



**Say hello to Mia.**

**She's only 1 hour 27 minutes old.**

**During the course of her life she'll unexpectedly become a single mother, will experiment with drugs, earn a degree, embark upon a fulfilling career and have a beautiful grandchild.**

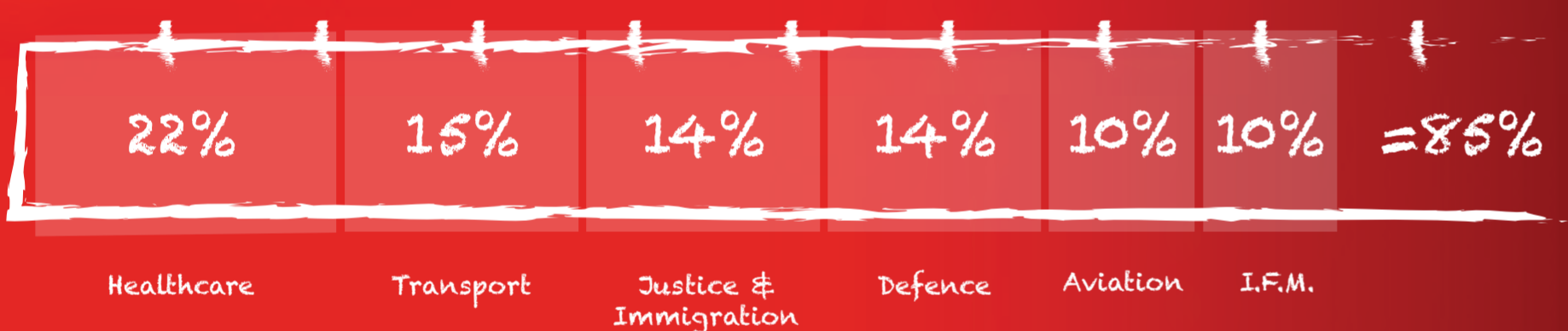
**All with just a little bit of help...**

At 15 yrs 11 months old Mia unexpectedly becomes a mother. Over the past 9 months Mia and her family have had the support of youth parenting counsellors and teen pregnancy groups. With their help she has been able to make sensible decisions, staying healthy and safe throughout her pregnancy. Adequate contraceptive advice early on would have helped Mia to avoid early motherhood, but a range of support groups will assist her in making a positive start to this new phase of her life. As Mia leaves hospital, the midwife hands her leaflets for a mums & tots group, after hours surgeries, health visitor contacts and other support groups. Mia tells the midwife that one day she wants to travel to Venice.

## Serco AMEAA, today and the future...

The AMEAA region has experienced the fastest growth of Serco's portfolio in 2012 80% top revenue over 4 market segments. As we move to 2016 we will be looking to add to those market segments, and with adjustments we anticipate occurring within our existing markets these additions will reflect a more balanced portfolio for future growth.

A MORE BALANCED AMEAA PROFILE BY 2016



Currently, Serco offers a variety of bespoke services within four divisions:

- UK and Europe
- Americas
- AMEAA (Australasia, Middle East, Asia and Africa)
- Global Services

With over 700 contracts worldwide, each is managed as a business in its own right. By drawing on the skills and expertise of the global workforce, Serco has been able to secure opportunities across the wider multi-national economy. Revenue from ongoing activities has grown by 2% in 12 months to £2,494 million. This represents 51% of Group ongoing revenue.

As a leading global organisation we understand the challenges of developing and delivering on high quality programmes to meet the diverse needs of emergent and extant organisations operating in similar restrictive markets.

Our approach thus far has seen Serco successfully bring together local providers from across the whole service spectrum, drawing on their collective knowledge and expertise. To ensure they meet Serco's precise requirements, we have developed comprehensive Engagement Models, and introduced proven robust governance processes that ensure the same level of quality is being delivered across our external partners within our contracts.

### Business for the future

To enable Serco to achieve its growth objective for 2016, we must extend our internal capabilities by establishing a larger number of strategic partnering relationships. We must embrace open innovation and work collaboratively with our strategic partners to co-create significant new opportunities within existing markets.

As Serco seeks to underpin its growth prospects into new countries, services and private industries, a 31% total revenue

growth in AMEAA will increase the region's exposure to 18% of the Group's total portfolio.

As a global organisation it is imperative that we look to access and explore innovative models of creating business opportunities, especially in the current economic climate.

A key emergent market for AMEAA is the third sector service providers.

Governments and companies face an increasing need to improve the quality of services to their citizens or customers whilst contending with constrained or reduced budgets. Competition and outsourcing offer an ideal solution to this need because:

- Delivery is assured due to deep operational expertise
- Fresh thinking is brought to the fore as a result of the breadth of knowledge and experience
- Successful transformations result from the mixture of front, middle and back office expertise

As a current leading player in our core markets of defence, transport, justice, public sector health, financial services, retail, travel and private sector telecoms, Serco will benefit greatly from growth in these third sector markets.

### Our Service Model strategy will:

- Widen our exposure to emerging markets where superior growth and margins can be achieved
- Deepen our transformational expertise to access larger, more complex, higher margin growth opportunities
- Enhance our portfolio of services to allow us to develop a greater competitive advantage for attracting business opportunities in new markets whilst embedding and retaining existing contracts across our core market services

This Service Model will allow us to identify, deploy and assess existing third party services within Serco contracts. At the same time we will be able to migrate away from individual

contract procurement to provide education and training programmes that utilise existing services within contracts operated by other private providers and the public sector.





As baby Emma starts school and other mum's go back to work, Mia finds her world closing in on her. Both unemployed, her boyfriend's drug habit becomes her habit and, with nothing to occupy her during the day, Mia's health begins to deteriorate.

She is arrested in a drugs bust at her home and is sentenced to 2 years in prison.

While in prison, Mia gets clean and with the encouragement of prison officers on her block, she begins to investigate educational courses and opportunities on offer through the prison.

For the first time in many years she can see a better route open to her. The Reintegration Team help her to arrange safe accommodation for Mia and her daughter post-release. She is put in touch with external groups who will provide the support she needs to remain in a positive, drug free routine.

Mia leaves the prison with new qualifications that will enable her to embark upon a university degree and give her the opportunity of a fulfilling career.

## Serco, a current market overview

The Aspire Management Team was asked to deliver an innovative business solution that would fund an 18% compound annual growth rate, with the potential to achieve an increase in EBIT of 1.7% from 7.4% over a 5-year period (figures are indicative for this exercise).

AMEAA is currently seeking to develop future growth markets in the following areas:

- Australia
- China
- India
- UAE
- Turkey

This project looks to identify, deploy and assess third party services that will enable Serco to deliver a diverse range of services giving a 'services for life' style of engagement within Australia Pty.

Primary barriers to the success of this include:

- Geography
- Finance
- Fluctuation in need

### The concept

As Serco expands further into new emerging markets, it is beginning to face issues that have the potential to impact on its global reputation.

- A poor Human Rights record
- A lack of internal infrastructure to support investment
- Poor environmental policies
- Political unrest or risk

Factors such as these are reducing opportunities for Serco to engage in core business areas, such as Justice. There is a need to diversify globally.

Currently, 90% of Serco AMEAAs business is based in either Australia or UAE. To maintain growth inline with Global objectives, it is necessary to achieve greater depth and diversification in our business.

The market is evolving. Existing customers are facing changes in:

- Responsibilities
- Budget pressures
- Increased competition

To remain competitive, Serco needs to develop contract bids that offer:

- Best practice
- Economies of scale
- Cost effective solutions

In 2014, the Western Australian Department of Health will open Fiona Stanley Hospital - a state-of-the-art 783-bed facility, managed by Serco offering comprehensive healthcare services to communities in Western Australia (WA). The bid included the engagement of local education providers.

As a leading service provider, Serco recognises that the services we deliver affect the community, either as individuals or by forming part of the nation's social welfare system.

Our business model will identify those areas that impact most upon the individual.

Areas such as:

- Employment
- Healthcare services
- Education/training
- Housing
- Aged/disability care
- Offender programmes

It has long been recognised that providing individuals with the ability to participate in social and economic activities, through education and training, both reduces their long-term need for services and generates economic growth.

My vision is to offer a holistic provision of services that engage with an individual at a time in their life when they may need to access support.

For example, HMP & YO1 Doncaster in partnership with Catch22, provide a through-the-gate support process that offers prisoners programmes that they can access both whilst in prison and when released into the community.

Not-for-profit organisations like these are able to offer bespoke programmes and training dependent upon the specialist section of the market that they represent.

By developing a 'service for life' approach which has merit and generates beneficial effects for the community, Serco will be able to establish future growth drivers in new countries and to re-engineer support functions with business partners.

## Delivering the service

As demand for quality public services grows, it is imperative that we are able to deliver whilst simultaneously minimising the impact on public sector budgets. By utilising existing contracts we can identify and develop a portfolio of programmes and training that can be delivered across contracts as 'service for life'.

An increasing number of public sector services are being opened up to non-government providers that can offer monetary savings and improved services. New stakeholders entering the market through the 'soft' entry process aim to deliver some quick wins. Our competitors are beginning to recognise the opportunities available in this sector.

Serco has a strong history of successful and innovative commercial models for engaging with customers as well as small businesses, voluntary organisations and trade unions. These include:

- Innovative commercial models for customers
- Successful partnerships and engagements with other organisations
- Making a positive impact on communities, citizens and young people

We now need to build on this success and develop a clear strategy to how we can deliver a 'service for life model' in existing contracts, new businesses and the community or we will lose our competitive advantage.

### Creating partnerships

To do this we will integrate third sector agencies into a partnership for delivering a portfolio of services. Serco, as the prime contractor and commercial driver of the business, will provide the working capital and leverages, and will manage the performance of the agencies concerned. Delivery of services to individual customers will be via a joint venture as Serco already has access to existing specialist resources in individual contracts. These resources will be able to deliver part or all of the programmes designed based on individual client needs.

Working with third sector agencies in this way is not an untested idea. In the UK, Serco already works extensively with charities and social enterprises, utilising their specialist knowledge of issues at local levels to deliver more effective interventions for:

- Offender Management Services
- Employment Services
- Healthcare Services
- Education Services
- Business Services

Partnerships with voluntary health, social care and skills organisations (such as Catch22 and Turning Point) have assisted in the successful rehabilitation of offenders, lowering rates of recidivism in those areas.

### Sustaining growth

Serco Asia Pacific Justice states,

*"We aim to positively contribute to the communities in which we serve. We work to ensure that people leave our care as improved citizens who are better able to find work and positively contribute to the community. We have therefore expanded and invested in our numerous education, training rehabilitation and resettlement programs for prisoners, with a focus on community, restorative justice and social responsibility."*

Serco Australia Pty currently operates and manages three prisons, with competitors GEO, GSL and G4S operating four, one and one respectively. The remaining 100 prisons are managed by Corrective Services for each individual state.

In order for us to continue to deliver and grow our business within public sector services, Serco needs to:

1. Deliver an improved service at a reduced cost
2. Use technology to enhance services i.e. HCC and remote communities
3. Develop an integrator model that delivers health outcomes
4. Establish and agree responsibilities in delivering services between customers, external stakeholders and respective contractual providers

Visibility of future earnings remains high due to the signed contracts that make up our order book, contracts that we expect to extend and rebid, and contracts at the preferred bidder stage which we expect to sign. At 31 December 2012, revenue visibility was 92% for 2013, 79% for 2014 and 70% for 2015.

## SWOT ANALYSIS

The Serco business model enables us to draw on our competitive advantages:

### Strengths

- Our brand is strong
- We already have proven experience of working in the service sector
- We currently offer training and programme services within existing global contracts
- We are already working with third sector agencies to deliver services within our contracts
- Existing governance processes are in place to ensure the quality of service delivered
- Shared best practice
- We understand the needs of our customers and are able to deliver innovation
- We have the ability to make organisational changes in line with customers' desire for more integrated and end-to-end services that increase efficiency and deliver better services

### Weaknesses

- Recruiting and training staff to deliver programmes
- Difficulty in providing services
- Public opinion is against privatisation of some public sector areas

### Threats

- Serco will jointly carry the third sector agency results and reputation
- Adverse media reaction to Serco's engagement with third sector agencies
- Engagement with third sector agencies to ensure we can deliver the products and services
- Third sector agencies increasing costs of services over period of a contract
- Failure to deliver services
- Loss of existing established partners

### Opportunities

- Business model can be applied across countries in emerging markets
- Delivery of services can be adapted to meet the individual needs of the market
- Ability to provide innovative programmes to maximise organisational requirements
- Development of business partnerships with new providers
- Efficiencies and improvements in essential services continue to be sought by customers around the world
- Potential for increased opportunities through ongoing public service reform

### Summary

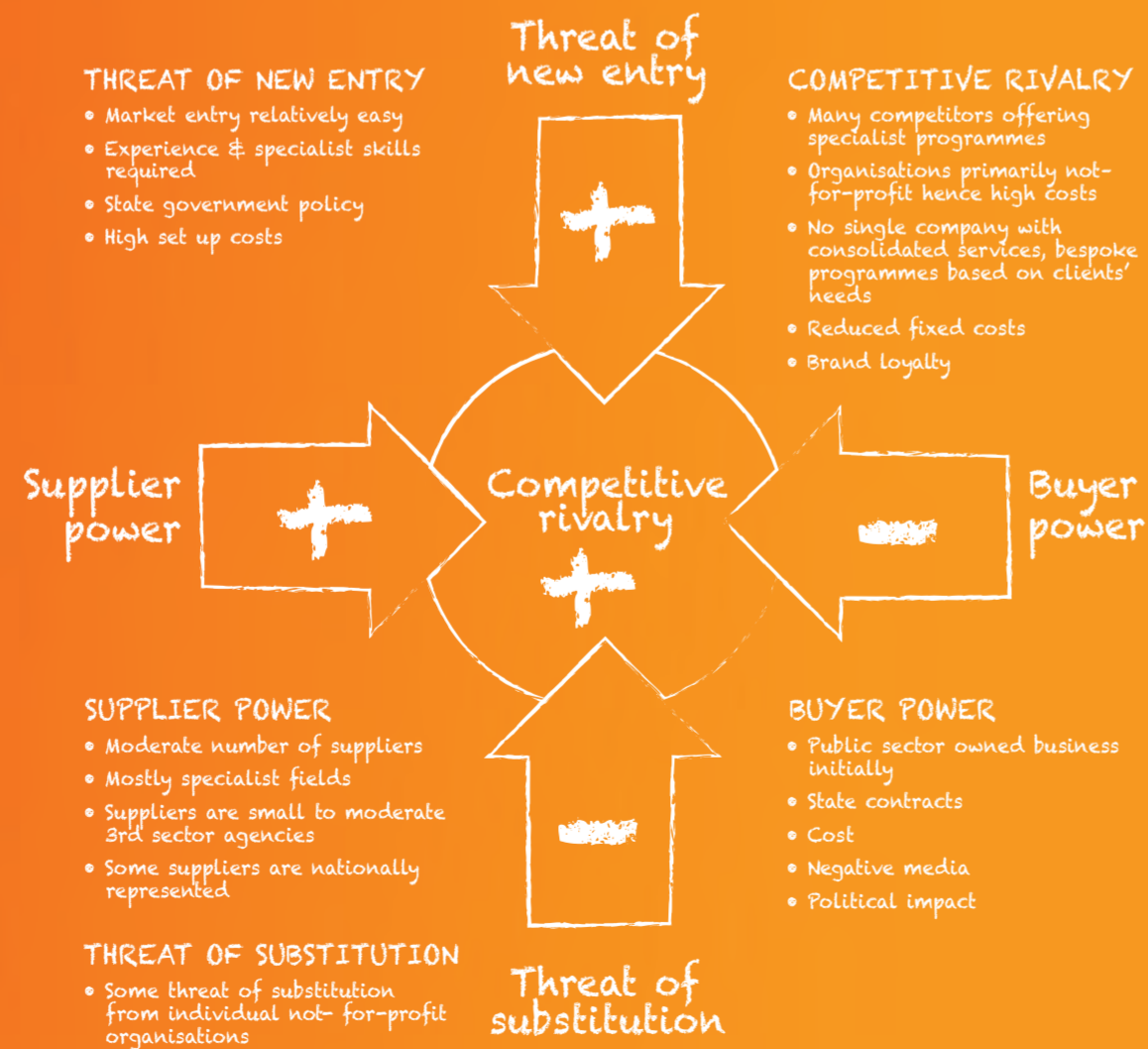
Public opinion regarding privatisation remains divided, with unions declaring:

- Reduction in service quality
- Reduction in wages and conditions
- Increase in prices

To deliver a 'services for life' approach that is based on individual contractual needs, the strategic relationship between State and National Government can be extended.

This solution will enable Serco, in partnership with other agencies, to develop a portfolio of programmes and training that can be offered to any end provider.

## MARKET ANALYSIS



Whilst in prison, Mia completed her high school qualifications, enabling her to apply for a place at university upon release.

With the help of university support groups, Mia is able to find childcare for Emma after school so that she can complete her studies.

To give herself the edge on her classmates after she has completed her degree, Mia applies for work experience roles during the university holidays.

She enrolls Emma in vacation care provided in her suburb by a local charity group.

This means she can spend the days with her best friends from school.

Emma also gets to go on excursions to a local farm and learn about the animals.



**Mia graduated from university and gained employment with the company with whom she spent her placement year.**

**That was 15 years and ago and now she has progressed up the ladder to a senior management position and lives in the city.**

**Like most people in her suburb, Mia's life is aided daily by an invisible network of support services who provide her utilities, empty bins, monitor road traffic and even assist in her flights for business and pleasure.**

**Mia still attends support groups for drug addiction, but this time as a mentor. Encouraged by the support she received, she always advises young mothers to stay at school and finish their education.**

**Emma is in her final year of veterinary studies, has a job lined up and is saving to take Mia to Venice on holiday, as a surprise.**

## The benefits

Our strategy is to widen exposure to emerging markets where superior growth margins can be achieved. It will enable us to deepen our transformational expertise allowing us to access larger, more complex and higher margin growth opportunities across our core markets.

Efficiencies and improvements in essential services continue to be sought by customers around the world. By offering governments a contract for the provision of support services we will engender confidence in Serco's ability to provide quality services even in a high risk political arena. The increased breadth of our portfolio across different markets and economies will provide resilience and enhance our overall growth potential.

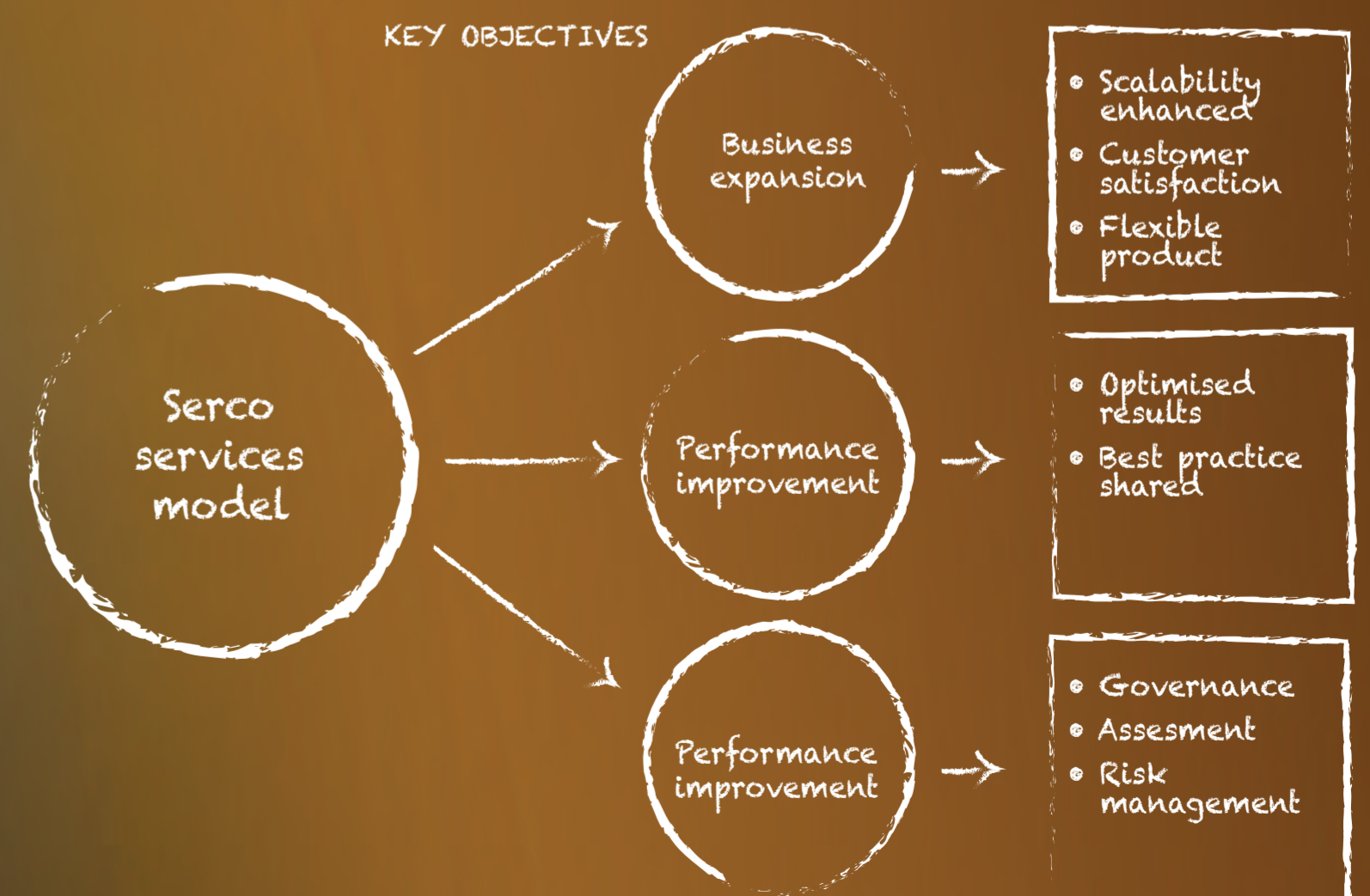
Serco 'service for life' can help realise the following benefits:

- Flexible access to programmes dependent upon customer need
- Increased frequency of programmes available
- Services with a proven governance and assessment tool to ensure quality of delivery
- Increased access to develop further business opportunities

**The model of success by outcomes**  
By successfully delivering these benefits for services within Australia, we will create a model that can be transferred into countries in which Serco is attempting to establish new markets; countries that have a greater growth potential for the Company.

**This proposal aims to achieve the following 5 outcomes:**

1. Greater flexibility in delivery of services - with increased scope to engage with other professionals to deliver support services to individuals
2. Extending the scope of rehabilitation - we will work to reach as many offenders as possible both whilst incarcerated and once released back into the community
3. More efficient services - by working with the voluntary sectors to deliver the majority of the services
4. Greater diversity of providers - we want to retain the wealth of experience that currently exists not only within our own providers but also those that currently work within public sector providers
5. Collaboration with partners - we need to build on and preserve the good work already done by agencies that work together to manage services across the sectors



Mia is involved in a road traffic accident while driving to work when her car is hit by a speeding driver. Paramedics take Mia to the emergency department of her local hospital. She is diagnosed with a broken hip. During her time in hospital Mia is looked after by a large range of people from surgeons, nurses and radiographers to physiotherapists, caterers and cleaning staff. Some of this care follows her as she leaves hospital, as various agencies visit her at home and offer continued physical and mental support as she heals. Emma and her husband come to visit. They hire a beach wheelchair to take her out to the sea for the day and tell her that she is going to be a grandmother.

## Benefits

Four key factors to winning a contract are to have:

1. A sound credible solution
2. A good track record
3. An acceptable price
4. A supportive customer

Serco is a large, successful and diverse company. We operate in many business sectors across a large number of countries. Our structure and how we operate place accountability as close to the point of delivery as is practical and consistent with good governance requirements for the organisation. We therefore aim to devolve maximum responsibility throughout the organisation.

We have defined the Serco Management System to assure effective governance, behave consistently across our global business portfolio and deliver the Five Foundation Stones of our business strategy (our Governing Principles, our business model, our business offering, our organisational model, and our operating principles). We have defined the Serco Management System. All parts of Serco are required to operate within this framework and to comply with the internal controls that it defines. An important element of control is the use of 'boards' throughout the organisation that enable the effective devolvement of responsibility to the appropriate levels.

### Moving 'service for life' to the next level

To progress Serco 'services for life' to the next level we need to:

- Identify those agencies working within our existing contracts
- Identify markets within sectors to deliver specific services
- Develop a robust business plan
- Produce a Stakeholder map
- Develop a business case
- Submit a bid
- Conduct a black hat review

### Identifying a programme

The Programme Mandate provides the high-level strategic objectives for the programme. These are developed into the Programme Brief, which is formally approved by the SRO and Sponsoring Group.

### Defining a programme

The Programme Brief provides the basis for developing the Programme Definition, and the strategies and plans for programme governance. The Programme Definition requires approval by the SRO and Sponsoring Group before the programme is formally established.

### Governing a programme

This process describes how the defined governance arrangements are established and implemented. The programmes constituent projects

and activities are grouped into tranches. Each tranche delivers a step change in capability, after which benefits realisation can be assessed. The end of each tranche provides a major review point at which the programme can be formally assessed in terms of its progress towards target.

### Managing the portfolio

Once the programme is established, this process provides

the management regime for the project portfolio ensuring that the project delivers the required output. This process covers the interface with project management. It will require active coordination with Managing Benefits and the relationship with other projects and programmes. Finally it will interface closely with the corporate strategy.

### Managing benefits

The programme activities, work streams and projects will deliver new capabilities, services or business operations. The purpose of this process is to track the benefits from their initial identification to their successful realisation. This process also involves planning and managing the transition between old and new ways of working while ensuring that 'business as usual' is maintained.

### Closing a programme

In order to establish and maintain a clear focus on achieving the end-goal, a programme should have a pre-determined end-point and a formal process of close down. This includes confirmation that the changes have been achieved. Programme closure may be scheduled at any point after completion of the last project. The timing of the end-point is largely dependent upon the

amount of support required from the programme before the changed environment delivered by the programme is sufficiently embedded.

Mia is a fictitious person who could be from any country. Her life story however, is representative of most people.

Serco understands that the services it provides are aimed at the most vulnerable and disadvantaged in our communities. By providing these services to a high standard we will improve immeasurably the quality of life and social fabric much of society takes for granted.

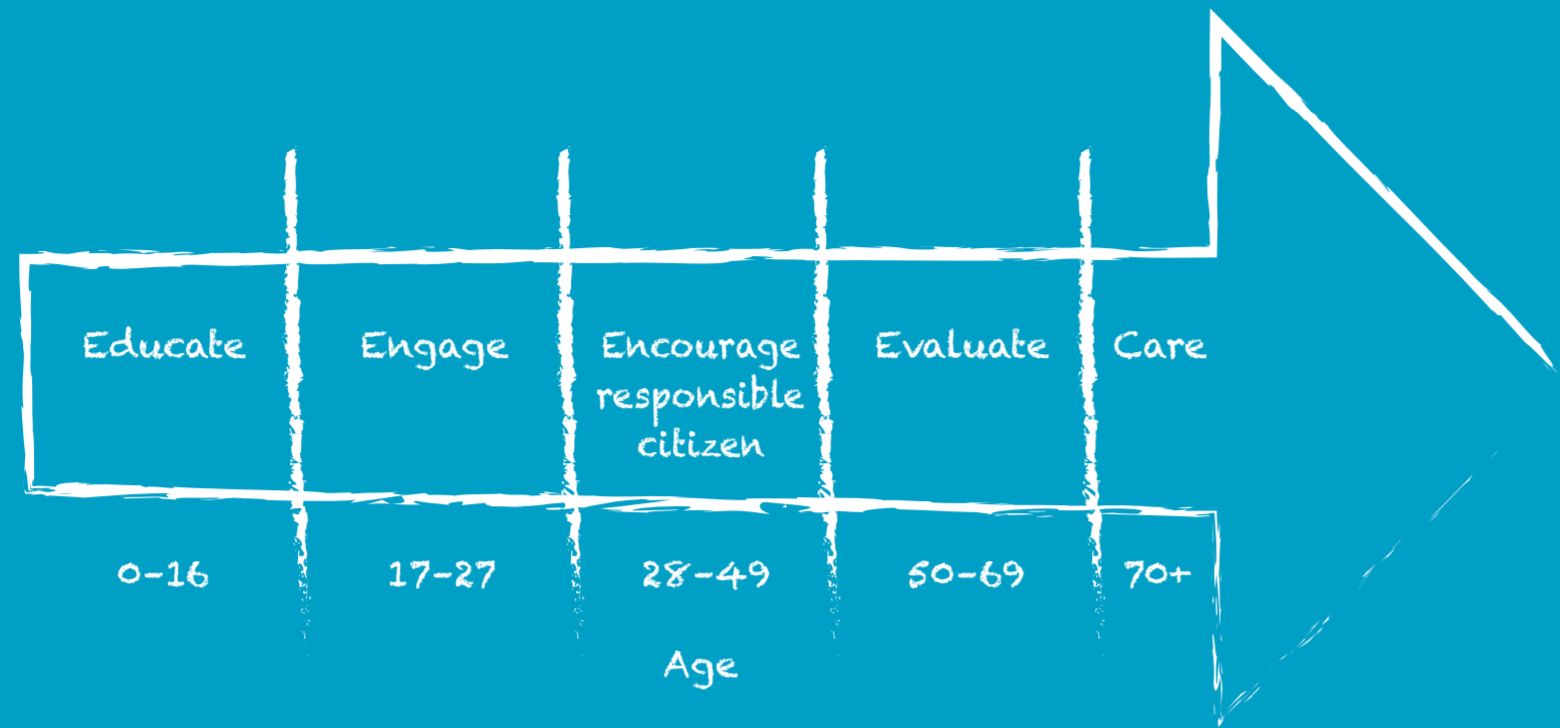
As demand for these services grow in line with the needs of our communities, we must to be positioned respond. Our aim is to improve outcomes for all Australians through genuine partnerships between the not-for-profit community sector and public authorities.

**At Serco, by working together we can provide genuine service for life.**

The stages of an individuals life can be broken down into age ranges, within these ranges we are able to assess potentially what access to services that individual may require and how we can tailor those needs to suit the individual

- 40% increase of finding employment if an indigenous child stays in school to year 10
- 1 in 5 girls worldwide will have given birth under the age of 18
- On average 28,711 people per day were held in Australian prisons
- 56,056 offenders per day were serving community correction sentences
- 20% of Australian children were not meeting basic literacy standards

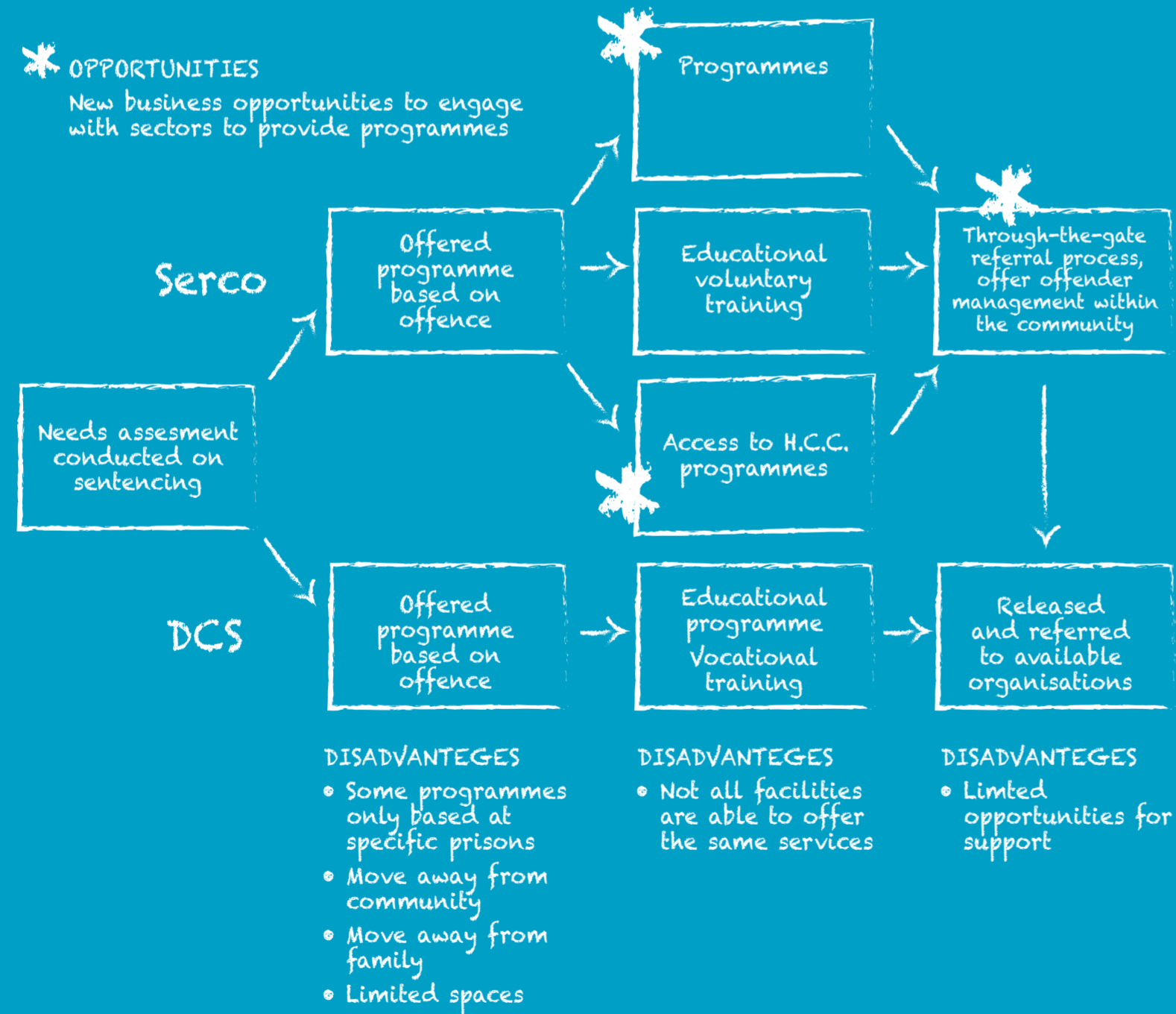
### POTENTIAL LONG TERM SERVICES AGREEMENT



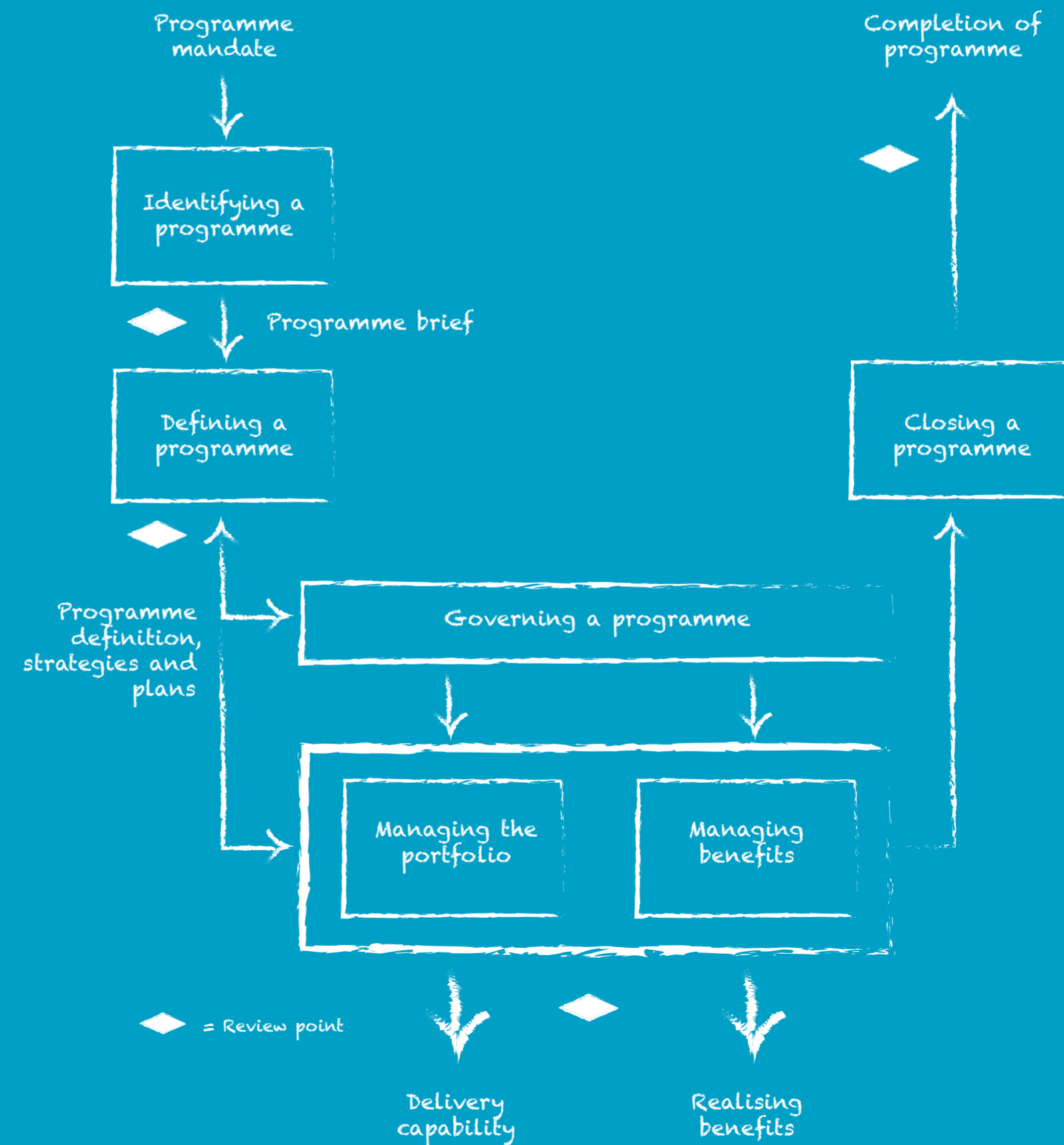
### SERVICE FOR LIFE



### A SERVICE MODEL FOR OFFENDER PROGRAMMES



### PROGRAMME MANDATE





**6 days after her 76th birthday Mia passes away quietly in her sleep in a residential home with her daughter by her side.**

**Over the 27,765 days of her life she met 19,786,557 people. 656,786 of these people worked directly in, or were contracted to, services that helped Mia live a better life.**

**Primary school teachers, drug counsellors, career advisers, traffic wardens and nurses - these people helped Mia throughout her life in everything from emptying her bins of rubbish to filling her head with knowledge, even though she didn't know who most of them were.**

**Some were full-time, some were part-time but all of them cared all of the time.**

They all worked together,  
**they achieved great things together.**

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**serco**