



Department  
for Work &  
Pensions



# Review of the Merlin Standard

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October 2015

Research Report No 907

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# Summary

The Merlin Standard was developed by the Department for Work and Pensions (DWP) in collaboration with the welfare to work sector to promote excellence within supply chains. Most DWP contracted employment prime contractors are required to attain the Standard, with the aim to encourage excellence and ensure fair treatment of supply chain partners.

This review examines the views of all stakeholders since its commencement in January 2012 and makes recommendations for the future based on experience and the recognition that Merlin may need to respond to changing market conditions.

Merlin was broadly embraced as a positive standard with the realisation that it required time and investment to get right. Some felt Merlin had established itself as an industry standard that was beneficial to primes and sub-contractors alike. Merlin has guided the market in a positive direction by encouraging greater transparency and helped 'standardise' supply chain management, with some applying its principles to their non-DWP contracts – it was seen as best practice and helped introduce consistency within the organisation.

To establish the current views of stakeholders an online survey was conducted in March 2015, and six focus groups composed of primes, sub-contractors and stakeholders. Overall, respondents were positive about Merlin's impact, with differences between different types of provider. When asked whether Merlin had encouraged excellent supply chain management the average score was 3.23 (where 5 is best, 1 is worst), but higher for prime contractors who were accredited (3.53) and lower for voluntary organisations (2.95). This was a common pattern across survey questions.

A majority of accredited respondents thought the accreditation process was thorough (76 per cent) and efficient (68 per cent) and 48 per cent felt the process was testing and they had to improve their systems. When asked about the rigour of the standards 11 per cent thought they were 'too rigorous', 62 per cent thought it was 'about right' and only 15 per cent thought they were 'too weak'.

When asked for views on Merlin's impact, 48 per cent of sub-contractors thought it had improved supply chain management with only 28 per cent saying that it had not made a difference. The general feeling amongst sub-contractors was that Merlin had improved lead contractor behaviour but had not fixed all of the issues. Participants thought that Merlin provided a benchmark for positive relationships with lead contractors which prevented lead contractors 'riding roughshod over sub-contractors'.

When asked if Merlin had ensured fair treatment of sub-contractors by prime contractors, the responses were less positive, with voluntary organisations in particular less convinced that Merlin had achieved this aim.

The review recommends changes to Merlin that would further increase its rigour and improve its standing with sub-contractors. Specific recommendations deal with improvements that can be made in the short-term. On the long-term future of Merlin, the review recommends that DWP should focus on ensuring Merlin meets the needs of the employment-related services market rather than a generic government standard and that the Cabinet Office and/or the Crown Commercial Service should co-ordinate activities by other departments to establish the feasibility of a generic standard and/or how different approaches to supply chain management could better work together.

In doing this there will be some key choices to be made once it is clearer about the likely size and nature of the market.

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# The Author

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# Glossary of terms

<b>emqc Ltd</b>	The company contracted by DWP to independently manage the Merlin Standard by conducting assessments, awarding accreditation and maintaining the website.
<b>Jobcentre Plus</b>	Jobcentre Plus is part of the DWP. It provides services that support people of working age from welfare into work, and helps employers to fill their vacancies.
<b>Specialist provider</b>	A specialist provider typically provides niche services such as provision of support for those wanting to become self-employed or support related to a participant's health or underlying issues, such as drug rehabilitation or debt management.
<b>Supply chain</b>	The organisations providing services to Work Programme participants under contract to a Work Programme prime provider.
<b>Sustained job outcome</b>	This refers to a form of employment that lasts for at least 13 or 26 weeks (depending on the claimant group).
<b>The Merlin Standard</b>	The standard is designed to ensure fair treatment of sub-contractors, adherence to the Department's 'Code of Conduct', and promote high performing supply chains. The standard is constructed on four integrated principles: supply chain design, commitment, conduct and review, and is assessed by independent evaluators.
<b>Welfare to work market</b>	The welfare to work market consists of a range of organisations providing various services through the Government's series of programmes to encourage and support the unemployed in finding jobs. Organisations come from public, private and third sectors and can offer a range of general employment-related services or specialist provision.

# List of abbreviations

<b>CPA</b>	Contract package area
<b>DWP</b>	Department for Work and Pensions
<b>EFA</b>	Education Funding Agency
<b>ERSA</b>	Employment Related Services Association
<b>ESA</b>	Employment and Support Allowance
<b>ESF</b>	European Social Fund
<b>FND</b>	Flexible New Deal
<b>ICE</b>	Independent Case Examiner
<b>ITT</b>	Invitation to Tender
<b>JSA</b>	Jobseeker's Allowance
<b>NCVO</b>	National Council for Voluntary Organisations
<b>PbR</b>	Payment by Results

# Executive summary

This independent review was commissioned by the Department for Work and Pensions (DWP) as part of their ongoing commitment to the Merlin Standard.

## Background

DWP introduced a Code of Conduct in the 2008 Commissioning Strategy *‘to ensure excellent sub contractual relationships between the top-tier and high performing third sector and other organisations.’*

The Merlin Standard was subsequently developed following an earlier review of the Code of Conduct. The aim of the Standard is to encourage excellent supply chain management and ensure fair treatment of partners and sub-contractors.

After a pilot period, the Merlin Standard commenced full operation in January 2012. Merlin was developed on the principle of encouraging co-regulation and there was active involvement of the industry in its development; and it is overseen by a Merlin Advisory Board composed of key stakeholders. The delivery of the Standard is contracted to an independent organisation, emqc Ltd and the costs are covered by fees charged to those organisations seeking accreditation.

## The research

This review examines the experience and views of customers and stakeholders about Merlin after three years of operation. The main research questions were how customers and stakeholders:

- understand the role of Merlin;
- feel the content and implementation of the Standard meets this role and why;
- think the role of the Merlin Standard will need to change in future, if at all;
- think the content and implementation of the Merlin Standard will need to change to deliver its future role. What are the barriers to this?

To establish the current views of providers and stakeholders an online survey was conducted in March 2015, and a total of six focus groups was organised composed of prime contractors, sub-contractors and stakeholders.

## Progress to date

Most DWP employment-related service prime contractors are required to be Merlin accredited, which they must attain within the timeframe determined by the terms of their contract, typically within one year of commencement of the contract or its delivery. The assessment process results in a grade ranging from ‘unsatisfactory’ to ‘Excellent’. All accredited organisations are reviewed and re-graded after two years.

In total 41 assessments have been conducted to date. Work Programme prime contractors were the first organisations to be assessed and all 18 contractors achieved a grade

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of 'Satisfactory' or 'Good' and assessment reports highlighted strengths and areas for improvement. After reassessment the average score increased by 13 percentage points, representing a 20 per cent improvement.

The Merlin Mediation Service was established to allow for complaints by sub-contractors to be considered by Independent Case Examiners (ICE). The use of the Mediation Service has been very low with six sub-contractors originating complaints.

## Survey results

A confidential survey was sent to 615 individuals, including prime contractors, sub-contractors, and stakeholders. A total of 118 responses were received which is a 19 per cent response rate. It should be noted that the survey reflects the views of individuals and not necessarily those of the organisations responding.

Overall respondents were positive about the impact of Merlin but with differences between different types of provider. When asked about whether Merlin had achieved its main aim of encouraging excellent supply chain management, the average score was 3.23 (where 5 is best, 1 is worst and 3 is the central point of the scale), but it was higher for prime contractors who were accredited (3.53) and lower for voluntary organisations (2.95).

When asked about 'whether the Merlin Standard has ensured fair treatment of sub-contractors by Prime Contractors', the responses were less positive. The average satisfaction rating was 3.01, with accredited organisations (3.29) and public sector organisations (3.33) the most convinced, while voluntary organisations were the least convinced that Merlin ensured fair treatment (2.67).

When considering the extent of the rigour of the standards to become accredited 62 per cent thought it was 'about right', 15 per cent thought they were 'too weak' and 11 per cent thought they were 'too rigorous'. A majority of accredited respondents thought the accreditation process was thorough (76 per cent) and efficient (68 per cent) and 48 per cent felt the process was testing and they had to improve their systems. However, only 45 per cent thought 'it was worth the process and cost'.

We asked sub-contractors for their views on the impact of Merlin. 48 per cent thought that Merlin had improved supply chain management, 28 per cent thought that it had not made a difference and 24 per cent disagreed that supply chain management had improved.

The lowest agreement was on whether Merlin had 'given you [sub-contractors] sufficient protection' where 31 per cent agreed that it had, 33 per cent disagreed and 35 per cent were neutral. Sub-contractors were broadly split on whether Merlin had enabled them to openly express their views about lead contractors, with 43 per cent saying that Merlin had and 40 per cent saying it had not.

Voluntary organisation sub-contractors were the least positive about the impact of Merlin. Thirty-nine per cent thought that it had improved supply chain management and 55 per cent thought it had made no difference to prime behaviour, and only 29 per cent thought Merlin provided sufficient protection.

## Focus groups

Focus group participants included Merlin Advisory Board members plus other stakeholders, sub-contractors and prime contractors suggested by DWP and *Inclusion*. Focus group participants broadly reflected the survey findings and contributed a wide range of ideas about how Merlin can be improved and the challenges it may face in the future.

**Sub-contractor views:** The general feeling was that Merlin had improved lead contractor practices and behaviour but it had not fixed all of the problems and issues that it might have done. There may have been high expectations by some sub-contractors of the extent of support and protection afforded by Merlin, which has resulted in some disappointment. Overall, sub-contractors were looking for improvements to Merlin rather than scrapping it.

**Prime contractors:** Merlin was broadly embraced as a positive standard with the realisation that it required time and investment to get right. Some felt that Merlin had established itself as an industry standard that was worthwhile and beneficial to primes and sub-contractors alike. However, some felt it did not have a sufficiently strong reputation for being a rigorous standard. Prime contractors 'had to have it' and given its perceived lack of rigour by some, a few felt that even high grades were not an indication of best practice.

**Stakeholders:** In general, stakeholders felt that Merlin had improved supply chain management since it was introduced and had brought more rigour to how supply chains should be managed. However, some felt that further steps are needed and not all participants felt that improvements could be wholly attributed to Merlin. While Merlin had been effective at encouraging higher standards the 'jury was still out' as to whether Merlin was widely recognised as ensuring fair treatment of sub-contractors.

## Responding to change

The consultation identified a range of issues that respondents thought would influence the future direction of Merlin and these can be summarised as:

- future changes in commissioning priorities and processes;
- the design of new programmes and the nature of capacity and capabilities required to deliver them;
- market composition and conditions, such as the extent of market consolidation and the extent of sub-contracting;
- the extent and nature of devolution of employment programmes.

Within the context of a continued use of prime contractors with supply chains, there is little to suggest that the basic requirement of encouraging excellent supply chain management and protecting the legitimate interests of sub-contractors will cease. Any changes to Merlin are best seen within two timeframes:

- 1 those immediate changes that can be made to improve Merlin for the duration of the existing Work Programme contracts;
- 2 changes that are either essential or desirable to be made within the context of new programmes and any changes to the commissioning process.

# Recommendations

The review makes a number of recommendations for the future of Merlin based on experience to date and the recognition that Merlin may need to respond to changing market conditions. We divide our recommendations into two groups:

- 1 improvements to the current Standard;
- 2 Merlin in the future.

## Improving the current Standard

There was a considerable range of different ideas proposed by respondents in the survey and in the focus groups. In summary the headline recommendations are:

- improve publicity and transparency;
- improve market information;
- best practice case studies and market dialogue;
- further improving the rigour of Merlin;
- fees should be more responsive to the size of organisation;
- mutual agreements prior to referrals to specialist provision;
- Expression of Interest form;
- DWP standards in managing suppliers.

## Merlin in the future

The original ambition for Merlin was that it was widely adopted across Government wherever supply chains were used. This has not proved to be the case so far and other departments have chosen to develop equivalents. We recommend that DWP should focus on developing Merlin for the employment-related industry and that the Cabinet Office and/or the Crown Commercial Service should co-ordinate relevant activities by other departments to establish the feasibility of a generic standard.

Merlin could be more widely used by local commissioners if the accreditation process was less onerous and lower cost. Irrespective of introducing a sliding scale of fees suggested above, DWP should also consider the value of a reduced version of Merlin that can be used locally. This recommendation also applies in other scenarios, e.g. for small or low value contracts.

There remain detailed considerations that are necessary to inform the development of a regulatory regime that will enable Merlin to adapt to new market conditions. We recommend that in any consultations and/or proposals for future commissioning, the implications for Merlin are considered and proposals made for its future.

# 1 Background to Merlin

## 1.1 Why Merlin was established

Over time there has been an increasing shift to the use of a smaller number of larger contracts by DWP when commissioning employment services. This was a guiding principle in the 2008 DWP Commissioning Strategy which signalled the use of large contractors that would manage supply chains of smaller providers.

*‘The commercial opportunities we shall offer will be arranged into larger, longer lasting (subject to performance achievements) contractual packages which we expect will be delivered by top-tier providers leading and managing diverse supply chains.’<sup>1</sup>*

A Code of Conduct was also introduced in the 2008 Commissioning Strategy *‘to ensure excellent sub contractual relationships between the top-tier and high performing third sector and other organisations.’*

The application of the Code of Conduct, was first used in the commissioning of the Flexible New Deal (FND) which operated between 2009–11. An independent evaluation of the implementation of the 2008 Commissioning Strategy<sup>2</sup> found mixed views on the impact of the Code of Conduct by sub-contractors. For example, 44 per cent thought that the Code had improved the security of relationships with prime contractors but 20 per cent felt that the Code had no impact. Subsequently, a ‘lessons learnt review’ of the procurement of FND recommended the development of a standard for supply chain management to give more ‘teeth’ to the Code.

Consequently in July 2009 work began on the development of the Merlin Standard. Trial assessments of supply chain management of FND Phase One prime providers were carried out between March to May 2010. The impact of the piloting of the Merlin Standard and the trial assessments was captured by the Wave 2 survey of providers<sup>3</sup> on the DWP Commissioning Strategy. In summary the survey found:

*‘... overall, prime providers are generally supportive of the Standard with some process or operational-related suggestions for improvement, for example, prime providers felt that publication of results would give Merlin assessments more weight. Sub-contractors are less clear about what the Merlin Standard is and what it is trying to achieve. In general, most FND providers were uncertain or did not believe that the introduction of the Merlin Standard had fundamentally altered prime providers’ approaches to supply chain management.’*

The Merlin pilot ran from August 2009 to October 2011. Carley Consult was contracted to deliver the pilot who handed over to emqc Ltd (the commissioned contractor for the full Standard) in January 2012.

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<sup>1</sup> DWP Commissioning Strategy (DWP, 2008).

<sup>2</sup> *The Commissioning Strategy: Provider survey on early implementation*, Armstrong et al. (DWP, 2010).

<sup>3</sup> Welfare to work commissioning – Wave Two provider survey, Armstrong et al. (DWP, 2011).

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In commissioning the contractor to deliver Merlin, the Department took the decision that the direct costs of assessment and award should be borne by the organisations seeking accreditation. As such the full costs of emqc had to be covered by the fees to applicant organisations. Currently this is £8,583 (plus VAT) for the initial assessment and all subsequent reassessments. Given that accreditation is compulsory for lead contractors these are now fixed costs in the delivery of the specified DWP employment services contracts. The implications of this we return to later.

### **1.1.1 Oversight of Merlin**

Merlin was established and developed on the principle of encouraging co-regulation. Therefore the active involvement of the industry was considered central to the development of the Standard which would have a wide legitimacy and support from both prime and sub-contractors. During the pilot phase a Merlin Advisory Group was established which was superseded by the Merlin Advisory Board on the implementation of the full Standard (see Appendix C for membership).

The Board meets three times per year and is currently chaired by a DWP Director; and a commitment has been given to consult the Board on any major decisions affecting the future of the Standard.



## 2 Merlin: progress to date

The full Standard commenced operation from January 2012, which was six months after the start of Work Programme contracts in July 2011 and one year after the bidding process. However, plans for the Standard were sufficiently advanced to include in the ITT and the contract-specific terms relating to Merlin:

- 1 Recognition of Merlin was a key principle in the ‘Strategic Relationship’ between DWP and prime contractors. Primes were expected to: *‘operate in accordance with the DWP Merlin Standard and Code of Conduct, and key values and principles of behaviour essential for creating healthy, high performing supply chains.’*
- 2 Providers were expected to be assessed against the Merlin Standard within a year of a contract going live. Providers had to ensure that all *‘sub-contractual relationships adhere to the DWP Code of Conduct and they attain the Merlin Standard.’*
- 3 Merlin accreditation was made a contractual requirement for the Work Programme *‘... the Prime Contractor shall, at its own expense, at all times comply with the Merlin Standard and ... shall maintain accreditation with the relevant Merlin Standard authorisation body. Any breach by the Prime Contractor of this ... shall be a material breach of the Contract and shall entitle DWP to terminate the contract.’*
- 4 Benefiting from increased Work Programme volumes as a result of a ‘market share shift’ was made conditional on a Merlin assessment *‘... the competing [receiving the increased market share] Prime Contractor has been awarded a rating of ‘Excellent’, ‘Good’ or ‘Satisfactory’ in the most recent Merlin Standard assessment ...’*

In addition, the Merlin Standard has been included in the following DWP contracts, with a mandatory requirement to achieve accreditation within a specified timeframe:

- Work Programme;
- ESF 2011–13;
- Youth Contract (Education Funding Agency);
- Mandatory Work Activity (re-let);
- Personal Independence Payment;
- Community Work Placements;
- Community Action Programme;
- English Language Requirement (Scotland & Wales);
- Work Choice (mandatory from October 2015);
- Youth Engagement Fund;
- Fit for Work (observance but no accreditation requirement);
- ESF 2014–20;
- New Enterprise Allowance Mentoring;
- Application Deployment (ADep).

### 2.1 Programme assessments

In total 41 assessments have been conducted to date. Work Programme prime contractors were the first organisations to be assessed and most were initially assessed in summer 2012, a year after the Work Programme contracts started. All 18 Work Programme contractors achieved an overall assessment outcome grade of 'Satisfactory' or 'Good' and all assessment reports highlighted strengths and areas for improvement.

In summer 2014 most contractors had their mandatory review required to maintain their accreditation. The reassessments showed an improvement in overall results with improved grades for all but one Work Programme prime. In 2014 eight Work Programme primes were graded as 'Excellent'. Two<sup>4</sup> of those improved from 'Satisfactory', and the other six<sup>5</sup> improved from 'Good'.

Five organisations (ESG Group, Prospects Services Ltd, Rehab JobFit LLP, Pertemps People Development, and EOS Works) improved from 'Satisfactory' to 'Good', while four organisations (Seetec, A4E, Working Links and Shaw Trust) maintained the same grade, but with improved percentage scores. However, one organisation (Interserve Working Futures<sup>6</sup>) had a lower outcome, dropping from 'Good' to 'Satisfactory'.

Between initial accreditation and reassessment the average score for all Work Programme contractors increased by 13 percentage points from 69 per cent to 82 per cent. This represents a 20 per cent improvement in the two years between assessment and reassessment. Some of the possible reasons for this increase are:

- a 'settling down' of the programme and supply chains after a fast procurement process and commencement;
- a more balanced approach to supply chain management – using collaboration as well as competition to drive increased performance;
- some exits from the supply chain either by mutual agreement or through termination due to under-performance;
- a corollary of the above is that those remaining in the supply chain are more likely to feel secure and therefore, more satisfied;
- the impact of Merlin principles becoming more embedded in the day-to-day practices of the prime contractor and the supply chain;
- following the introduction of Merlin, an increased understanding by prime contractors of the actions needed to increase their Merlin score, including how these are presented and explained in the reassessment process.

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<sup>4</sup> Learndirect (2012 assessment of JHP before merger) and Maximus Employment and Training Ltd.

<sup>5</sup> NCG Intraining, Serco, Ingeus, Reed in Partnership, Avanta Enterprise Ltd, and G4S Welfare to Work.

<sup>6</sup> Shaw Trust have only had the one assessment as they merged with/took over CDG – so this counts as their initial assessment.

## 2.2 Overall assessment results

Table 2.1 gives the full results of the accreditations undertaken up to May 2015. Currently there is one further assessment scheduled for October 2015. The table shows the progress made by Work Programme prime contractors described already. In addition, it shows the results for those organisations that were required to be accredited because of Education Funding Agency (EFA) Youth Contract contracts and those that volunteered to be accredited. These are yet to be reassessed.

In total 12 organisations volunteered to be assessed for Merlin. These were a mix of: Work Choice contractors that will be required to be accredited from October 2015; organisations that are delivering careers advice; and some that were delivering European Social Fund (ESF) projects under the 2007–13 programme. There was no clear indication of the motives for voluntarily undertaking assessment apart from anticipation that Merlin will be a requirement for future business development.

There have been three organisations where action has been required to address problems:

- Paragon International Concord: initially failed accreditation and was required to be reassessed after six months and achieved a ‘Satisfactory’ outcome;
- Prevista Ltd: accreditation was withdrawn by emqc Ltd (the Assessment and Accreditation Service Provider), pending a reassessment of their compliance with the Standard;
- Interserve Working Futures: results fell at reassessment and improvement activity has been required.

**Table 2.1 Results of completed accreditations to date**

Organisation	1st Assessment	1st Accreditation Outcome	2nd Assessment	2nd Accreditation Outcome
<b>DWP – Contractual</b>				
A4e	28/05 – 31/05/12	Good 70%	19/05 – 22/05/14	Good 81%
ATOS	18/03 – 21/03/13	Satisfactory 63%	9 – 12/3/15	Excellent 91%
Avanta	18/06 – 21/06/12	Good 75%	28/04 – 01/05/14	Excellent 87%
Careers Development Group (CDG)	28/05 – 31/05/12	Good 70%		
EOS Works	12/06 – 15/06/12	Satisfactory 63%	28/04 – 01/05/14	Good 70%
ESG Group/Sencia Ltd	22/05 – 25/05/12	Satisfactory 62%	12/05 – 15/05/14	Good 84%
G4S Welfare to Work	11/06 – 14/06/12	Good 70%	09/06 – 12/06/14	Excellent 85%
<i>Continued</i>				

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**Table 2.1 Continued**

Organisation	1st Assessment	1st Accreditation Outcome	2nd Assessment	2nd Accreditation Outcome
Ingeus UK Ltd	18/06 – 21/06/12	Good 76%	09/06 – 12/06/14	Excellent 89%
Interserve Working Futures	18/06 – 21/06/12	Good 75%	07/07 – 10/07/14	Satisfactory 63%
JHP Group Ltd	28/05 – 31/05/12	Satisfactory 64%		
Learn Direct	23/06 – 26/06/14	Excellent 90%		
MAXIMUS Employment and Training	25/06 – 28/06/12	Satisfactory 67%	16/06 – 19/06/14	Excellent 86%
NCG (Intraining)	25/06 – 28/06/12	Good 73%	02/06 – 05/06/14	Excellent 93%
Paragon International Concord 5	1) 14/01 – 17/01/13	Unsatisfactory 53%		
	2) 9/09 – 12/09/13	Satisfactory 68%		
Paragon Concord Families Ltd	2 – 5/3/15	Satisfactory 68%		
Pertemps People Development Group	28/05 – 31/05/12	Satisfactory 58%	06/05 – 09/05/14	Good 77%
Prospects Services Ltd	11/06 – 14/06/12	Satisfactory 61%	09/06 – 12/06/14	Good 82%
Reed in Partnership	18/06 – 21/06/12	Good 73%	01/07 – 04/07/14	Excellent 88%
Rehab Jobfit	12/06 – 15/06/12	Satisfactory 67%	17/06 – 20/06/14	Good 80%
Seetec	25/06 – 28/06/12	Good 73%	07/07 – 10/07/14	Good 83%
Serco	30/04 – 03/05/12	Good 74%	27/05 – 30/05/14	Excellent 90%
Shaw Trust (merged with CDG; part of 2014 WP assessments)	03/03 – 06/03/14	Good 72%		
Skills Training UK	03/12 – 06/12/12	Excellent 86%	17 – 20/11/14	Excellent 92%
Twin Training International (ESF Families)	03/12 – 06/12/12	Satisfactory 58%	1 – 4/12/14	Satisfactory 63%
Working Links	21/05 – 24/05/12	Good 70%	07/04 – 10/04/14	Good 77%

*Continued*

Table 2.1 Continued

Organisation	1st Assessment	1st Accreditation Outcome	2nd Assessment	2nd Accreditation Outcome
<b>Non-Contractual</b>				
Leonard Cheshire Disability	21/10/– 23/10/13	Good 70%		
Adviza	09/12 -10/12/13	Satisfactory 61%		
Futures, Advice, Skills and Employment (Futures)	27/01- 30/01/14	Excellent 86%		
Careers South West	18/02 – 19/02/14	Good 73%		
Pluss	24/02 – 26/02/14	Good 70%		
Campbell Page	03/07- 04/07/14	Satisfactory 69%		
CXK LIMITED	07/07 – 09/07/14	Good 72%		
Greater Merseyside Connexions Partnership	02 – 04/09/14	Good 70%		
CDG Wiseability	12 – 13/11/14	Excellent 90%		
Remploy	10 – 11/12/14	Satisfactory 63%		
Inspira	06 – 08/05/2014	Good 77%		
The Football League Trust	12/1/15 – 15/1/15	Satisfactory 66%		
<b>EFA – Contractual (Youth Contract)</b>				
The Consultancy Home Counties	21/07 – 24/07/14	Good 81%		
Groundwork	24/06 – 27/06/14	Good 83%		
Prospect Training Services	11/11 – 14/11/14	Good 79%		
Prevista Ltd (accreditation withdrawn in 2014)	24/06 – 27/06/13	Satisfactory WITHDRAWN		

### 2.2.1 Merlin Mediation Service

Sub-contractors can raise complaints through the Merlin Mediation Service of any breaches of the Merlin Standard by an accredited prime contractor. The Mediation Service is an independent process, however, cases can only be referred where recourse to the prime contractor's own complaints handling procedures has failed to achieve resolution.

## Review of the Merlin Standard

The service is delivered by the Independent Case Examiner (ICE) at no cost to sub-contractors. A process is also in place for complaints not resolved by ICE to be referred to the prime provider's DWP contract manager providing a level of arbitration.

To date the use of the Mediation Service has been very low with six sub-contractors originating complaints. Five of these were withdrawn or resolved and only one case progressed to the Independent Case Examiner. The survey of contractors for this review found a low level of awareness of the Mediation Service. Respondents that were aware of the Service felt it was right that independent mediation was available, but some thought that it would not help their commercial relationship with their prime.

*'I feel to invoke the Merlin mediation process would be hugely damaging to my relationship with a Prime.'*

In at least one case it was reported that the Mediation Service 'handled our complaint very efficiently'.

### 2.2.2 Early industry views on Merlin

The Employment Related Services Association (ERSA), the representative trade association for employment services, conducted a survey in August 2012 to ascertain organisations' experiences of Merlin.<sup>7</sup> The main findings were:

- prime contractors felt fully engaged and informed about the assessment process and, overall see the potential worth of the Merlin assessment,
- a significant number of sub-contractors who responded thought that some of the questions for the assessment were not appropriate for them as organisations or the type relationship they had with their prime contractors;
- both prime and sub-contractors had some concerns over the rigour of the process and consistency of marking, with half of sub-contractor respondents not believing that the reports reflected their own experiences;
- many prime contractors reported planning to make changes, albeit not fundamental changes, following assessment recommendations, and a majority of sub-contractors had noticed a change in the relationship with their prime contractor following assessment;
- the majority of sub-contractors who were not interviewed as part of the Merlin assessment were unaware it was happening and most would have liked to have been interviewed;
- 67 per cent of all respondents believed that Merlin assessment is a good thing for the industry.

Whilst the ERSA survey and the survey for this review were conducted at different times and with different questions, there are similarities in the findings. Broadly there is recognition by a majority in both surveys of the value of Merlin but with concerns about rigour and the extent of involvement of all sub-contractors.

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<sup>7</sup> *Results of ERSA Merlin Survey: Winter 2012*, ERSA, 2012. [www.ersa.org.uk](http://www.ersa.org.uk)

### 2.2.3 Voluntary sector providers

The position of the voluntary sector in the new prime contractor market was a primary consideration in the establishment of the Merlin Standard. The DWP Code of Conduct<sup>8</sup> was developed after consultation, and in collaboration, with voluntary sector representative bodies, and applying the principles of The Compact<sup>9</sup> – an agreement governing relations between government and civil society organisations in England.

The Work Programme Evaluation<sup>10</sup> found that voluntary sector providers were more likely to find the Work Programme commercially unattractive (63 per cent) compared to private and public sector providers (both 47 per cent), as such it was recognised that the majority of voluntary sector providers would be in supply chains rather than have independent contracts with the Department as they may have had in the past.

A report<sup>11</sup> in October 2011 by the National Council for Voluntary Organisations (NCVO) emphasised the importance of a strong and effective Standard but highlighted the issues of concern for the voluntary sector:

- *‘The timescale of gaining Merlin accreditation within a year of contracts starting is too long with many civil society organisation (CSO) sub-contractors experiencing difficulties and non-Merlin compliant behaviour now.*
- *The Merlin Standard is too subjective to adequately regulate prime contractor behaviour towards their supply chain partners.*
- *Many see prime contracts as ‘too big to fail’ with successful accreditation seen as a foregone conclusion.*
- *It is essential that DWP ensures the effectiveness of the Merlin Standard, including looking again at ensuring implementation and options for redress.’*

Subsequently NCVO released a further report<sup>12</sup> in July 2014 on the Work Programme, including the role of Merlin, where it concluded:

*‘Given the many issues that have arisen for sub-contractors, it is clear that the Merlin Standard was not sufficient to ensure good practice under the current Work Programme.’*

The report made some recommendations about how Merlin should be strengthened:

- DWP should develop a template for contract terms using the Ministry of Justice (MoJ) Industry Standard Partnering Agreement (ISPA)<sup>13</sup>. The aim of the ISPA is to set a standard for fair practices in subcontracting and to assist in the development of diversity and transparency within supply chains;

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<sup>8</sup> Contained in DWP Commissioning Strategy, DWP, 2008.

<sup>9</sup> *The Compact*, Cabinet Office, 1998 and renewed in 2010.

<sup>10</sup> *Work Programme evaluation: Operation of the commissioning model, finance and programme delivery*, DWP, December 2014.

<sup>11</sup> *The Work Programme – Initial Concerns from Civil Society Organisations*, NCVO, October 2011

<sup>12</sup> *Stepping Stones: The role of the voluntary sector in future welfare to work schemes* NCVO, July 2014

<sup>13</sup> *Industry Standard Partnering Agreement*, Ministry of Justice, January 2014.

## Review of the Merlin Standard

- an expression of interest form should be developed building on existing work by the Department and the Merlin Advisory Board;
- the principles of the voluntary sector and government Compact<sup>14</sup> *‘should be at the heart of the new Merlin Standard and should be fully embedded in contract management’*;
- DWP should explore the more detailed guidance given in the NCVO–Serco Code of Good Practice<sup>15</sup> on supply chain design, contracting and funding, as well as commercial integrity.

The report concluded that:

*‘Once strengthened, we believe that accreditation under the new Standard should be a prerequisite for those bidding to become prime contractors in future welfare to work schemes.’*

Notwithstanding general concerns about the position of sub-contractors (including the voluntary sector) in supply chains, the Work Programme evaluation found that 68 per cent of sub-contractors surveyed stated they would seek to either maintain their involvement in the programme at current levels or increase their involvement.

### 2.2.4 Building Best Practice Group report

The Work Programme Building Best Practice Group was established by the Minister for Employment to *‘make a series of recommendations to improve the existing Work Programme and influence the development of any future Work Programme’*. The final report<sup>16</sup> in December 2014 included two recommendations of relevance to Merlin:

- 1 Recommendation 21: The Group recommended when contracts are first being let, there should be greater transparency in what primes are prepared to pay, their terms and Conditions, and what support/management services they offer. In the event that a sub-contractor cannot accept, but the prime wishes to do more to secure them as a delivery partner, any subsequent negotiations are likely to be ‘commercial in confidence’.
- 2 Recommendation 22: The Group recommended to strengthen current market stewardship within the Work Programme, prime contractors should be required by DWP to ensure that a mutually acceptable agreement on the funding position for provision is in place before referrals to specialist provision are made.

In its response<sup>17</sup> to the report the Department accepted Recommendation 22 and accepted Recommendation 21 ‘in principle’, and referred the issue to be covered in this review. We return to consider this recommendation in our conclusions.

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<sup>14</sup> See: [www.compactvoice.org.uk/sites/default/files/the\\_compact.pdf](http://www.compactvoice.org.uk/sites/default/files/the_compact.pdf)

<sup>15</sup> NCVO and Serco Code of Practice, April 2013.

<sup>16</sup> See: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/387661/work-programme-building-best-practice-report.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387661/work-programme-building-best-practice-report.pdf)

<sup>17</sup> *Work Programme: Best Practice Report – DWP Response*, December 2014.



# 3 Survey results: responses of customers and stakeholders

## 3.1 Methodology

To establish the current views of providers and stakeholders for this report an online survey was conducted in March 2015 and a total of six focus groups composed of primes, sub-contractors and stakeholders (including DWP).

A link to the survey was sent to 615 individuals, including: 1) all DWP prime contractors; 2) sub-contractors, as notified by primes to DWP; 3) stakeholders with an interest in Merlin. The survey was in confidence and it was optional whether the respondent and their organisation were given.

A total of 118 responses were received to the online survey which is a 19 per cent response rate. It should be noted that the survey reflects the views of individuals and not necessarily those of the organisations responding. This means that it was possible that multiple replies were from the same organisation given that lead contractors can also be sub-contractors. The assumption is that different perspectives on Merlin are possible within the same organisation dependent on the responsibilities of the individual respondent.

The impact of this means that the survey should be read as a broad snapshot view of how individuals experience Merlin and should not be as representative of the sector. For example, there are currently 38 Merlin accredited organisations and we received 38 responses saying they were from accredited organisations. As such we cannot discount the possibility that some of these were multiple responses from different individuals in the same organisation.

The survey is heavily weighted towards those who have some direct experience or good knowledge of Merlin. Thirty-two per cent (38) of respondents were already accredited and 29 per cent (34) are not accredited yet. Those who are already accredited are primarily composed of lead contractors that were required to be accredited. The remainder (39 per cent) were not required to be accredited, in the process of deciding, or were stakeholders.

This means the response rate is probably significant for those who are actively engaged with Merlin. We examine the overall response to the survey and the disaggregated views of lead organisations, sub-contractors, those who are both, and stakeholder views. In addition we consider differences between those who are private companies, public bodies and voluntary organisations.

## 3.2 Overall results

In response to the question 'The primary reason for the Standard is to encourage excellent supply chain management. Do you think that the Merlin Standard has achieved this aim?' the average score was 3.23 out of 5 (anything over 3 is a positive response – see Appendix B for histograms showing the distribution of results).

## Review of the Merlin Standard

The highest levels of satisfaction came from those who are already accredited (3.53) and public bodies (3.73). The lowest satisfaction levels came from those who are not yet accredited (2.76) and voluntary organisations (2.95).

**Table 3.1 Achievement of Merlin standard**

The primary reason for the standard is to encourage excellent supply chain management. Do you think that the Merlin Standard has achieved this aim?											
Average score	Accreditation			Sector			Interest in Merlin				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
3.23	3.53	2.76	3.33	3.31	3.73	2.95	3.23	3.40	3.22	3.20	3.33

Based on a 5 point scale where 5 is best, 1 is worst and 3 is the central point.

Responses to the question on the extent to which Merlin has promoted positive partnership working, were broadly similar (see Appendix B, Question 4). Lead contractors and those accredited already were the most positive, and those 'not accredited yet' the least positive along with those who were both a 'lead and sub contractor'.

When asked about 'whether the Merlin Standard has ensured fair treatment of sub-contractors by Prime Contractors', the responses were less positive. The average score was 3.01, with accredited (3.29) and public sector organisations (3.33) the most convinced whilst voluntary organisations were the least convinced that Merlin ensured fair treatment.

**Table 3.2 Treatment of sub-contractors by Prime Contractors**

Do you think that the Merlin Standard has ensured fair treatment of sub-contractors by Prime Contractors?											
Average score	Accreditation			Sector			Interest in Merlin				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
3.01	3.29	2.73	2.98	3.17	3.33	2.67	3.00	3.20	3.01	2.96	3.00

The perception of Merlin as 'a valuable standard to achieve' had a positive response at an average score of 3.25, with 'lead contractors only' being strongly positive at 3.80. However, the 'not accredited yet' and those who were both a 'lead and sub contractor' were again the least positive (see Appendix B, Question 7).

Broadly the same pattern of responses were given to the question about whether people thought that Merlin had a positive reputation with contractors and with funders, with average scores of 3.24 and 3.30 respectively.

**Table 3.3 Reputation of Merlin with contractors**

Do you think that the Merlin Standard has a positive reputation with all contractors?											
Average score	Accreditation			Sector			Interest in Merlin				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
3.24	3.35	2.91	3.40	3.19	3.60	3.18	3.10	3.40	3.34	3.04	2.67

When considering the extent of the rigour of the standards to become accredited 62 per cent thought it was ‘about right’, 15 per cent thought they were ‘too weak’ and 11 per cent thought they were ‘too rigorous’.

**Table 3.4 Views of standards needed to become accredited**

What is your view of the standards needed to become a Merlin Standard accredited organisation?	Yes N	No N	Yes %
Too rigorous	13	104	11%
About right	73	44	62%
Too weak	18	99	15%
I'm not aware of the standards needed	10	107	9%

Those who had experienced the accreditation process were strongly of the view (82 per cent) that the expected standards were ‘about right’. This reduced considerably for those yet to be accredited (53 per cent) and for voluntary organisations (51 per cent). However, for those that felt the least that the standards were ‘about right’, there were inconclusive results about whether they were too rigorous or too weak. For example, 22 per cent of voluntary organisations thought they were too rigorous and 16 per cent thought they were too weak.

## Review of the Merlin Standard

**Table 3.5 Views of standards for Merlin accreditation by respondent type**

What is your view of the standards needed to become a Merlin Standard accredited organisation?	Accreditation (% Yes)			Sector (% Yes)			Interest in Merlin (% Yes)				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
Too rigorous	3%	18%	13%	5%	0%	22%	10%	20%	10%	8%	33%
About right	82%	53%	52%	67%	73%	51%	70%	80%	61%	68%	33%
Too weak	8%	12%	24%	14%	20%	16%	17%	0%	13%	20%	33%
I'm not aware of the standards needed	3%	18%	7%	10%	7%	7%	0%	0%	12%	0%	0%
<i>Base</i>	38	34	46	58	15	45	30	5	82	25	6

When asked about whether Merlin provides sufficient protection to sub-contractors on a scale from 1 (no protection) to 5, the average score was 56 per cent. This could indicate that respondents thought there was a good balance or it could indicate that respondents thought the protection was insufficient (if the intent is to provide full protection).

Accredited organisations and 'lead contractors only' thought that Merlin provided more protection (63 per cent and 68 per cent) than voluntary organisations (50 per cent) and 'not accredited yet' (52 per cent). 'Sub-contractors only' at 54 per cent reflected the average score but significantly lower than lead contractors. This difference in perception indicates that lead contractors think that their sub-contractors are more protected than sub-contractors feel they are in practice. Whilst a difference in perception is to be expected the size of the difference is important for the credibility of Merlin.

**Table 3.6 Protection for sub-contractors**

Thinking about the fair treatment of sub-contractors, do you think Merlin provides sufficient protection? 100% is full protection and 0% provides no protection.	Average score	Accreditation (% Yes)			Sector (% Yes)			Interest in Merlin (% Yes)				
		Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
	56%	63%	52%	52%	59%	57%	50%	61%	68%	54%	59%	50%
<i>Base</i>	116	38	34	44	58	15	43	30	5	80	25	6

A minority of respondents (42 per cent) thought that the assessment process was sufficient assurance that providers are compliant with Merlin. Thirty-one per cent thought that it might be whilst 27 per cent thought that it was not. There were significant differences in views, with 58 per cent of accredited organisations thinking Merlin gave sufficient assurance compared to, for example, only 33 per cent of voluntary organisations (see Appendix B, Question 12).

We asked a number of questions of those organisations who said they were already Merlin accredited. A majority of respondents thought the accreditation process was thorough (76 per cent) and efficient (68 per cent).

A majority (64 per cent) disagreed that it ‘hasn’t made a difference to how we operate’ and 48 per cent felt the process was testing and they had to improve their systems. However, only 45 per cent thought ‘it was worth the process and cost’ (see Appendix B, Question 14).

Those sub-contractors that had chosen to become accredited (a total of nine respondents) were the least positive about the process. Not too much can be read into the results because of the small sample but sub-contractors are consistent that the accreditation process was not sufficiently thorough (44 per cent compared to 88 per cent of lead contractors) only 22 per cent felt it was worth the process and cost (compared to 54 per cent for lead contractors).

## Review of the Merlin Standard

**Table 3.7 Views of Merlin accreditation process and its impact**

<b>If you are a Merlin accredited organisation what are your views of the accreditation process and its impact?</b>	<b>Agree</b>	<b>Disagree</b>	<b>Neither</b>	<b>Agree %</b>	<b>Disagree %</b>	<b>Neither %</b>
Did you think it was thorough	25	2	6	76%	6%	18%
It felt testing and we had to improve our systems	16	9	8	48%	27%	24%
Our partners and/or sub-contractors welcomed it	22	2	8	69%	6%	25%
We felt it was worth the process and cost	15	6	12	45%	18%	36%
It hasn't made any difference to how we operate	7	21	5	21%	64%	15%
We easily met the requirements of the standard	13	5	15	39%	15%	45%
The accreditation process was efficient	21	5	5	68%	16%	16%

We asked those who were sub-contractors for their views on the impact of Merlin, irrespective of their accreditation status or whether they were also a lead contractor. Forty-eight per cent thought that Merlin had improved supply chain management, 28 per cent thought that it had not made a difference and 24 per cent disagreed that supply chain management had improved.

The lowest agreement was on whether Merlin had 'given you sufficient protection' where 31 per cent agreed that it had, 33 per cent disagreed and 35 per cent were neutral. Sub-contractors were broadly split on whether Merlin had enabled them to openly express their views about lead contractors, with 43 per cent saying that Merlin had and 40 per cent saying it had not. There was a similar split on whether sub-contractors felt that Merlin had made a difference to lead contractor behaviour on supply chain management.

Overall 48 per cent felt that Merlin had met expectations, with 29 per cent thinking it had not met expectations and 23 per cent were neutral.

When considering the views of those respondents who were only sub-contractors (that is, excluding those who are also lead contractors) the substantive differences were that sub-contractors were more positive about: Merlin having improved supply chain management; had established a good reputation; and were less likely to think that Merlin had made no difference to prime behaviour.

Voluntary organisation sub-contractors were the least positive about the impact of Merlin. Thirty-nine per cent thought that it had improved supply chain management and 55 per cent thought it had made no difference to prime behaviour, and only 29 per cent thought Merlin provided sufficient protection.

**Table 3.8 Sub-contractor views on impact of Merlin**

<b>Irrespective of accreditation, if you are a sub-contractor have you felt that Merlin has:</b>	<b>Agree</b>	<b>Disagree</b>	<b>Neither</b>	<b>Agree %</b>	<b>Disagree %</b>	<b>Neither %</b>
Improved Prime supply chain management	48	24	28	48%	24%	28%
Given you sufficient protection	31	33	35	31%	33%	35%
Established a good reputation	47	23	28	48%	23%	29%
Enabled you to openly express your views about Primes	43	40	17	43%	40%	17%
Made no difference to Prime behaviour	40	39	21	40%	39%	21%
In general, met your expectations	48	29	23	48%	29%	23%

**Table 3.9 Sub-contractor views, by respondent type**

<b>Irrespective of accreditation, if you are a sub-contractor have you felt that Merlin has:</b>	<b>Sector (% Agree)</b>		
	<b>Private</b>	<b>Public</b>	<b>Voluntary</b>
Improved Prime supply chain management	50%	67%	39%
Given you sufficient protection	30%	42%	29%
Established a good reputation	48%	58%	42%
Enabled you to openly express your views about Primes	34%	58%	50%
Made no difference to Prime behaviour	28%	42%	55%
In general, met your expectations	48%	58%	45%
<i>Base (answered the question)</i>	<i>50</i>	<i>12</i>	<i>38</i>

There appears to be insufficient awareness of the Merlin Mediation Service. Fifty-nine per cent of respondents were aware of it and 41 per cent were not. Furthermore the lack of awareness was spread across all types of respondent and was lower for those that arguably should be more aware. For example, only 42 per cent of voluntary organisations and 51 per cent of sub-contractors were aware (see Appendix B, Question 16). Comments from respondents that were aware of the Service thought that it should be available but some were worried about the implications for their relationship with their prime contractor if they invoked it.

Finally, a majority (74 per cent) thought that Merlin should be more widely used by other commissioners and a majority thought Merlin will need to, or maybe, change in the future (43 per cent thought it would and 42 per cent ‘maybe’ change) and 15 per cent thought it would not need to change.

# 4 Focus Groups: the views of customers

## 4.1 Introduction

Separate focus groups were organised for:

- sub-contractors;
- prime contractors;
- stakeholders.

Two focus groups were organised for each and we summarise the views expressed in the sections below. Whilst slightly different emphases were given to the questions asked in each group, we have summarised the feedback under three general headings:

- 1 Views on whether Merlin has achieved its aims.
- 2 Issues in the delivery and management of Merlin.
- 3 What are the issues that will impact on Merlin in the future?

The issues for the future are covered in Chapter 5.

## 4.2 Sub-contractors

### 4.2.1 Has Merlin achieved its aims?

It was generally felt by the participants in the sub-contractor focus groups that Merlin played a positive role in the relationships between the lead and sub-contractors. Participants thought that Merlin provided a benchmark for positive relationships with lead contractors and which prevented a 'free for all' or lead contractors 'riding roughshod over sub-contractors'. Irrespective of specific criticisms of Merlin, or variations in how it was applied by different lead contractors, the fact that it is there has provided some surety in relationships.

Some felt that Merlin had become embedded in the industry's business culture and whilst it may not always be referred to, it has codified acceptable practice that has set the tone and influenced business practices between the two parties. However, participants noted there are inevitable differences between lead contractors in how Merlin principles are applied. One driver of these differences is whether the lead contractor also delivers services or only manages a supply chain. The former, it was felt, can lead to tensions in how internal services and sub-contractors are treated.

*'... there is inevitably some conflict of interest, and inevitably they treat their internal delivery differently to sub-contractors.'*

However, this tension was also used to drive performance by comparing performance between sub-contractors and internal delivery.



Examples were given of how Merlin had allowed sub-contractors to challenge lead contractor behaviour and to secure change. Past standards or inspection frameworks had often 'not been helpful' in addressing issues governing relationships but Merlin had given sub-contractors more confidence and established a reasonableness in the dialogue between lead and sub-contractors.

Some sub-contractors reported receiving help from their lead contractors to improve performance, however, they were not clear whether this was motivated by the existence of Merlin or 'just good business practice' to improve outcomes. In one case it was thought a change in contractual decisions by a lead contractor was due to the existence of Merlin, however, in general it was not possible to determine how important Merlin was to the decisions that lead contractors took. It was reported that compared to the pre-Merlin experience of sub-contractors, *'Merlin had helped to standardise supply chain management to a higher standard'* and stopped some very poor practice.

Participants felt that the principles of Merlin had mostly been applied by the lead contractor throughout the duration of the contract, unlike experience of other standards when lead contractors are most active during assessment or inspection. Some felt that the support and expectations of lead contractors had increased over time – driven by the need to improve performance and demonstrating the impact of Merlin. The fact that most Merlin accreditation reviews have led to increased scores might reinforce this view.

Sub-contractors reported different levels of support for the management fee that lead contractors charged – with different support for similar levels of fees. Some felt that Merlin had helped increase the transparency of what can be expected for the management fee.

### **4.2.2 The delivery and management of Merlin**

Involvement by sub-contractors in the assessment process was regarded as critical to corroborate the claims of the lead contractor. All sub-contractors reported active involvement in the assessment process and their lead contractors had communicated the requirements of the Standard, although care was needed that this did not lead to 'coaching towards particular answers'. It was strongly felt that all involvement by sub-contractors should be anonymous, but it was recognised that some lead contractors would be able to work out which sub-contractors had expressed certain views in the assessment process. In addition, it was felt that lead contractors should have no influence over those sub-contractors chosen to be part of the assessment process and this should be led by the assessor.

In the assessment process itself sub-contractors acknowledged there was a balance to be struck between the depth of involvement of sub-contractors and the amount of time they can devote to it. Some felt that the interviews were 'very light touch' and they could have offered more information to the assessors.

Sub-contractors can volunteer to be Merlin accredited and some focus group participants were actively considering doing so. In part this was because people thought that Merlin was becoming an industry standard and that DWP would require it for all DWP contracts. However, others felt that the costs (fees and staff time) of accreditation were a significant deterrent, therefore maintaining the 12-month period of grace between securing a lead contract and attaining Merlin accreditation was vital for maintaining access to the lead contractor market.

## Review of the Merlin Standard

Communications about the standards expected by Merlin could have been improved from the outset, for example, some felt that neither DWP nor lead contractors communicated the standards of management required and therefore, the cost implications had not been fully built into sub-contractor budgets.

A consistent complaint by sub-contractors is the lack of a standardised Expression of Interest (EOI) form, one participant described 'juggling' nine different processes for different lead contractors. Whilst it was acknowledged that a standard EOI had been developed it was felt it was either not used in the right way or not used at all. The standard EOI should be marketed more and DWP should encourage (if not require) its use.

A further area of improvement wanted by sub-contractors was the length of the commissioning process used by DWP. Sub-contractors felt that more time to respond to ITTs should be given, presumably because of the time needed by bidders to cascade requirements to their potential supply chain partners. It was a source of aggravation when bidders and supply chain partners were required to adhere to the commissioning timetable but DWP did not always do the same.

Some participants were under the impression that Tier 2 sub-contractors were not involved in the assessment process. However, they are but to a substantially lesser degree than Tier 1 sub-contractors. This may lead to the impression that they are either not involved or not involved sufficiently.

Some expressed the view that any contractor that had a supply chain should be required to be Merlin accredited, for example, where Tier 1 sub-contractors also had supply chain partners but which are currently not covered by Merlin.

There was not a universal understanding of the potential penalties on lead contractors of non-compliance. This was felt not to help to establish the view that Merlin 'had teeth'. Some participants did appreciate that non-compliance with Merlin could, in theory, lead to the loss of the contract. However, there were questions about the likelihood of this happening. Some felt that DWP should be offering more support in such circumstances by applying Merlin principles to their relationships with lead contractors.

### 4.2.3 Summary

As seen in the response to the survey, most sub-contractors in the focus groups recognised the positive impact that Merlin had made to improving supply chain management. The general feeling was that Merlin had improved lead contractor practices and behaviour but it had not fixed all of the problems and issues that it might have done. There may have been high expectations by some sub-contractors of the extent of support and protection afforded by Merlin, which has resulted in some disappointment. Overall, sub-contractors were looking for improvements to Merlin rather than scrapping it.

*'... there are lots of Standards. Merlin is the best one, it's fit for purpose and was made for our industry'*

## 4.3 Prime contractors

### 4.3.1 Merlin has achieved its aims?

The role and function of Merlin was well understood by prime contractors given that accreditation had been mandatory for all the organisations attending the focus group. Merlin was broadly embraced as a positive standard with the realisation that it required time and investment to get right. Some felt that Merlin had established itself as an industry standard that was worthwhile and beneficial to primes and sub-contractors alike. Merlin has guided the market in a positive direction by encouraging more openness, greater transparency and helped 'standardise' supply chain management. Some have used Merlin principles to apply to all of their non-DWP contracts – it was seen as best practice and helped introduce management consistency within the organisation.

However, some felt it did not have a sufficiently strong reputation for being a rigorous standard. Prime contractors 'had to have it' and, given its perceived lack of rigour, some felt that even high grades were not an indication of best practice. There was insufficient in the assessment process and the assessor reports to provide feedback that could help in benchmarking best practice across the market.

Merlin can be seen by primes as either a compliance process or a means to performance improvement. Prior to accreditation Merlin is seen as a standard that must be achieved, so the emphasis is more on compliance. However, some felt strongly that for Merlin to be successful it must be seen as integral to ongoing performance improvement and not a one-off inspection process. Consequently it was suggested that Merlin should have a stronger emphasis on processes that helped lead contractors improve their understanding of best practice in supply chain management through, for example, case studies.

*'So one of our suggestions is to develop case studies, a bit like Ofsted, you get a case study to show where there is an element of best practice. Then it will become more recognised across all sectors, rather than just welfare to work, but also you are going to drive behaviour within the sector.'*

Participants thought there should be a stronger emphasis on disseminating information on best practice through the Merlin website and through DWP channels and that a strong market dialogue was important to encourage this, to counter sometimes reluctance from prime contractors to do so. Examples were given of how Merlin had changed and improved internal processes and it was felt that Merlin would be more positively regarded if it emphasised performance improvement through self-assessment and enabled lead contractors to scrutinise their internal processes relative to a wider industry standard and best practice. Few lead contractors had achieved 'Excellent' in their assessment and it was felt this may reflect the difference between those who used Merlin as a quality tool rather than a compliance process.

There were mixed views on the extent of Merlin's influence on encouraging excellent supply chain management. Whilst there was wide acknowledgement that Merlin had been of influence there were different views on whether improvements in supply chain management would have occurred anyway. Some felt they already had strong systems in place and driving improved performance was the main motivator rather than Merlin. Elements of the standard were felt to be marginal to improving performance and a review of Merlin requirements could usefully tighten up the focus on delivering performance.

## Review of the Merlin Standard

Others felt that Merlin had improved the openness and transparency throughout the market, leading to more sharing of knowledge and best practice with sub-contractors. Some thought a more collaborative and supportive approach had been adopted in managing supply chains, with more support being given to poor performers in the supply chain.

*'In the past it would have been a more contractual approach, now doing more seconding people in and out, in fact one of our poor performers is now one of our best performers within a year.'*

During tendering it was also thought there was more engagement with sub-contractors in the market when lead contractors were looking for supply chain partners.

*'It was a bit more Wild West out there before, than it is right now.'*

However, some questioned whether Merlin was sufficiently focused on creating 'high performing supply chains'. Participants felt that most of the Merlin assessment was focused on their ethos and behaviour rather than on delivering results. It was pointed out that one consequence of adherence to the principles of Merlin was that lead contractors might not be as strict with sub-contractors (especially those sub-contractors that were not meeting performance expectations) possibly leading to lower performance.

Overall it was felt that Merlin effectively established the principles and 'soft skills' for how lead contractors should act but has not done sufficient to establish a framework for improved supply chain management. Whilst there has been an expectation that lead contractors would engage in capacity building for their supply chains, financial constraints meant that this was more limited than envisaged, however, help was still offered, such as, through staff secondments and help with bidding and market information.

However, there was a view that the impact of Merlin was felt less further down the supply chain by those organisations used for 'spot purchases' and/or Tier 2 sub-contractors.

*'The further down the supply chain you go, like the spot purchases, the only thing Merlin would touch is open and fair selection process ... there is not a big amount of performance management there, other than buying services and paying for them ...'*

This also applied to when lead contractors used end-to-end sub-contractors that also had a supply chain but where Merlin would not apply. Whilst a lead contractor can encourage a sub-contractor with a supply chain to apply Merlin standards, there is no requirement for them to do so.

*'What we have encouraged them to do is to go through the [Merlin] assessment so that we can show that they are embracing the Standard. Because what we found is the voluntary sector complaining to us about not being treated fairly and we are in the middle because we have no contractual relationship with them.'*

Finally, some lead contractors thought there was insufficient understanding of Merlin amongst existing and potential supply chain partners, particularly smaller organisations and local authorities. It was felt that sub-contractors saw it as a compliance process that the lead contractor has to go through and not a positive process in promoting good supply chain management. It was acknowledged that there was promotion of Merlin activities by DWP and emqc but it was felt that more could be done to promote a positive image and increase awareness. Specifically, if Merlin were an industry-wide requirement then awareness would improve.

A frequent misunderstanding about Merlin was the extent to which it can protect sub-contractors against changes that were a result of national changes in contract terms or volumes by DWP. The level of Work Programme referrals is often cited as an example where the sub-contractor had their numbers reduced because of fewer referrals from DWP.

### 4.3.2 The delivery and management of Merlin

There were positive comments on the assessment process and the role assessors played. Having a consistent assessor team was seen as positive and although experience varied some lead contractors reported they had useful feedback.

There were a number of issues relating to the requirements of the Standard that participants wanted to see addressed:

- Section 4 'Supply Chain Review' of the Standard should be reviewed for possible amendment, specifically criteria 4, 5 and 6;
- more guidance on the detail required in writing the self-assessment report;
- review the requirements on environmental impact.

All participants agreed that the pricing model should be changed. A fixed price fee did not reflect the relative costs of conducting assessments of lead contractors of different size, as such it was not regarded as value for money for smaller lead contractors. Some also questioned whether there should be a charge for a Merlin assessment, pointing out that OFSTED inspections were free.

Whilst there were mixed views about whether Merlin should be more rigorous to attain. Generally it was thought that the current balance of requirements in the assessment process were about right. Some felt that the assessment process was rigorous and participants said they were aware of lead contractors who had not passed first time. However, others thought that it should be tougher to maintain its reputation and legitimacy with all partners.

It was thought that the current penalties on non-compliance are tough enough, given that contracts can be terminated and non-compliance can have an impact on market share shift, as such no changes were suggested.

*'The threat of losing your business is as strong as your penalties can get. However, the penalties should not be weaker otherwise there is a danger Merlin ... will lose credibility'*

Participants thought that DWP should encourage a standard approach to supply chain management across all contracts and some lead contractors are applying the principles of Merlin anyway. Whilst lead contractors were keen to see Merlin used by other departments, they were conscious that both the Ministry of Justice (MoJ) and the Department of Employment and Learning Northern Ireland (DELNI) decided not to use Merlin. However, it was felt that the principles used by both MoJ and DELNI were similar to Merlin and there was the potential to have one recognised Standard, and this would be preferable to lead contractors.

Lead contractors with Skills Funding Agency contracts and had OFSTED inspections recognised that they would be subject to both Merlin and OFSTED. This was not a problem so long as both were consistent and did not have different expectations.

### 4.4 Stakeholders

The participants in the stakeholder focus groups consisted of a mix of Merlin Advisory Board members and DWP staff with a direct interest in Merlin. The focus groups were supplemented by separate interviews with ERSA and emqc (the contractor delivering the Standard).

#### 4.4.1 Has Merlin achieved its aims?

In general, stakeholders felt that Merlin had improved supply chain management since it was introduced. Prior to Merlin the DWP Code of Conduct had helped highlight where improvements were needed but Merlin had brought more rigour and focus to how supply chains should be managed. It had encouraged lead contractors to end what some felt were bad practices, for example, including organisations in tenders as 'bid candy'.

However, some felt that further steps would be needed to continue to improve supply chain management and not all participants felt that improvements could be wholly attributed to Merlin. Whilst Merlin had been effective at encouraging higher standards the 'jury was still out' as to whether Merlin was widely recognised as ensuring fair treatment of sub-contractors. The principles of Merlin were thought to be sound but some felt that the concerns of sub-contractors had not been fully expressed. It was acknowledged that what constituted 'fair treatment' will be viewed differently and whilst it was believed protection had increased it was important that sub-contractors felt this was the case in practice. For example, there was the view that Merlin had not addressed some of the basic concerns of sub-contractors, such as the level of management fees charged by a lead contractor and a standardised EOI form.

It was felt that the mandatory requirement for lead contractors to secure Merlin accreditation had been critical in establishing Merlin, as were the penalties of not securing accreditation. Furthermore some thought the grade attained was important for the reputation of lead contractors and that there is the potential to use the grade in the assessments of future bids for DWP contracts. However, some thought that Merlin was still too young to have maximised its impact and it was questionable whether Merlin's aims could be realised in the short time it has been operating. How Merlin develops over time will be critical to its future and there will be the need for clarity by DWP (or other commissioners) about what contractor behaviour they are attempting to drive through Merlin.

There were some questions about whether Merlin could be more embedded in the management of supply chains throughout the contract period. The concern was that activity is focused around the time of reviews and therefore should there be additional, or different, requirements to maintain activity on a more consistent basis? However, some felt that Merlin was more embedded than other standards because sub-contractors were more aware of their 'rights' under Merlin.

It was queried whether there was a sufficient understanding of what constituted 'excellence' in supply chain management and this could be the subject of further work between the industry and Merlin assessors.

Finally, there was the view that for Merlin to achieve its overall aims the Standard should also apply to DWP in its management of the prime contractors. It was thought that Merlin's principles should apply from the top down and in this way the Department is demonstrating its commitment to excellent supply chain management.

## 4.4.2 The delivery and management of Merlin

There was discussion about whether the depth of assessments and the level of fees charged were appropriate for smaller lead contractors. In general participants felt that there should be flexibility in both fees and assessments to respond to different sizes of contract and supply chains. It was recognised that there were issues regarding the definition of 'supply chains' relating to the number of sub-contractors and the volumes of programme participants passing through the supply chain.

Similarly there were questions about the suitability of the review process: should it be less detailed and more frequent; should the frequency and depth be based on the grade attained at the first assessment; and how could continuous self-assessment be encouraged? In considering these issues the workload on the lead contractor and their supply chains should be taken into account.

There was the general view that the transparency of Merlin could be improved across the board. Specifically participants mentioned: concerns about possible variations in the assessment process by different assessors; a lack of understanding of the scoring process by contractors; how grades were linked to scores; the visibility of the mediation service; and the involvement of Tier 2 sub-contractors in assessments – some were of the opinion that they probably were the most aggrieved because of the lack of referrals.

It was thought that DWP could examine other standards for ideas to strengthen Merlin in the future. Examples included: the Ministry of Justice's Market Stewardship Principles<sup>18</sup> (which was thought to give greater protection to sub-contractors); the Common Inspection Framework by Ofsted; and the Continuous Improvement Check process used by the **matrix** Standard.

The self-assessment process was seen as central to Merlin's approach to the accreditation process and was mostly seen to operate well. However, participants thought that self-assessment had to be accompanied by a robust inspection process that 'drilled down' into the actual practice of lead contractors. In general this was thought to happen but questions were raised as to whether this could, or should be, made more rigorous. At the same time, some thought that the fees were already too high for both accreditation and review (especially for smaller lead contractors) and that increased rigour should not lead to increased fees.

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<sup>18</sup> Schedule 23, Transforming Rehabilitation Contract Documentation, MoJ, February 2014.

# 5 Responding to Change

## 5.1 Introduction

Standards and inspection frameworks are designed to encourage certain behaviours by providers that will deliver high quality services to the end customer. There is a wide spectrum in how Standards are designed and applied in practice, ranging from mandatory inspection regimes that can enforce some form of penalty on providers, through to voluntary ‘codes’ that have little or no enforcement except a potential reputational risk. Where a particular Standard is positioned in the spectrum is usually determined by the nature of the industry and the services it is providing, and the provider behaviours that it is designed to encourage and/or inhibit.

The Merlin Standard was initially designed to encourage excellent supply chain management within contracts that were designed to maximise the freedoms of prime contractors to configure services to meet the needs of programme participants and increase sustained job outcomes. However it was introduced at a time when there was a high level of concern about the future role of the voluntary and community sector in delivering services within the context of a market controlled by prime contractors.

In a letter to voluntary sector organisations the then Minister for Employment, Chris Grayling MP, wrote:

*‘We have also sought to strengthen the hand of smaller organisations in their dealings with Prime Contractors. We are aware of the concerns that have been raised in the past, and believe that the systems we are putting in place will mean a more level playing field. In particular our Merlin Standard will ensure that you are treated fairly in your dealings with primes and that supply chains remain robust and healthy. Primes that do not fulfil their obligations under the standard can lose their contracts.’<sup>19</sup>*

Merlin therefore commenced life trying to achieve a balance between Prime contractors with significant freedom to manage their operations as they see fit, and protecting the interests of smaller organisations. Consequently Merlin can be seen to sit uneasily between a voluntary code, promoting the principles of good supply chain management, and a mandatory accreditation process that can enforce penalties for non-compliance.

Managing this balance was inevitably going to be difficult and many of the concerns expressed in consultations for this Review are primarily as a result of different interests attempting to shift the balance between a voluntarism approach and stronger protection of supply chain partners backed up by penalties.

Consequently, the basic questions for the future that will need to be addressed are:

- What will be the drivers of change in the employment services market?
- What behaviour changes by providers may be required in the future for how they deliver and manage services?
- Will a supply chain management Standard still be needed? If so, then how does Merlin need to change to meet the new challenges?

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<sup>19</sup> Letter to voluntary organisations, Rt Hon Chris Grayling MP 2010. Available at: [base-uk.org/knowledge/grayling-letter-voluntary-sector-providers-regarding-work-programme](http://base-uk.org/knowledge/grayling-letter-voluntary-sector-providers-regarding-work-programme).



The following sections outline the key issues underlying these questions and the possible implications for Merlin.

## 5.2 Future issues relevant to Merlin

The consultation identified a range of issues that respondents thought would influence the future direction of Merlin and these can be summarised under:

- Future changes in commissioning priorities and processes
- The design of new programmes and the nature of capacity and capabilities required to deliver them
- Market composition and conditions, such as the extent of market consolidation and the extent of sub-contracting.

### 5.2.1 Future commissioning

Whilst Merlin was introduced in the context of the introduction of the Work Programme, it is a generic Standard for most of DWP service contracts. The main determinant of Merlin's design was the increased use of the Prime contractor model in the commissioning of employment-related services as set out in the 2008 DWP Commissioning Strategy and the establishment of the Employment Related Services Framework in 2010, which restricted the ability to bid for Work Programme contracts to organisations with a current turnover of at least £20 million.

The Commissioning Strategy was refreshed in 2014 and this set out two key ways in which the Department wants to bring together the right skills across the public, private and voluntary and community sectors:

*'First, we are looking at how we can split the provision of capital from the provider of the service. This is where forms of social investment, such as Outcomes Finance or Social Impact Bonds, can play a new role. We will draw on social investor experience to ensure we maximise the role for social investment, including working with Big Society Capital.'*

*'Second, we want to capture the importance of partnerships, especially with local organisations, such as those being built through the Universal Credit Local Support Services Framework. These partnerships can harness a variety of funding streams to provide holistic support, particularly for more vulnerable people.'*

As part of the Departments market stewardship role the 2014 Commissioning Strategy recognises the important role of Merlin 'where commissioning leads to the creation of supply chains' and commits to 'regular review and development [of Merlin], with the ambition to make the Standard, and its ethos, recognised across government.'

The Commissioning Strategy also places a stronger emphasis on openness and transparency in supply chain relations. The Department wants to increase the 'focus on ensuring there is clarity between supply chain partners, in particular around management fees and the risks related to sub-contractual opportunities.' Consequently the Strategy wants to see improved clarity on the level of the management fee and the costs it is designed to cover. In addition the Strategy recognises the importance of the time needed to form quality supply chains for bids:

## Review of the Merlin Standard

*‘By ensuring the pre-procurement, procurement and implementation phases are sufficiently long we can enable prime providers to provide their sub-contractors with greater clarity.’*

The Strategy also signals an increased emphasis on partnership working, collaboration and integrated commissioning particularly for those furthest from the labour market.

*‘We expect partnership working and a detailed understanding of the local provision landscape, including provision commissioned by Local Authorities, to be a prominent part of future responses to our invitations to tender.’*

*‘... DWP is seeking to move to more integrated forms of commissioning at the national, sub-national and local level, especially to support those furthest from the labour market.’*

Finally, the Strategy recognises that devolution will have an impact:

*‘In relation to any particular set of objectives or programme, the landscape – in terms of related programmes and funding streams – is likely to be different across England, Scotland and Wales.’*

Since the Strategy was published the Smith Commission proposals for the devolution of employment programmes have been accepted by Government and there are parallel discussions with the Welsh Assembly Government. DWP will cease commissioning programmes in Scotland in line with the Smith Commission proposals, but commissioning within Wales remains undecided. Future arrangements with Wales may make use of co-commissioning principles and the involvement of the Welsh Assembly on employment programme provision. In addition, plans for devolving more powers and funding to cities include employment programmes and support to those furthest from the labour market. For example, the Greater Manchester Agreement commits DWP to jointly commission a replacement for the Work Programme.

*‘To help tackle long-term unemployment in Manchester, the government will also design the Work Programme in a way that allows Greater Manchester to be a joint commissioner with DWP for the next phase of the Programme.’<sup>20</sup>*

### 5.2.2 Programme design

The future of the design of employment programmes is dependent on a wide range of factors but, in summary, those which are likely to have an impact on Merlin are:

- the emphasis on those furthest from the labour market and therefore a possible increased involvement of small, specialist organisations;
- the extent to which collaboration and/or integration with existing local provision is required, for example, with health and local authority services;
- decisions on whether future programmes are more targeted (and therefore probably smaller) or remain large and combine a wide range of clients, such as the Work Programme;

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<sup>20</sup> Greater Manchester Agreement: devolution to the GMCA and transition to a directly elected Mayor, HMT and GMCA, November 2014.

- the impact of Universal Credit and an increased emphasis on in-work progression which may involve the development of new provider capabilities and/or new partnerships.

At the time of writing, DWP have not announced any future plans for commissioning employment services. However, the nature of the market and decisions on the design of future programmes may lead to three broad scenarios:

- broadly status quo but with adjustments to existing programmes and contract terms;
- substantial change for all or part of the market in the nature of commissioning, programmes and contract size;
- changes in the size of the market (up or down) dependent on changes to the numbers of referrals using existing eligibility and/or changes to the eligibility for new programmes to broaden or narrow scope.

### 5.2.3 Market composition

#### Work Programme

The Work Programme is the single largest employment programme and it is therefore the single largest determinant of the nature and size of the employment-related services market. The evaluation<sup>21</sup> of the Work Programme commissioning model found that the total number of Work Programme sub-contractors had fallen from 831 to 801 between 2013 to 2104. However, a number of sub-contractors reported they had received no referrals so the number of 'active' sub-contractors could be less.

In practice there are two different models of Work Programme prime provider. The first is a **prime managing agent** that provides no direct services and sub-contracts through a supply chain. The other model is a **prime delivery agent** that manages both direct delivery and a supply chain.

**Prime managing agents** emphasised their expertise in managing outsourcing. Some also suggested this approach facilitated a more detached focus on performance which was not influenced by in-house delivery pressures.

In contrast to this some **prime delivery agents** suggested that it was important that they delivered a proportion of the service themselves to ensure a thorough understanding of the programme. However, the evaluation found that some sub-contractors thought *'the decisions on the extent of outsourcing were influenced by a desire to protect their own market share'* – a view that was repeated in consultations for this review.

The top four prime providers delivered around 54 per cent of the Work Programme attachments between June 2011 to March 2014<sup>22</sup>. The evaluation described the prime provider market as an *'unconcentrated competitive oligopoly'*, with a slight increase in market concentration following the market share shift in August 2013. Since the publication of the Work Programme evaluation report the market has become more concentrated with a reduction from 18 primes to 15 and with the top four prime providers delivering 64 per cent of programme attachments.

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<sup>21</sup> *Work Programme evaluation: Operation of the commissioning model, finance and programme delivery*, DWP, December 2014.

<sup>22</sup> *Ibid.*

## Review of the Merlin Standard

The evaluation showed a clearer increase in market concentration for Tier 1 sub-contractors, but this applied differentially over contract package areas (CPAs). This concentration was 'linked with changes in the supply chains of particular prime providers'. This led the evaluation report to suggest:

*'.... it will be important to continue to monitor the market concentration, the number and composition of providers and their market share. The analysis of referral data also indicates a need to consider these factors at both national and CPA level.'*

Tier 1 sub-contractors were primarily generalist end-to-end providers providing in-house support with low levels of referrals to specialist (Tier 2) sub-contractors. However, the evaluation found that there was an increase in referrals from Tier 1s to providers outside of the original supply chain. In total it was estimated that around half of sub-contractors were small organisations, therefore the impact of few, or no, referrals can have a significant impact and this had resulted in some sub-contractors choosing to leave supply chains. In some cases prime providers terminated contracts as a result of under-performance and prime providers were redistributing referrals to existing supply chain members or taking the work in-house.

Finally, the evaluation found an *'increase in trust and relationships'* between primes and sub-contractors between 2013 and 2014. The research reported that prime providers had *'two different approaches to driving sub-contractor performance – competition and collaboration – with the majority utilising both, but to different degrees'*. In 2013 the evaluation found some sub-contractors *'suggested that competition tempered supply chain relationships and the willingness to share best practice'*. However, in 2014 sub-contractors were not reporting this to be a problem and a greater percentage of sub-contractors felt their prime providers' monitoring and management to be effective, suggesting an improvement over the period.

In general terms this could be interpreted as an increase in the effectiveness of supply chain management. It is, therefore, possible that Merlin would have been one of the factors that facilitated this improvement. However, the main driver behind supply-chain composition and management decisions is likely to have been the drive for increased sustained job outcome performance, which is determined by a wide range of other factors.

## Increasing SME involvement in DWP spending

The DWP's Commercial Strategy for 2014–17 commits the Department to *'create a more competitive, agile, diverse and innovative supply base through changing our contracting approach to offer greater opportunities for the widest market competition, resulting in sustained value for money'*.<sup>23</sup>

As part of the Government's aspiration to see 25 per cent of expenditure go through SMEs, either directly or indirectly through the supply chain, DWP has set aspirational targets of 18.5 per cent in 2015/16 and 21 per cent in 2016/17. Between 2015 to 2018 around 78 per cent of 2013/14 DWP expenditure is due to be re-contracted and the Welfare to Work market represents around one-third of total contracted expenditure<sup>24</sup>.

The Commercial Strategy recognises that the Welfare to Work market is important for meeting the aspirational targets and acknowledges Merlin as *'supporting the SME agenda'*. The intention is to *'promote opportunities and a development programme to help organisations grow and compete ... in the [Welfare to Work] market'*.

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<sup>23</sup> DWP Revised SME Action Plan, May 2014.

<sup>24</sup> Ibid.

In pursuing these aims there are three areas in the Strategy that are particularly pertinent to Merlin. First, improved accuracy of data collection for direct and indirect spend on SMEs. Second, pre-procurement market engagement and the introduction of obligations in contracts to ensure suppliers commit to aspirational targets and open their supply chain. Third, contract management specifically by analysing and understanding the supply chain, identifying opportunities for SMEs in the supply chain, systematic monitoring of SME spend through the supply chain.

### 5.3 Contractor and stakeholder views

Lead contractors and sub-contractors want to see Merlin continue in the future but with improvements. There was a view that 'Merlin is not broken, so don't fiddle with it' but if there were changes they should demonstrate how they can help improve performance. Neither did lead contractors want to lose the flexibility of Merlin.

*'The good thing about Merlin is that it is a set of standards, but we are free ... to implement in a way that it is appropriate for our organisation.'*

The views of contractors about the future were therefore mostly focused on the improvements that could be made. There was a wide range of proposals made for improvements in both survey responses and the focus groups. For example:

- all supply chain partners should be consulted via an online survey for assessments and reviews;
- non-standard reviews which can be triggered by DWP;
- progressively increase the score thresholds for grades to ensure continuous improvement;
- scoring criteria and scores underpinning grades for each of the elements of the standard should be published;
- the supply chain partners should be listed in reports;
- webinar focus groups to encourage greater participation of SCPs;
- Merlin scores will be taken into account in any appropriate tendering;
- reduce repetition in the assessment process;
- appropriate assessment and review for the stage of the contract and its remaining duration;
- more standardisation between inspectors;
- a Merlin handbook should be published similar to OFSTED;
- improved mechanisms for primes to share best practice;
- increase the rigour and depth when evidencing progress for reviews;
- there should be sufficient assessors to enable a short wait time for assessment EOI form – need to revisit as current version is not achieving the original aim;
- reconsider bi-annual reviews and consider **matrix** method of an annual requirement to update what progress you have made;
- DWP as commissioners should also be subject to Merlin.

## Review of the Merlin Standard

The purpose of this review is not to examine the merit of each of these proposals but we propose, in Chapter 6, a process for how the Department should decide on what, if any, of these ideas should be introduced.

### 5.3.1 Devolution or localisation

There was repeated anticipation by all contractors that there would be more ‘localisation’ of commissioning and/or performance management of employment programmes. There were different opinions on the speed and extent of local commissioning and performance management. However, if there were to be increased local control then there was the view that Merlin could be helpful in providing a framework for how locally diverse supply chains are formed and maintained, especially when involving the local voluntary sector.

One possible impact of locally controlled (and potentially smaller) contracts is that current Tier 2 sub-contractors would be more visible and involved in supply chains. However, it was thought that Merlin currently has little impact on specialist or small providers in Tier 2 as most of the relationships were mediated through Tier 1 sub-contractors. As such it was suggested that how Tier 2 sub-contractors are involved in Merlin processes should be reviewed with the aim of increasing their involvement and protection.

### 5.3.2 Should Merlin be a requirement for all DWP contracts?

There were mixed views on whether DWP should make Merlin a requirement for all DWP contracts. The primary concern was the disproportionate cost of Merlin accreditation for shorter and/or smaller contracts. This would especially be the case if there were a move in the future to smaller CPAs, as implied by the ‘localisation’ of some contracts. Whilst some felt that smaller and shorter contracts should be excluded from Merlin, others felt there should be a less onerous version of Merlin to apply to these contracts.

*‘If in future there are smaller CPAs then some sub-contractors would consider going for Prime status.’*

Both contractors and some stakeholders saw merit in exploring the development of a Merlin ‘lite’ – a standard that would hold to the principles of Merlin but be more applicable to lead contractors with small supply chains and where lower fees could be charged. It was thought that this would be useful for local commissioners and could also apply to smaller DWP contracts.

*‘Perhaps different Merlin standards (gold/silver/bronze) would be developed to suit different circumstances.’*

### 5.3.3 Adapting for the future

Some respondents thought that Merlin will be out of date or irrelevant if it does not achieve wider usage by other Departments.

*‘... engage with other government departments and get commitment for a [Standard] that is co-designed.’*

However, especially the responses from stakeholders showed there are a wide range of considerations that will have a bearing on the future role of Merlin:

- the shape of the future market as determined by the re-contracting of the major programmes;
- consolidation in the provider market leading to fewer lead contractors;

- devolution of employment programmes to Scotland and possibly Wales – will they continue to use Merlin?
- possible localisation in England of commissioning and performance management;
- the role of Jobcentre Plus districts in commissioning services;
- a possible increased emphasis on Customer Standard Standards (originally Minimum Service Standards) in commissioning and therefore, on quality standards for programme participants;
- European Social Fund commissioning;
- the themes outlined in the 2014 DWP Commissioning Strategy.<sup>25</sup>

It was recognised that decisions on many of these factors were yet to be made but there were some basic principles emerging from discussions in focus groups that could be used to position Merlin for the future. In summary, these are:

- Merlin should apply to all DWP contracts;
- the Standard should have robust accreditation requirements, enforcement and penalties for non-compliance;
- set out how Merlin would protect specialist (Tier 2) providers;
- Merlin should be adaptable and applicable to a wide range of size of organisation;
- for large lead contractors with extensive supply chains Merlin needs to be seen to be driving improved supply chain management and have a demonstrable impact on lead contractor performance.

Focus group participants put forward a wide range of ideas about the mechanisms that could be used to implement these principles. In general, the view was that the direction of travel should be to further embed Merlin in DWP contracting by evolving its systems to ensure it was robust, rigorous and developed the reputation of a Standard that both drove higher performance but also provided protection to every organisation in the supply chain.

To drive adaptation in the future some thought that the governance of Merlin should be more transparent – some were not aware of the governance and oversight arrangements for Merlin. Also, there was the view that because lead contractors pay fees for assessment that Merlin cannot be seen as wholly independent from those that it is supposed to assess.

Finally, there was some discussion about whether there should be a customer quality standard. This was not necessarily a substitute for Merlin but it was questioned whether the priority for an assessment-based standard should continue to be for the benefit of sub-contractors rather than customers. It was recognised that introducing a customer standard would involve a significant departure from current arrangements but would underline any increased emphasis the Department might place, in the future, on the quality of the services delivered to customers.

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<sup>25</sup> Commissioning Strategy, DWP, July 2014.

### 5.4 Summary

There is a significant range of factors and future decisions by Government that will influence the future direction of Merlin. However, within the context of a continued use of prime contractors with supply chains, there is little to suggest that the basic requirement of encouraging excellent supply chain management and protecting the legitimate interests of sub-contractors will cease.

Any changes to Merlin are best seen within two timeframes:

- 1 Those immediate changes that can be made to improve Merlin for the duration of the existing Work Programme contracts.
- 2 Changes that are either essential or desirable to be made within the context of new programmes and any changes to the commissioning process.

On immediate changes there have been a considerable number of ideas that have been proposed in the course of the review and we make proposals on how to proceed with these in the concluding chapter.

Longer term changes are dependent on decisions to be made in the coming period, however Merlin's capacity to adapt to changing circumstances will be critical. Merlin is a relatively generic Standard with few requirements which are specific only to the employment-related services market. This is advantageous to its ability to apply to different programmes and new commissioning processes. However, other commissioners have felt that Merlin did not meet the needs of their markets, which has led to the development of different market requirements regarding supply chains. So whilst Merlin may be adaptable with the employment-related services market, it may not be sufficiently adaptable or applicable in other markets. This raises a fundamental question on DWP's ambitions for Merlin, which we deal with in the concluding chapter.

Merlin is designed to encourage specific behaviours by prime contractors towards their supply chain partners and it can be argued that these desired behaviours could apply in most supply chains. However, this scan of future issues has identified those behaviours that might need to be reinforced or where new drivers may be needed to meet the needs of a future market. Not all of the possible changes are reliant on the Merlin process adapting, some will require action from DWP and other partners.

In summary, the key challenges and questions for the future are how to:

- achieve an appropriate balance between encouragement and requirements of behaviours within the Standard;
- provide more clarity on the nature of the 'robust and healthy' supply chain market that DWP is aiming to stimulate?
- deliver an appropriate level of protection afforded to supply chain partners within a new market;
- whether there needs to be a balance in the market between prime managing agents and delivery agents;
- meet DWP's target aspirations for the involvement of SMEs;
- give more emphasis on building new capabilities in supply chains;



- allow for smaller (local) contracts to be possibly covered by a Merlin 'lite' standard;
- enable the incorporation of more specialist organisations, particularly for any targeted programmes;
- consider the desirability and extent (if any at all) to which DWP can exercise influence over the extent of consolidation in the supply chain market;
- encourage more transparent governance of Merlin and possibly a more financially independent Standard;
- strengthen the focus on performance and consider the link between the Merlin grade and contract performance.

## 6 Conclusions and recommendations

In the short time that Merlin has been operating it has achieved a positive impact on supply chain management. At the same time it has not met some of the expectations of contractors, both lead contractors and sub-contractors. The responses to the survey have shown that the majority of organisations were positive about its impact but that, in most instances, sub-contractors were less positive. Similarly those organisations who were considering accreditation were often less positive, possibly because of the perception of the accreditation process.

A primary function of Merlin is to help ensure sub-contractors are treated fairly but there were clear differences in views on the amount of protection that Merlin afforded. Lead contractors thought that Merlin gave more protection than sub-contractors and voluntary sector sub-contractors felt the least protected. There were also different views on whether Merlin's requirements were too rigorous or too weak, with respondents equally split in their views.

All assessment and inspection frameworks require continuous improvement to maintain and increase confidence in the rigour of their processes, and Merlin can be no exception. Similarly the scoring and grading framework needs regular review as standards increase and organisations become familiar with accreditation expectations. Eight Work Programme prime contractors are now graded as 'Excellent' and scores have increased by 20 per cent from initial assessments for all those that have been reassessed.

This increase is supposed to reflect the improvement in the quality of supply chain management over the two year period between assessment and reassessment. There are some good reasons why this may be the case, given that contractors have been measured against the original assessment benchmarks. Some respondents to the survey and in the focus groups felt that for Merlin to have a strong reputation then it must be more rigorous and be seen as a Standard that drives improvements in supply chain management through challenging expectations on lead contractors. Achieving Merlin needs to be more of a badge of honour rather than a mandatory requirement on lead contractors. As one respondent put it:

*'Whatever is done Merlin needs more gravitas.'*

Taking all things into account, we think that the Department should introduce changes to Merlin that would increase its rigour and improve its standing with sub-contractors. How this is done (in a cost effective manner) will be critical for maintaining wide support for the Standard. As such we divide our recommendations into two groups:

- 1 Improvements to the current Standard** for the duration of the existing Work Programme contracts (taking into account the extension of contracts for a further year).
- 2 Merlin in the future** that introduces changes that are either essential or desirable given new employment programmes and any changes to the commissioning process.

## 6.1 Improving the current Standard

There was a considerable range of different ideas proposed by respondents in the survey and in the focus groups. Some of these dealt with detailed suggestions for the Merlin elements, criteria and assessment process. However, this review was not intended to cover the specifics of the assessment process. This is currently covered by the existing contract with emqc Ltd to deliver the Standard and any changes to the elements, criteria and process will require detailed consideration and examination for contractual and cost implications.

However, there are a number of consistent messages that have come out of the consultations where action could either be taken immediately or should be given serious consideration for early introduction.

### 6.1.1 Improve publicity and transparency

**We recommend** that DWP and the Merlin contractor should agree a marketing and communications strategy for Merlin with the aim of promoting its benefits and informing all existing, and potential, supply chain partners of accreditations, reviews, and the mediation service. An objective should be to make supply chain partners more aware of how they are protected, what support they can access, and clarify those issues that Merlin does not address and which are determined by contractual and commercial decisions, such as referral volumes.

### 6.1.2 Market information

**We recommend** that DWP should maintain a register of all supply chain partners with referral numbers for each. This should be actively managed to ensure it is up to date and lead contractors should be required to report on a regular basis (to be determined) all sub-contracts and spot purchases. The register should be used to measure changes in the composition of the market and to communicate with supply chain partners.

### 6.1.3 Best practice case studies and market dialogue

**We recommend** DWP, the Merlin contractor and stakeholders agree how to encourage the development and sharing of best practice case studies that exemplify excellence in supply chain management, within the employment services industry and other industries. The Best Practice page on the Merlin Standard website could be developed further. A wider understanding of the different approaches, and performance implications, between managing agents and delivery agents would help the market identify the use and value of supply chains.

### 6.1.4 Improving the rigour of Merlin

**We recommend** that steps should be taken at the earliest opportunity to improve the standing of Merlin with supply chain partners. After reviewing any contractual and practical implications DWP should bring recommendations to the Merlin Advisory Board on the most appropriate measures which do not increase the cost of Merlin nor add unreasonable additional burdens on lead contractors or supply chain partners. Of the ideas proposed in the consultation we suggest focusing on:

- all supply chain partners to be consulted via an online survey for assessments and reviews;
- non-standard reviews which can be triggered by DWP;

## **Review of the Merlin Standard**

- commence a review of the score thresholds for grades with a view to increasing them to ensure continuous improvement;
- identify ways to increase the involvement of Tier 2 sub-contractors, for example, through more interviews and surveying;
- scoring criteria and scores underpinning grades for each of the elements of the standard to be published;
- supply chain partners should be listed in reports;
- Webinar focus groups to encourage greater participation of supply chain partners;
- Merlin scores will be taken into account in any appropriate future procurements.

### **6.1.5 Fees should be more responsive to the size of organisation**

**We recommend** the charges for Merlin assessments and reviews should be commensurate with the size of the contract and/or size of supply chain. By reducing the time and cost of accreditation for small contracts or supply chains it is possible that the Standard will be more widely used. As part of the re-tendering or extension of the Merlin assessors contract DWP should introduce a sliding scale of fees.

### **6.1.6 Increasing transparency in terms and conditions**

**We recommend** in response to Recommendation 21 of the Best Practice Working Group that DWP incorporates into the Merlin Standard that best practice is that primes publish their normal fees, terms and conditions, and what support/management services they offer. Furthermore we recommend that best practice should be these are also published in Expression of Interests when constructing supply chains for bids.

### **6.1.7 Mutual agreements prior to referrals to specialist provision**

**We recommend** in response to Recommendation 21 of the Best Practice Working Group that Merlin should assess whether there are adequate processes to ensure mutually acceptable agreements are in place prior to referrals to specialist provision.

### **6.1.8 Expression of Interest form**

**We recommend** that the use of an industry-standard EOI form is built in to the Standard as best practice. This should cover the basic requirements for information that will be standard across most contracts. However, supply chain partners will also need to recognise there will be contract specific requirements in addition.

### **6.1.9 DWP standards in managing suppliers**

**We recommend** that DWP acknowledges that many of the Merlin Standard principles apply to how they commission and manage lead contractors. Demonstrating that DWP is applying those principles in practice will provide leadership to the industry as a whole.

## 6.2 Merlin in the future

There are currently too many unknowns to make recommendations for the future direction of Merlin. Key decisions, yet to be taken, include the future of the Employment Related Support Services Framework, the programme(s) to replace the Work Programme and Work Choice, and the commissioning processes to be used.

However, there are some choices and actions that can be made in the period up to the re-commissioning of programmes:

### 6.2.1 What is the ambition for Merlin?

The original ambition for Merlin was that it was widely adopted across Government wherever supply chains were used. This has not proved to be the case so far and other departments have chosen to develop equivalents. Therefore, DWP should decide if Merlin should be developed as either:

- a Standard that is fit for purpose for employment-related service contracts and retained within DWP; or
- a generic supply chain management Standard that can be applied in any market.

Substantially different actions result from the answer. If retained within DWP then Merlin should continue to be improved and adjusted, if necessary, once programme and commissioning decisions are taken.

If the ambition is for Merlin to be a generic Government supply chain standard then this development should be led by the Cabinet Office and/or Crown Commercial Service who are more likely to be able to establish a generic standard. However, it would have to be assumed that even as a generic standard, individual departments which use it will require additions to the basic standard.

**We recommend** that DWP should focus on developing Merlin for the employment-related industry but that the Cabinet Office and/or the Crown Commercial Service should co-ordinate relevant activities by other departments to establish the feasibility of a generic standard and/or investigate how different codes, standards and inspection frameworks could better work together.

### 6.2.2 Choices for the future

In developing Merlin to be fit for purpose for the future challenges in the employment industry, fundamental choices remain in how the principles of Merlin can be applied in the market:

- status quo: Merlin can be continue to improved and adapted, and delivered under contract as at present;
- a commercial standard: either give greater commercial freedoms to Merlin contractor or explore selling Merlin for it to become an independent Standard;
- cease Merlin: embed the principles in tenders and contract management, backed up by a complaints procedure;

## Review of the Merlin Standard

- whole market accreditation: all providers could be required to be registered, for which the information required could contain verification of performance in any previous contracts. For an example of this approach see the Skills Funding Agency 'Register of Training Organisations'.<sup>26</sup>

A decision on these choices should be taken once it is clearer about the likely size of the market and the extent of change in programme design and commissioning. However, the process for making these choices will be important for giving the appropriate signals to providers and potential bidders in preparation for changes to the market.

'Whole market accreditation' is not necessarily a substitute for Merlin but could have a useful function within the market as a whole, including for local commissioners of employment services. It could capture: the basic information on every provider (replacing the need for some of the information in a common EOI form); enable self-assessment of some elements; and provide information on verified referral volumes and performance from any existing and previous contracts they have delivered. This would increase the transparency of the market and replace the need for the proposed register of supply chain partners above.

**We recommend** that in any consultations and/or proposals for future commissioning, the implications for Merlin are considered and proposals made for its future.

### 6.2.3 Preparing for the future

There remain detailed considerations that are necessary to inform the development of a regulatory regime and enable Merlin to adapt to the new market. The key issues emerging from this review are:

- to inform future DWP programme contract specifications there should be a fundamental review of the suitability of the assessment processes, scores to attain grades, and the penalties attached to non-compliance. In general the aim should be to make it more rigorous to attain grades and a greater range of penalties for non-compliance should be considered;
- DWP should state that all relevant DWP contracts in the future will be required to be Merlin compliant as this would send a strong signal to the provider market. However, Merlin accreditation should not be a barrier to entry to the market, but the time period for accreditation post-contract award should be reduced;
- Merlin could be more widely used by local commissioners where they commission employment services (for example, local authorities, housing associations, co-commissioning bodies, and Local Enterprise Partnerships (LEPs)) if the accreditation process was less onerous and lower cost. Irrespective of introducing a sliding scale of fees suggested above, DWP should also consider the value of a reduced version of Merlin that can be used locally.

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<sup>26</sup> For information on ROTO see: [www.gov.uk/government/collections/sfa-register-of-training-organisations](http://www.gov.uk/government/collections/sfa-register-of-training-organisations).

Finally, the positive impact of Merlin to date can only be maintained by strong and effective dialogue with the full range of providers, trade bodies and other interested parties. This will enable a robust and effective Standard that is adapting to new conditions and realising the gains that Standards can bring. As a recent Centre for Economics and Business Research (CEBR)<sup>27</sup> report highlighted:

*‘Standards help companies and their supply chains to operate in a more efficient manner, reducing costs and expanding revenue – ultimately allowing companies and sectors to become more productive.’*

*‘Overall ... the sense of trust fostered by standards lead to business benefits across all firms, including in the supply chain and regardless of size.’*

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<sup>27</sup> *The Economic Contribution of Standards to the UK Economy*, CEBR, June 2015.

# Appendix A

## Description of Merlin Standard

The Merlin Standard has been designed to recognise and promote sustainable excellence 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 and its supply chain partners.

The aim of the Standard is to encourage excellent supply chain management and within this to ensure fair treatment of partners and sub-contractors by prime contractors, to support development of healthy, high performing supply chain.

The Merlin Standard was developed over two years by DWP, in collaboration with representatives of the welfare sector in response to concerns raised by providers operating as sub-contractors over fair treatment by prime providers.

The Standard is designed to champion positive behaviours and relationships to achieve successful, high performing supply chains. It was launched at the beginning of 2012 with the first assessments taking place in the spring of that year.

Although produced with the active involvement of the welfare sector, the Standard is generic by design and applicable to any organisation delivering on a contract through a supply chain.

The vision for the Standard is to ensure that it is established as an exemplar of best practice supply chain management across public, private and third sectors in the UK and internationally.

The Merlin Standard provides a benchmark which recognises and promotes sustainable excellence.

Assessments and accreditation service is delivered by emqc Ltd, an independent service provider.

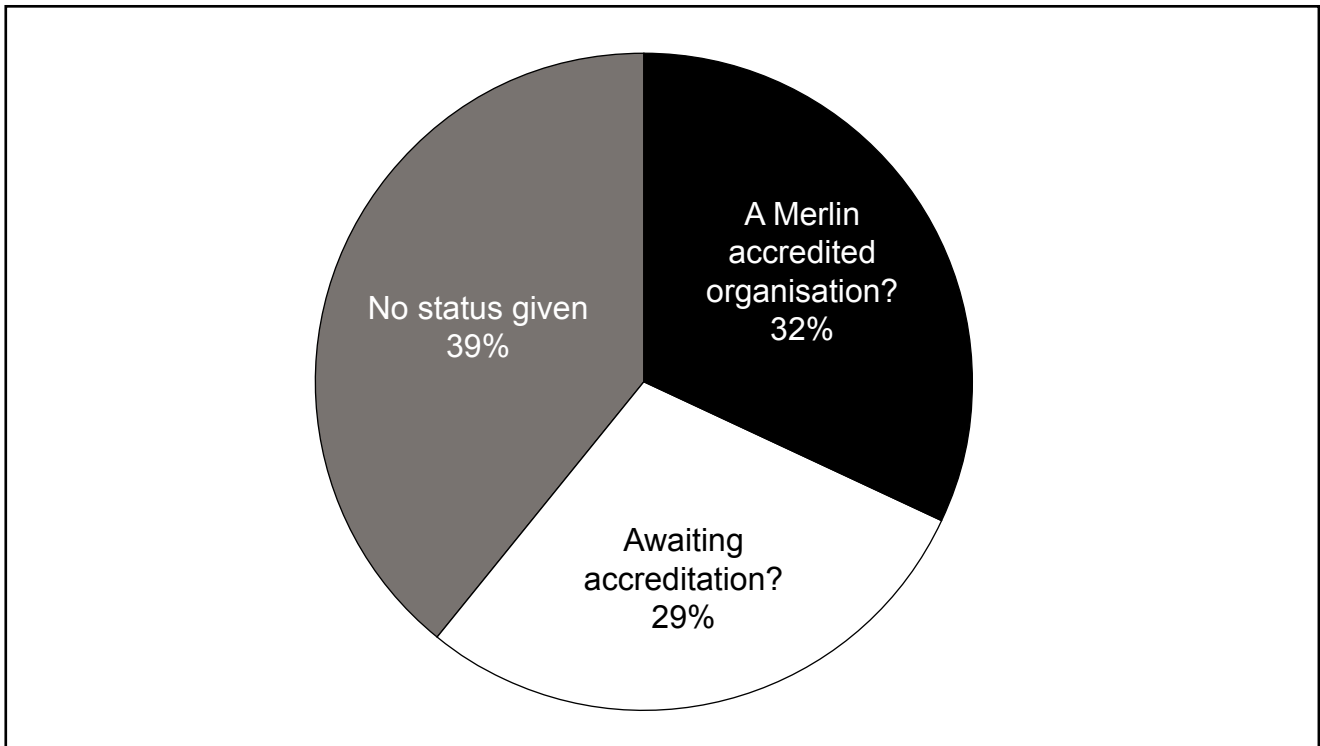
Full details about Merlin and the assessments conducted to date can be found on [www.merlinstandard.co.uk](http://www.merlinstandard.co.uk)



# Appendix B

## Survey results

Total respondents	118
Total sample	615
Response rate	19%



Q1: Are you currently?	Count	% of total
A Merlin accredited organisation?	38	32%
Not accredited yet	34	29%
Unknown	46	39%

Q1: Are you currently?	Q2 Interest in Merlin					Base
	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder	
A Merlin accredited organisation?	63%	13%	37%	50%	0%	38
Not accredited yet	15%	0%	85%	15%	0%	34
Unknown	0%	0%	85%	2%	13%	46

## Review of the Merlin Standard

Q1: Are you currently?	Q3 Sector			Base
	Private	Public	Voluntary	
A Merlin accredited organisation?	68%	5%	26%	38
Not accredited yet	50%	12%	38%	34
Unknown	33%	20%	48%	46

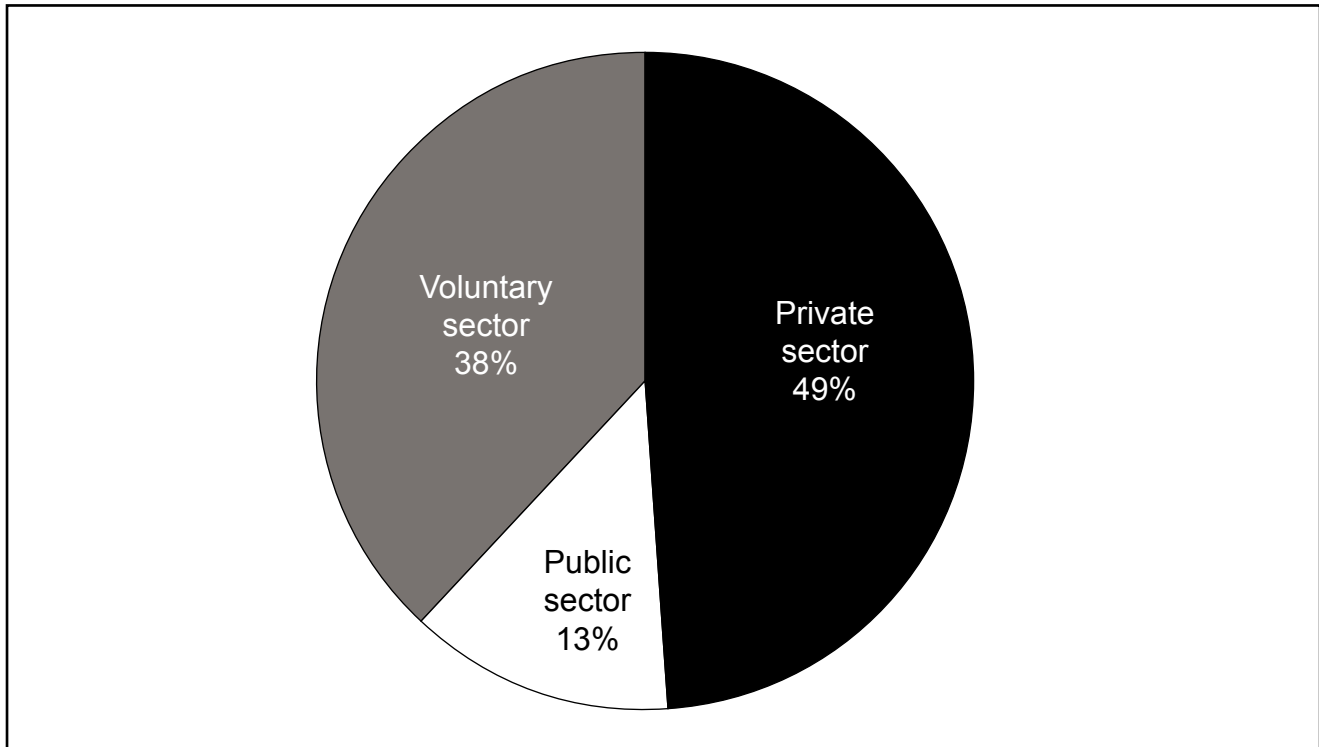
Q2: What is your interest in Merlin?	Count	% of total
All lead contractors	30	25%
a) A lead contractor only	5	4%
b) A sub-contractor only	82	69%
A lead & sub contractor (a & b)	25	21%
A stakeholder	6	5%

Q2: What is your interest in Merlin?	Aggregate	
	Count	% of total
a) A lead contractor for programmes covered by Merlin	30	25%
b) A sub-contractor (called a Supply Chain Partner within Merlin) for programmes covered by Merlin	107	91%
d) A stakeholder with an interest in Merlin and not a contractor	6	5%

Q2: What is your interest in Merlin?	Q1 Accreditation			Base
	Accredited	Not accredited yet	Unknown	
All lead contractors	80%	17%	3%	30
a) A lead contractor only	100%	0%	0%	5
b) A sub-contractor only	17%	35%	48%	82
A lead & sub contractor (a & b)	76%	20%	4%	25
A stakeholder	0%	0%	100%	6

Q2: What is your interest in Merlin?	Q3 Sector			Base
	Accredited	Not accredited yet	Unknown	
All lead contractors	73%	3%	23%	30
a) A lead contractor only	80%	0%	20%	5
b) A sub-contractor only	43%	13%	44%	82
A lead & sub contractor (a & b)	72%	4%	24%	25
A stakeholder	17%	50%	33%	6

Q3: What is the status of your organisation?	Count	% of total
Private sector	58	49%
Public sector	15	13%
Voluntary sector	45	38%



Q3: What is the status of your organisation?	Q1 Accreditation			Base	Q2 Interest in Merlin					Base
	Accredited	Not accredited yet	Unknown		All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder	
Private sector	45%	29%	26%	58	38%	7%	60%	31%	2%	58
Public sector	13%	27%	60%	15	7%	0%	73%	7%	20%	15
Voluntary sector	22%	29%	49%	45	16%	2%	80%	13%	4%	45

## Review of the Merlin Standard

### Survey questions for summary table below:

Q4. The primary reason for the standard is to encourage excellent supply chain management? On a scale of 1 – 5 (where 5 is the best), do you think that the Merlin Standard has achieved this aim?

Q5. The Merlin Standard aims to recognise and promote sustainable excellence and positive partnership working within supply chains and provide guidance to those seeking to achieve it. On a scale of 1 – 5 (where 5 is the best) how successful has Merlin been in achieving these aims?

Q6. On a scale of 1 – 5, do you think that the Merlin Standard has ensured fair treatment of sub-contractors by Prime Contractors?

Q7. On a scale of 1 – 5, do you think that the Merlin Standard is widely recognised as a valuable Standard to achieve?

Q8. On a scale of 1 – 5, do you think that the Merlin Standard has a positive reputation with all contractors?

Q9. On a scale of 1 – 5, do you think that the Merlin Standard has a positive reputation with funders?

Scale: 100% is best.  
in Merlin

Average score

Q1 Accreditation

Q3 Sector

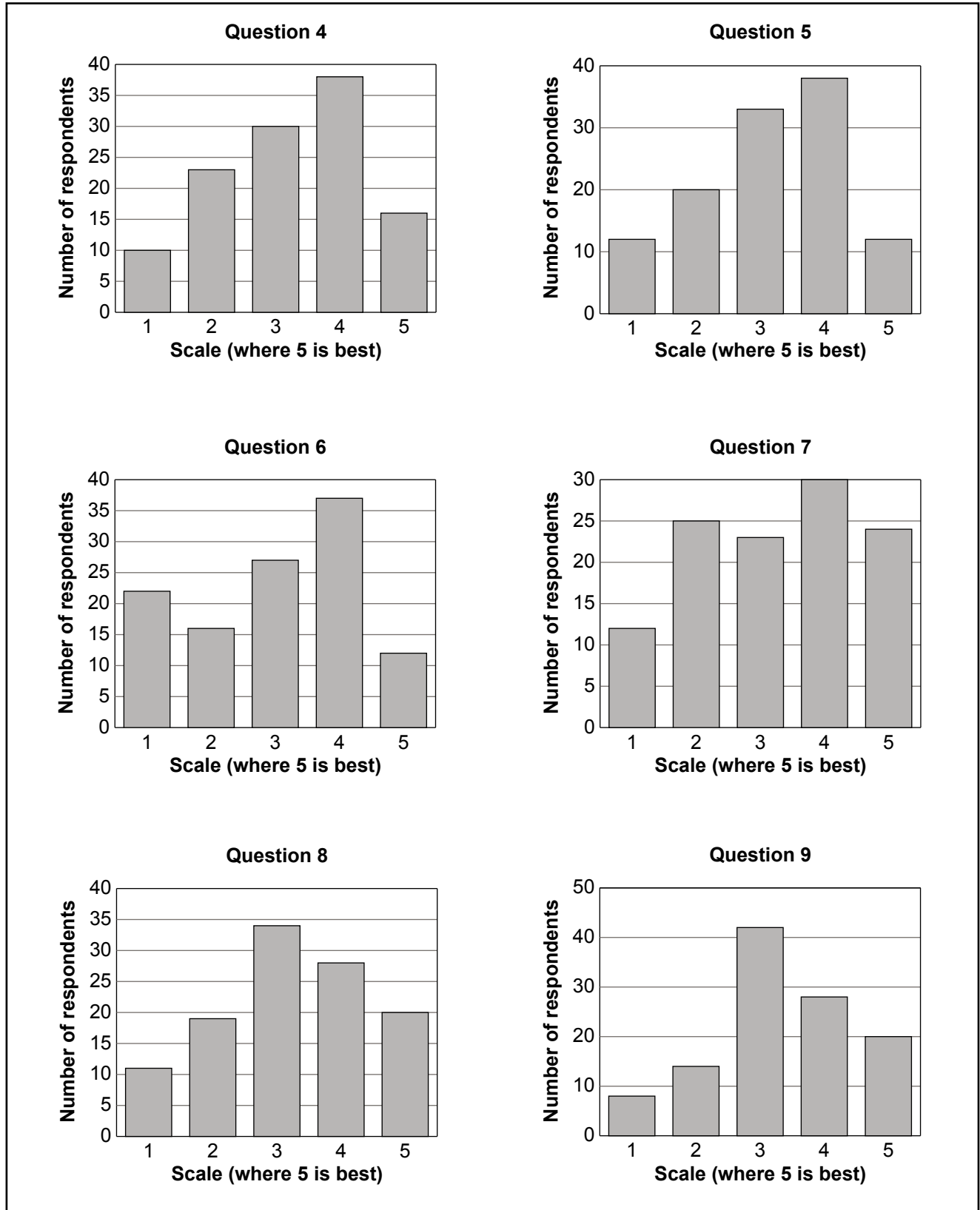
Q2 Interest

	Average score	Q1 Accreditation			Q3 Sector			Q2 Interest in Merlin				
		Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
<b>Scale: 100% is best.</b>												
<b>Q4: The primary reason for the standard is to encourage excellent supply chain management. Do you think that the Merlin Standard has achieved this aim?</b>	3.23	3.53	2.76	3.33	3.31	3.73	2.95	3.23	3.40	3.22	3.20	3.33
<i>Base</i>	117	38	34	45	58	15	44	30	5	81	25	6
<b>Q5: The Merlin Standard aims to recognise and promote sustainable excellence and positive partnership working within supply chains and provide guidance to those seeking to achieve it. How successful has Merlin been in achieving these aims?</b>	3.18	3.41	2.85	3.24	3.23	3.60	2.98	3.07	3.60	3.22	2.96	3.17
<i>Base</i>	117	37	34	46	57	15	45	29	5	82	24	6
<b>Q6: Do you think that the Merlin Standard has ensured fair treatment of sub-contractors by Prime Contractors?</b>	3.01	3.29	2.73	2.98	3.17	3.33	2.67	3.00	3.20	3.01	2.96	3.00
<i>Base</i>	115	38	33	44	58	15	42	30	5	79	25	6
<b>Q7: Do you think that the Merlin Standard is widely recognised as a valuable Standard to achieve?</b>	3.25	3.30	2.91	3.48	3.28	3.80	3.02	3.07	3.80	3.33	2.92	3.17
<i>Base</i>	115	37	34	44	57	15	43	29	5	80	24	6
<b>Q8: Do you think that the Merlin Standard has a positive reputation with all contractors?</b>	3.24	3.35	2.91	3.40	3.19	3.60	3.18	3.10	3.40	3.34	3.04	2.67
<i>Base</i>	112	37	32	43	58	15	39	30	5	76	25	6
<b>Q9: Do you think that the Merlin Standard has a positive reputation with funders?</b>	3.30	3.42	3.09	3.36	3.29	3.53	3.24	3.34	3.40	3.30	3.33	3.17
<i>Base</i>	115	38	33	44	58	15	42	29	5	80	24	6

## Review of the Merlin Standard

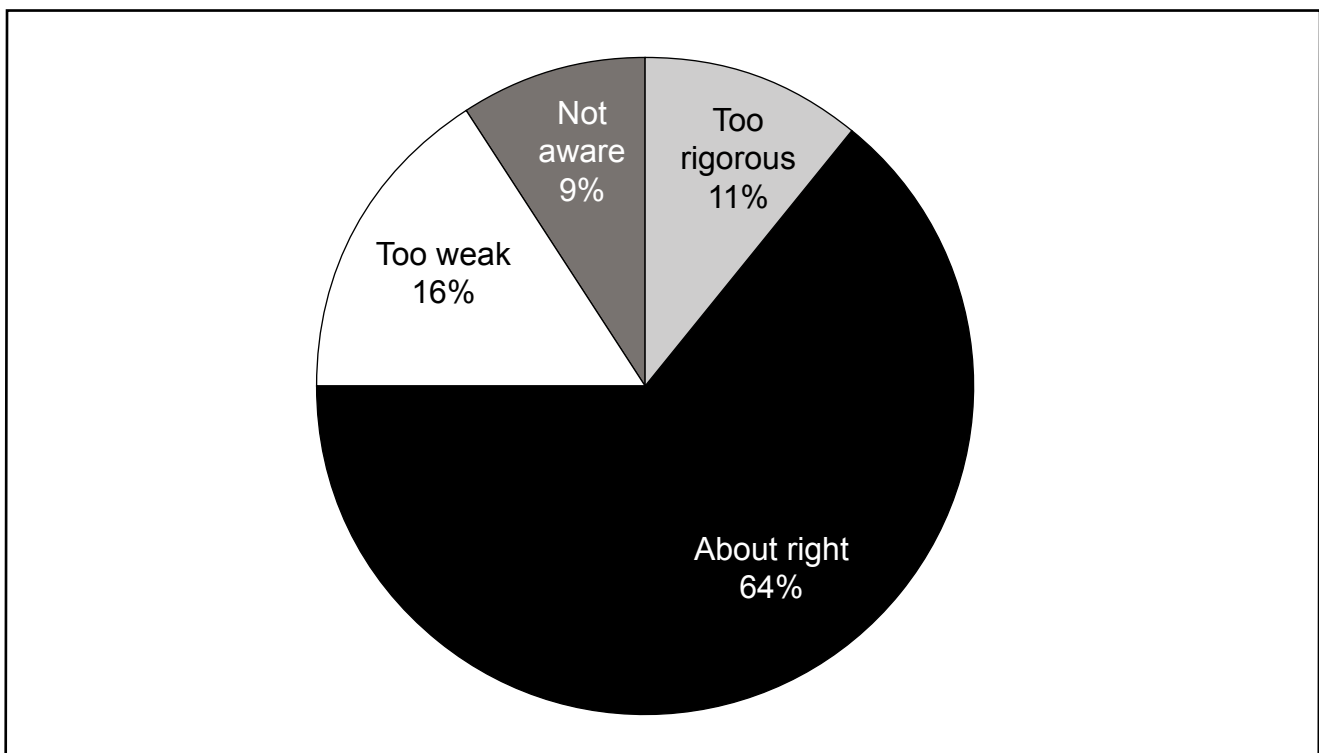
### Histograms for survey questions 4 to 9 (5 point scale questions):

These show the number of respondents for each scale point. This gives an indication of whether the overall response was more positive or negative e.g. taller bars for 4 and 5 compared to 1 and 2 indicates a more positive response.



Q10: What is your view of the standards needed to become a Merlin Standard accredited organisation?	Yes	No	% Yes
Too rigorous	13	104	11%
About right	73	44	62%
Too weak	18	99	15%
	<b>TRUE</b>	<b>FALSE</b>	<b>% True</b>
I'm not aware of the standards needed	10	107	9%

Q10: What is your view of the standards needed to become a Merlin Standard accredited organisation?	Q1 Accreditation (% Yes)			Q3 Sector (% Yes)			Q2 Interest in Merlin (% Yes)				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
Too rigorous	3%	18%	13%	5%	0%	22%	10%	20%	10%	8%	33%
About right	82%	53%	52%	67%	73%	51%	70%	80%	61%	68%	33%
Too weak	8%	12%	24%	14%	20%	16%	17%	0%	13%	20%	33%
I'm not aware of the standards needed	3%	18%	7%	10%	7%	7%	0%	0%	12%	0%	0%
<i>Base</i>	38	34	46	58	15	45	30	5	82	25	6



## Review of the Merlin Standard

Q11: Thinking about the fair treatment of sub-contractors, do you think Merlin provides sufficient protection? 100% is full protection and 0% provides no protection.	Average score	Q1 Accreditation			Q3 Sector			Q2 Interest in Merlin (% Yes)				
		Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
	56%	63%	52%	52%	59%	57%	50%	61%	68%	54%	59%	50%
<i>Base</i>	116	38	34	44	58	15	43	30	5	80	25	6

	Yes	No	Maybe	% Yes
Q12: In your view, is the assessment process sufficient assurance that providers are compliant with the standard?	47	31	35	42%
Q13: Should Merlin accreditation be made a standard requirement for all DWP contracts?	60	26	31	51%

	Q1 Accreditation (% Yes)			Q3 Sector (% Yes)			Q2 Interest in Merlin (% Yes)				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
Q12: In your view, is the assessment process sufficient assurance that providers are compliant with the standard?	58%	32%	30%	45%	40%	33%	50%	60%	37%	48%	33%
Q13: Should Merlin accreditation be made a standard requirement for all DWP contracts?	63%	38%	50%	55%	47%	47%	57%	40%	46%	60%	83%
<i>Base</i>	38	34	45	58	15	45	30	5	82	25	6



<b>Q14: If you are a Merlin accredited organisation what are your views of the accreditation process and its impact? If you are NOT an accredited organisation (i.e. with no accreditation requirement) go to Question 15</b>	<b>Agree</b>	<b>Disagree</b>	<b>Neither</b>	<b>% agree</b>
Did you think it was thorough	25	2	6	76%
It felt testing and we had to improve our systems	16	9	8	48%
Our partners and/or sub-contractors welcomed it	22	2	8	69%
We felt it was worth the process and cost	15	6	12	45%
It hasn't made any difference to how we operate	7	21	5	21%
We easily met the requirements of the standard	13	5	15	39%
The accreditation process was efficient	21	5	5	68%

<b>Q14: If you are a Merlin accredited organisation what are your views of the accreditation process and its impact? If you are NOT an accredited organisation (i.e. with no accreditation requirement) go to Question 15</b>	<b>Q2 Interest in Merlin (% Yes)</b>				
	<b>All Lead contractors</b>	<b>Lead contractor only</b>	<b>Sub contractor only</b>	<b>Lead &amp; Sub contractor</b>	<b>A stakeholder</b>
Did you think it was thorough	88%	100%	44%	84%	0%
It felt testing and we had to improve our systems	50%	40%	44%	53%	0%
Our partners and/or sub-contractors welcomed it	79%	80%	33%	79%	0%
We felt it was worth the process and cost	54%	40%	22%	58%	0%
It hasn't made any difference to how we operate	21%	20%	22%	21%	0%
We easily met the requirements of the standard	50%	40%	11%	53%	0%
The accreditation process was efficient	67%	60%	56%	68%	0%
<i>Base (accredited and answered the question)</i>	24	5	9	19	0

<b>Q14: If you are a Merlin accredited organisation what are your views of the accreditation process and its impact? If you are NOT an accredited organisation (i.e. with no accreditation requirement) go to Question 15</b>	<b>Q3 Sector (% Agree)</b>		
	<b>Private</b>	<b>Public</b>	<b>Voluntary</b>
Did you think it was thorough	83%	0%	71%
It felt testing and we had to improve our systems	54%	0%	43%
Our partners and/or sub-contractors welcomed it	75%	0%	57%
We felt it was worth the process and cost	58%	0%	14%
It hasn't made any difference to how we operate	21%	50%	14%
We easily met the requirements of the standard	42%	0%	43%
The accreditation process was efficient	71%	50%	43%
<i>Base (accredited and answered the question)</i>	24	2	7

## Review of the Merlin Standard

<b>Q15: Irrespective of accreditation, if you are a sub-contractor have you felt that Merlin has:</b>	<b>Agree</b>	<b>Disagree</b>	<b>Neither</b>	<b>% agree</b>
Improved Prime supply chain management	48	24	28	48%
Given you sufficient protection	31	33	35	31%
Established a good reputation	47	23	28	48%
Enabled you to openly express your views about Primes	43	40	17	43%
Made no difference to Prime behaviour	40	39	21	40%
In general, met your expectations	48	29	23	48%

<b>Q15: Irrespective of accreditation, if you are a sub-contractor have you felt that Merlin has:</b>	<b>Q1 Accreditation (% Agree)</b>		
	<b>Accredited</b>	<b>Not accredited yet</b>	<b>Unknown</b>
Improved Prime supply chain management	42%	45%	56%
Given you sufficient protection	30%	32%	31%
Established a good reputation	39%	48%	53%
Enabled you to openly express your views about Primes	42%	39%	47%
Made no difference to Prime behaviour	33%	45%	42%
In general, met your expectations	58%	39%	47%
<i>Base (answered the question)</i>	33	31	36

<b>Q15: Irrespective of accreditation, if you are a sub-contractor have you felt that Merlin has:</b>	<b>Q2 Interest in Merlin (% agree)</b>				
	<b>All Lead contractors</b>	<b>Lead contractor only</b>	<b>Sub contractor only</b>	<b>Lead &amp; Sub contractor</b>	<b>A stakeholder</b>
Improved Prime supply chain management	32%	0%	53%	32%	0%
Given you sufficient protection	28%	0%	32%	28%	0%
Established a good reputation	28%	0%	53%	28%	0%
Enabled you to openly express your views about Primes	44%	0%	43%	44%	0%
Made no difference to Prime behaviour	48%	0%	37%	48%	0%
In general, met your expectations	48%	0%	48%	48%	0%
<i>Base (accredited and answered the question)</i>	25	0	75	25	0

## Review of the Merlin Standard

Q15: Irrespective of accreditation, if you are a sub-contractor have you felt that Merlin has:	Q3 Sector (% Agree)		
	Private	Public	Voluntary
Improved Prime supply chain management	50%	67%	39%
Given you sufficient protection	30%	42%	29%
Established a good reputation	48%	58%	42%
Enabled you to openly express your views about Primes	34%	58%	50%
Made no difference to Prime behaviour	28%	42%	55%
In general, met your expectations	48%	58%	45%
<i>Base (answered the question)</i>	50	12	38

	Yes	No	% Yes
Q16: Are you aware of the Merlin Mediation Process?	65	46	59%

	Q1 Accreditation (% Yes)			Q3 Sector (% Yes)			Q2 Interest in Merlin (% Yes)				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
Q16: Are you aware of the Merlin Mediation Process?	61%	47%	57%	64%	60%	42%	67%	40%	51%	72%	50%
<i>Base</i>	38	34	46	58	15	45	30	5	82	25	6

	Yes	No	% Yes
Q17: Do you think Merlin should be more widely used? For example, by other government departments and local authorities?	50	18	74%

## Review of the Merlin Standard

	Q1 Accreditation (% Yes)			Q3 Sector (% Yes)			Q2 Interest in Merlin (% Yes)				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
<b>Q17: Do you think Merlin should be more widely used? For example, by other government departments and local authorities?</b>	58%	32%	37%	41%	60%	38%	60%	40%	33%	64%	83%
<i>Base</i>	38	34	46	58	15	45	30	5	82	25	6

	Yes	No	Maybe	% Yes
<b>Q18: Finally, do you think the role of the Merlin Standard will need to change in the future, if at all?</b>	50	17	48	43%

	Q1 Accreditation (% Yes)			Q3 Sector (% Yes)			Q2 Interest in Merlin (% Yes)				
	Accredited	Not accredited yet	Unknown	Private	Public	Voluntary	All Lead contractors	Lead contractor only	Sub contractor only	Lead & Sub contractor	A stakeholder
<b>Q18: Finally, do you think the role of the Merlin Standard will need to change in the future, if at all?</b>	34%	41%	50%	38%	53%	44%	50%	60%	37%	48%	83%
<i>Base</i>	38	34	46	58	15	45	30	5	82	25	6

# Appendix C

## Merlin Advisory Board

	<b>Name</b>	<b>Organisation</b>
1.	John Michalski (Chair)	DWP
2.	Glenn Finlayson	DWP CD
3.	Barry Clarke	DWP CEPD
4.	David Hall	DWP CD
5.	Jane Malbasa	DWP
6.	Terry Davis	Bradford City Council
7.	Davies Huw	Base-UK
8.	Kirsty McHugh	ERSA
9.	Louise Capel-Cure	Ingeus
10.	Nicholas Starkey	Cabinet Office
11.	Nikki Vokes	Community Opportunities
12.	Paul Warner	AELP
13.	Paul Winyard	Compact Voice
14.	Mark Winter	ACEVO
15.	Nick Davies	NCVO
16.	Steve Swan	Tomorrows People