commitments

The Prime Contractor can demonstrate:

- ▲ how post-contract negotiations are clear and open, including communicating clearly with supply chain partners to ensure that pre-contract commitments are met
- ▲ how funding and contracting arrangements reflect pre-contract negotiations or that any changes have full explanation and agreement
- ▲ that it is open to challenges through its dispute resolution processes where a supply chain partner feels that commitments have not been honoured
- ▲ that it is willing to be bound by decisions from the Mediation and Arbitration service if it has not been deemed to have honoured commitments under its contractual requirement to the DWP Code of Conduct.

Supply chain partners:

- ▲ can describe how the Prime ensures clear communication and openness during pre-contract negotiations
- ▲ can evidence that they work actively with the Prime to ensure that all aspects of the anticipated supply chain relationship have been clearly understood by both parties
- ▲ can confirm that contracting arrangements are an accurate reflection of pre-contract negotiations
- ▲ can describe openness regarding use of the Prime's dispute resolution process and access to the Mediation and Arbitration service should they be required.

3e) Promoting Equality and Diversity

The Prime Contractor can demonstrate:

- ▲ that in agreeing supply chain partnership arrangements it has ensured that processes are in place and in alignment with their own commitment to equality and diversity
- ▲ that effective processes are in place to monitor and promote Equality and Diversity throughout the supply chain
- ▲ how the skills and expertise of the supply chain meet the demographics of the customer groups served
- ▲ the way in which Equal Opportunities data is collected, analysed and used within the supply chain.

Supply chain partners

- ▲ can evidence how at an early stage they have discussed equality and diversity with the Prime both in terms of customer service and in respect to policies and procedures for their people
- ▲ can demonstrate how diversity is promoted through policies and working practices throughout the supply chain
- ▲ can describe how they monitor and share information with the Prime to support collection, analysis and use of relevant data regarding equality and diversity.

In addition to evaluating Primes and Supply Chain Partners, feedback is sought regarding the manner in which **Commissioning**:

- ▲ actively promotes awareness of and adherence to the use of the Code of Conduct by Primes and their supply chain partners
- ▲ sufficiently promotes equality and diversity practices to be evident throughout the supply chain, under the leadership of the Prime
- ▲ helps to ensure that not only statutory requirements are met, but a strong culture of risk assessment regarding Health and Safety is in place, under the leadership of the Prime
- ▲ supports the sharing of risk equitably and proportionately within the supply chain
- ▲ ensures that throughout the procurement process that Primes are open and transparent in their dealings with supply chain partners, including those not successful in securing an arrangement
- ▲ provides a grievance route for providers who believe that the Code of Conduct is not being adhered to, via the Mediation and Arbitration service.

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4. REVIEW

Commissioning affects the way Prime led supply chains function and the approach to supply chain management adopted by the Prime Contractor. Healthy and high performing supply chains impact directly on the experience of the customer and the society in which the supply chain operates. Supply chain partners should expect to be valued for their contribution to meeting quality of service and performance objectives.

Excellent supply chains will deliver the best results for customers and have the most positive impact on the wider community.

4a) Supply chain feedback

The Prime Contractor can demonstrate:

- ▲ how it actively seeks feedback from its supply chain partners and has created a culture in which communication is open and honest
- ▲ how supply chain feedback is used to inform and improve its own practices
- ▲ how it encourages supply chain partner awareness and use of a range of feedback mechanisms
- ▲ that it collects and analyses where appropriate equality and diversity data captured throughout the supply chain
- ▲ that it gains regular feedback on the way in which it is perceived to promote a positive Health & Safety culture, including how reporting and investigating issues takes place
- ▲ action planning and continual improvement activity resulting from supply chain partner feedback.

Supply chain partners:

- ▲ can evidence how they agreed early on in the process that two-way feedback would be an important part of the supply chain relationship
- ▲ can demonstrate how they utilise available feedback mechanisms
- ▲ can describe how their feedback is used by the Prime Contractor to review and improve supply chain practices
- ▲ can confirm that they consider communication channels with the Prime and other supply chain partners to be open and honest.



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4b) Supply chain review

The Prime Contractor can demonstrate:

- ▲ established processes to measure and encourage distance travelled by customers engaged within the supply chain
- ▲ that the supply chain has a measurable impact on the wider objectives/policy intent of the commissioner
- ▲ how it keeps the supply chain informed of wider policy and strategy information and that the activities of the supply chain are strategically aligned with the wider social objectives of the commissioner
- ▲ how continual improvement strategies ensure that the supply chain continues to evolve and improve to meet the needs of the customer group and the commissioner
- ▲ through the design and activities of its supply chain a positive impact on:
 - ▲ external stakeholders,
 - ▲ encouraging customer well being,
 - ▲ improving environmental sustainability.

Supply chain partners:

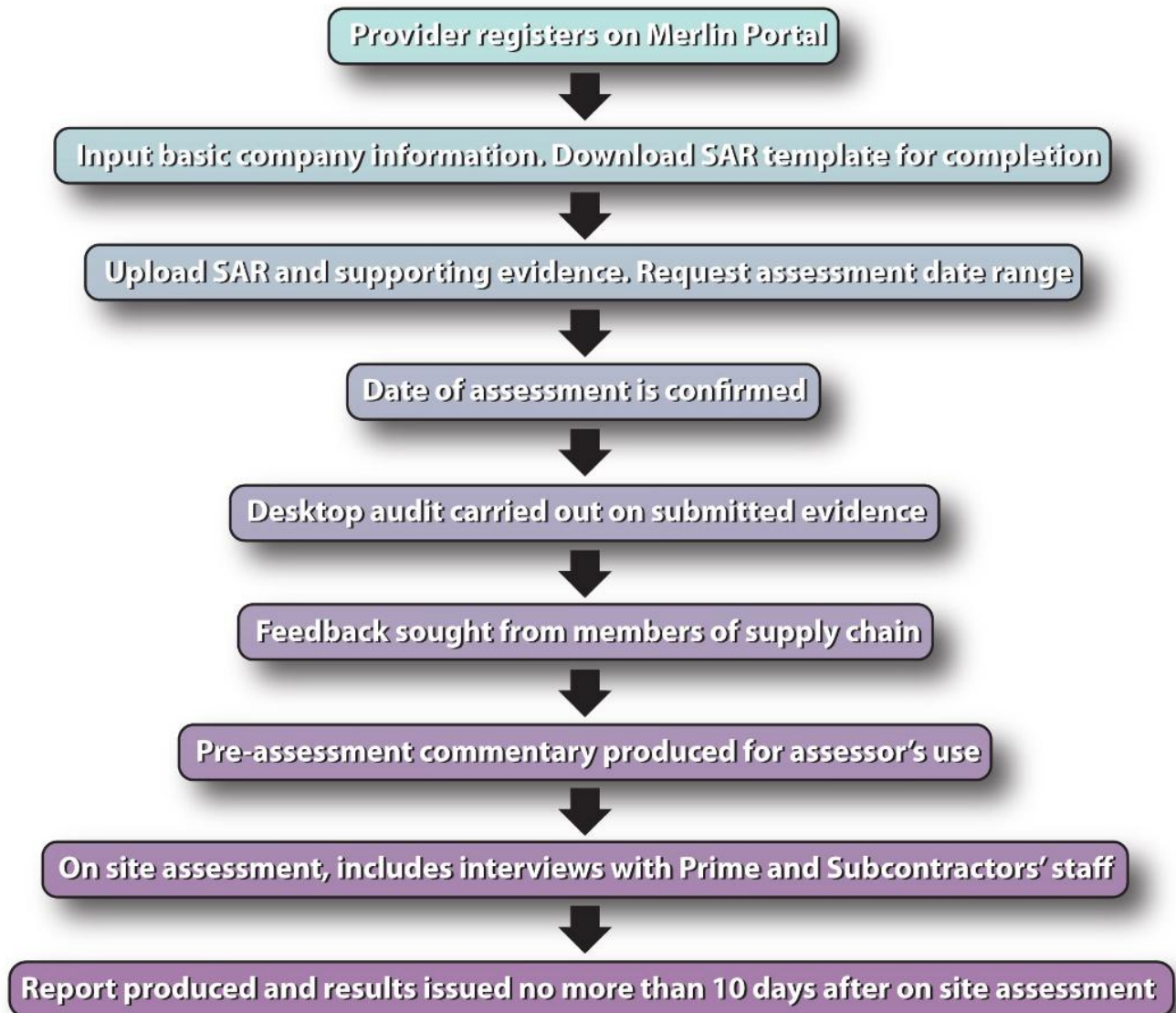
- ▲ can demonstrate how they are actively involved in the review of the impact of the supply chain
- ▲ can describe how the review of their organisation's activity is included and reflected in that of the Prime
- ▲ can demonstrate and describe how the Prime encourages and utilises continual improvement strategies to enhance the supply chain
- ▲ can describe how the Prime supports and encourages the supply chain to have a positive impact on external stakeholders, the environment and customer well being.

In addition to evaluating Primes and Supply Chain Partners, feedback is sought regarding the manner in which **Commissioning**:

- ▲ encourages frequent and transparent review of supply chain effectiveness
- ▲ takes into account the impact of commissioning processes and strategies on wider supply chain success
- ▲ upholds the standards of the Code of Conduct
- ▲ monitors and enforces the Code of Conduct consistently and fairly
- ▲ encourages a supply chain environment where robust equality & diversity and health & safety cultures exist
- ▲ supports the activity and findings of the Mediation and Arbitration service where providers feel it necessary to pursue this route to deal with an issue or grievance
- ▲ ensures that supporting customer feedback mechanisms help to inform the successes of supply chain delivery and outcomes.

ASSESSING EXCELLENCE

In order to be assessed against the Merlin standard, Prime Contractors should follow the process as outlined below.



The assessment process has been designed to facilitate an inclusive and supportive assessment with minimum disruption to the supply chain. Assessors will interrogate a body of evidence prior to visiting your organisation. Feedback will be sought from supply chain partners to ensure that their views have been captured and considered before judgements are made on the success of the Prime Contractor against the Merlin Standard. Interventions will be focussed and will concentrate on confirming judgements made using the submitted evidence. At the end of the assessment Primes will receive a summary report detailing the result of the assessment, which will highlight areas for improvement and areas of excellence which should support continued improvement activity. In



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addition the report will contain an outline of the feedback gathered about commissioning processes during the course of the Merlin assessment.

Merlin Assessment Application and supplementary evidence requirements

Prime Contractors are required to submit a self assessment based on the Merlin Assessment as the primary evidence to support their application for assessment. The Self Assessment is designed to be simple and clear. Supplementary evidence should support the statements made within the Self Assessment.

There is no limit to the amount of supplementary evidence a Prime Contractor may choose to submit prior to their assessment. The more detail the assessor has prior to assessment the more focussed and less intrusive the interventions need be prior to the final report being published. Guidance on the kind of evidence which might be used is given in the Merlin Guidance Pack.

Assessment results

The assessment process will produce a result positioning the Prime in one of three categories:

1. **Excellent** - has exhibited behaviours, best practice and innovation that positions the organisation in the upper quartile of results against industry benchmarks for supply chain behaviour and compliance with the Merlin Standard
2. **Compliant** - fully meets the behaviours required to comply with the Merlin Standard, which may include some areas of best practice
3. **Unsatisfactory** – has weaknesses in meeting the requirements of the Merlin Standard and needs to improve to meet the requirements of the standard

RECOGNISING EXCELLENCE

The Merlin Standard and Assessment process are flexible and benchmark industry practice. It is conceivable that what is recognised as excellent will change as that excellence becomes the norm within the provider community. Organisations are thus encouraged to continually improve their performance against the Merlin Standard.

Excellence is recognised by being highlighted within the Merlin Assessment report. In addition, with the permission of the Prime Contractor, examples of excellent practice will be published on the Merlin good practice database and other organisations encouraged to adopt and adapt this excellent practice within their own supply chains.

ACHIEVING EXCELLENCE: SUPPORT AVAILABLE

This section will signpost links to direct support of the standard, including the web portal once it is developed.

GLOSSARY OF TERMS

To be developed to identify any potentially confusing/ambiguous terms within this document.