



Public Accounts Committee

Oral evidence: Asylum accommodation, HC 1000

Wednesday 5 February 2014

Ordered by the House of Commons to be published on 5 February 2014

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Members present: Margaret Hodge (Chair); Mr Richard Bacon; Stephen Barclay, Jackie Doyle-Price, Chris Heaton-Harris, Meg Hillier, Stewart Jackson, Fiona Mactaggart, Austin Mitchell, Ian Swales, Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, Gabrielle Cohen, Assistant Auditor General, Louise Bladen, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: James Thorburn, Managing Director, Home Affairs, Serco, Stephen Small, Managing Director, Immigration and Borders, G4S Care and Justice Services UK Ltd, and James Vyvyan-Robinson, Managing Director, Clearsprings, gave evidence.

Q1 Chair: Welcome. Thank you for coming. Can I just start by asking G4S and Serco, why did you decide to tender for this work? You have not got experience of providing asylum seeker support.

Stephen Small: From G4S's perspective, we have worked with the Home Office for a number of years on a number of contracts—in immigration, which we would see asylum as part of—in providing services to the Home Office. It fitted with that delivery.

Q2 Chair: But you have never before provided accommodation, have you, in any of your other contracts?

Stephen Small: Not for asylum seekers, but we have worked on accommodation in children's homes and the like for some considerable years.

Q3 Chair: And what added value did you think you could bring?

Stephen Small: We deliver very good services in the welfare and care of people in all sorts of situations—from prisons to children's homes to immigration removal centres—across a wide range of services, and have a good record in the care and welfare of people.

Q4 Chair: I will come to my examples of G4S—the actual service that you are providing so far. It does not appear, from my case load in my constituency or from what I have seen elsewhere, that you are providing a very good service. I just wondered why you went for this one. Was it just another Government contract? This is a specific service for incredibly vulnerable people. What value did you think you could add?

Stephen Small: As I said, G4S has a very good record of caring for vulnerable people.

Q5 Chair: Just tell me—you run children's homes. Where?

Stephen Small: In various places across the country.

Chris Heaton-Harris: In my constituency.

Chair: Right.

Stephen Small: And we have a very good record of caring for vulnerable people.

Q6 Chair: Children's homes. And what else?

Stephen Small: Prisons.

Chair: A bit different.

Chris Heaton-Harris: Secure training units.

Stephen Small: Yes, secure training units.

Chair: Not such a good reputation.

Chris Heaton-Harris: A very good reputation in my constituency.

Q7 Chair: Mr Thorburn, why did you go for it?

James Thorburn: Good afternoon, Madam Chair. We felt, when we went into this, that we had a lot of experience with facilities management, which is a big part of this COMPASS contract. In particular, we have a large defence business and justice business, and also a health business, where part of those contracts is looking after the properties, the assets—the hospitals and prisons. Coupled with that, as Mr Small just said, in what we do, we care for a lot of vulnerable people and we run two immigration centres, so we understand the immigration market as well. Also within my purview, we have 5,640 prisoner places and over 2,800 staff looking after those prisoners, so we felt we had a lot of experience looking after vulnerable people. We felt we had experience in the property market as well, in terms of the facilities management, and this was a natural extension of those capabilities.

Q8 Chair: I will not ask you the question, Mr Vyvyan-Robinson, because you were running it before. If you felt you had all this experience and expertise, why were you not able, therefore, to meet the terms of the contract and manage the transition in the time given to you under that contract?

James Thorburn: From Serco's point of view, this was a very large and significant and complicated transition. We were transitioning approaching 3,000 properties and over 8,000 asylum seekers into the new contract, going from over 100 small providers to consolidating into the six regions, of which we have two regions, so this was a large, significant programme.

As part of that proposal, when we initially planned this, we made certain assumptions about certain aspects of what we would be able to do and, in these large, complicated programmes it is a normal course that you will make certain reasonable working assumptions. In particular, we made certain assumptions about how easy it would be for us to bring on new properties to house the asylum seekers and also to manage the transition from the previous providers—the so-called target providers—over to us at the back end of 2012. If you would like me to explain a little more, I will be happy to explain those assumptions.

Q9 Chair: I want you to keep your answer tight. You accept a contract and you say you have entered into this market because you have got a lot of experience and expertise, yet when we look at how you manage the transition—which is clearly an issue, and I assume you thought about that before you undertook the contract—you failed to deliver. I accept that the Report is slightly dated, and no doubt you will tell me that it is a bit better now. Nevertheless, it is a year and a half into the contract and you are still not meeting all the essential KPIs in all sorts of ways. If you had the experience and expertise, you knew what was expected of you—the 8,000 properties coming over to you, and demand is only slightly higher than you expected—so you should have been able to manage that and not land the Home Office with an additional burden that goes on to the taxpayer.

James Thorburn: Madam Chair, as I said, we made certain assumptions about how easy it would be to do that.

Q10 Chair: What went wrong? You can tell us very briefly. Why did you not meet the terms of your contract? We note that the Home Office has not fined you for the first six months of that.

James Thorburn: First, can I just say we are achieving almost all of our KPIs at this point in January—those being the targets under the contract? I would welcome the opportunity to explain the considerable progress, as the NAO Report alludes to, that we have made over the recent months.

To answer your specific question, the assumptions I referred to were in two areas. The first was how easy it would be for us to bring on new properties to house the asylum seekers. We made certain assumptions about how easy it would be to work with the local authorities

to find those suitable properties for the asylum seekers and bring them on. If I could just explain that, the assumption we made, based on our market research and the documentation we were given early on in this process, was that it would take 48 hours for us to seek approval—we do seek approval for every single property from the local authorities—and bring on a new property. In 48% of cases in 2013, it took more than 48 hours, and in those cases—about half of all cases—it took an average of 11 days.

Q11 Mr Bacon: Have you ever dealt with a local council person? If you have, have you ever had anything resolved within 48 hours?

James Thorburn: I can explain that we made that assumption.

Q12 Mr Bacon: I am just asking: have you ever dealt with the local council and personally had anything resolved within 48 hours?

James Thorburn: Yes, I have dealt with the local authority.

Q13 Mr Bacon: And was that your index? Because you have had it happen to you once, it was a suitable general threshold?

James Thorburn: That was what the assumptions that we made—

Q14 Mr Bacon: I know, you have told us that; I want to know why you made that assumption. I am asking whether it was because you once had it happen to you within 48 hours that you decided that it was a good general benchmark.

James Thorburn: If the question is specifically targeted at me, I was not actually there at the time, but I will explain—

Q15 Mr Bacon: Okay, the organisation then. How did it reach this criterion or benchmark of 48 hours?

James Thorburn: In terms of the organisation, there was various documentation that we received at the bid and we made certain assumptions around—

Q16 Mr Bacon: You keep on repeating this; I am not asking you to repeat for the ninety-nth or one hundred and eleventh time—I have just been reading “The Lord of the Rings” to my little boy—that you made certain assumptions. We know this, because you have said it several times. I am asking you a different question, Mr Thorburn—about how, not what. How did you reach the assumption of 48 hours? Was it because, for example, the documents that you referred to said, and the Government, as it were, put their imprimatur on this, “Mr Thorburn,”—or “Serco,”—“you should expect local councils to turn around your

requests within 48 hours, and we will be holding their feet to the fire on this”? Frankly, if you had read that, it would be a reasonable assumption to make, would it not? Was that the basis for it, and if not, what was?

James Thorburn: The bid documentation that I have looked back over—which you would have expected me to do—did make the representation that there would be 48 hours. That is written in the bid documentation.

Q17 Chair: From the Home Office?

James Thorburn: From the Home Office, but let me say—we put our hands up here—those assumptions were incorrect.

Q18 Mr Bacon: Surely it should be the Home Office that puts its hands up if the assumptions in the bid document were incorrect, not necessarily you. You were just following the bid document by the sound of it. You are saying it was clear in black and white in the bid document that you should be able to do this within 48 hours?

James Thorburn: In the documents that I have seen, absolutely. It said that 48 hours would be the time. The team, in good faith, relied on that.

Mr Bacon: It is a fatal mistake, relying in good faith on what the Government do.

James Thorburn: It was a reasonable assumption if that was in the documentation.

Q19 Chair: Can I just hold it a minute and ask the third company, Clearsprings? You have the experience of running this over a decade or so; you have been in the business for longer. From our Report, you did not fail. Why? Did you make a different assumption?

James Vyvyan-Robinson: Obviously, we have been running these contracts for 14 years, so we have a lot of experience in the particular areas that we operate in. Relationships and the way that we discuss bringing on a property with the local authorities enables us to do it in—up to now, I think—a very smooth fashion. It is not always done in 48 hours; sometimes it takes much longer; but typically when we are sourcing blocks of accommodation—that is, more than one property—we find that some properties come on quicker than others. Certainly we do not rely on a particular time scale.

Q20 Chair: I know that I stopped you half way, Mr Thorburn, but I would like you to very quickly say what else went wrong. You made an assumption about how quickly you could get local authorities to agree, as somebody with experience—you said that you had experience and expertise that you brought to it—but what else did you get wrong?

James Thorburn: We had partners who were with us throughout the bid process. Originally we had assumed that we would be subcontracting, and there were two partners,

Orchard and Shipman and PPNW, who had the kind of experience that Clearel is talking about. The other assumptions that we made were that—

Q21 Chair: Did they drop out, the partners?

James Thorburn: No, Orchard and Shipman are our subcontractors in Scotland and Northern Ireland.

Q22 Chair: Are you doing anything yourself or is it all subcontracted?

James Thorburn: We subcontracted them in Scotland and Northern Ireland. In the north-west we ended up buying the partner and we transferred over 38 staff, which was the core of the start of our operations in the north-west. To answer the question about the other assumptions that we made, not only was it the amount of time that it would take, but also that we could actually find certain properties. Certain cluster limits applied.

Q23 Chair: You knew that. I am a local MP; the last thing you want is a huge concentration of asylum seekers in one area, because it has a terrible effect on social cohesion.

James Thorburn: The assumptions that we made did not turn out to be correct, so of course you are right, Madam Chair, but in fact we had in December—

Q24 Chair: But you knew that. You had discussions with the Home Office. For those of us who have been involved in these issues over the years, that is one of the key ways in which we try and integrate asylum seekers into the communities, to try and ensure there is not an over-concentration. It is so essential to all our thinking. I do not think it is a partisan issue; it is just central if you want to maintain social cohesion.

James Thorburn: We do understand that, and we understand the challenges that local authorities face.

Q25 Chair: You didn't understand it well enough.

James Thorburn: What we didn't realise was how difficult it would be to do that.

Q26 Mr Bacon: "To do that" being to find properties?

James Thorburn: To find properties, yes.

Q27 Mr Bacon: You said you did market research. It is a known fact that there is a housing shortage in this country. It features regularly in the news, whether one is talking about homes for buying, homes for rent, or social housing. There is a shortage of housing everywhere. We have tried to solve this by building in the flood plain, but that has had adverse consequences, which we are dealing with now. So what was it in your market research that told you that your second assumption—not your assumption about time, because you have dealt with that already—about the actual availability of properties, would be a fairly easy issue to solve? If you had talked to any man or woman on an omnibus in London, they would have told you that it would be a problem.

James Thorburn: Clearly we got that wrong.

Q28 Mr Bacon: Who did your market research? Did you talk to estate agents or people in a completely different sector?

James Thorburn: When we went into this, we originally intended to subcontract, so we worked with Orchard & Shipman and PPNW, two companies that had experience in this market.

Mr Bacon: Orchard & Shipman and PPNW?

Chair: It is in the Report.

James Thorburn: We assumed that together we would have the expertise necessary. As you asked before, there was also documentation that we relied on. As it turns out, we relied on it incorrectly and it was not right to rely on that. To come back to your question, the reason why I believe we got this wrong was those assumptions that we made.

Q29 Mr Bacon: Would it be fair to say that one of the reasons the Home Office has not fined you—apart from souring the commercial relationship between you—is because if they did, you might have a case against them, because of the legitimate expectations that they created in their bid documents?

James Thorburn: No, I think it is much more complicated than that.

Q30 Mr Bacon: You sought legal advice in relation to your position over this.

James Thorburn: We are discussing with the Home Office at the moment, as the NAO Report says, various matters that are outstanding.

Q31 Mr Bacon: That wasn't my question. Did you or other people in Serco seek legal advice about these assumptions that you relied on, because of bid documentation that had been given to you?

James Thorburn: I of course discussed our position with our internal advisers, yes.

Q32 Mr Bacon: Legal advisers?

James Thorburn: Legal advisers, yes.

Q33 Chair: Can we just get the answer from G4S as to why you got it so wrong?

Stephen Small: First and foremost, I agree with Mr Thorburn that the transition process was a very complex process. In the two regions that G4S operate—

Q34 Chair: I am sorry to interrupt you. You do a heck of a lot—you are one of the key contractors with Government; you do a lot of contracts; and you claim expertise and experience, which is relevant to your doing this asylum seekers accommodation. You sign up to it. You cannot then say, “Actually, it was all much more complicated.” You accept the contract conditions and you claim you have experience in running similar facilities—although I question that—and you sign up to it. Why was it more complex than you thought?

Stephen Small: In the two regions we took on, there were over 7,000 service users already in asylum seeker accommodation.

Q35 Chair: You knew that.

Stephen Small: Of those 7,000, our aim was to cause as little disruption as possible. Of that population of 7,000, over 6,000 stayed in the properties they were in when we took the contract on. We have never failed a KPI on the sourcing of property. G4S has never failed a KPI.

Q36 Chair: You’ve never failed your key—?

Stephen Small: We’ve never failed a KPI on the sourcing of property. In the transition process, when we were establishing the standards of the properties that we were inheriting, with hindsight we wish we had asked for more time to inspect the properties that we were taking on. Since that time, we have invested a considerable amount of money over and above the bid price to bring the properties up to standard. We have now paid to the Home Office all the KPI service credits that were due to them. We have no outstanding service credits from 2013, and we are now performing at the KPI standards within the contract.

Q37 Chair: Since January?

Stephen Small: No, since before that.

Q38 Chair: Can I ask, are you both making money out of the contract?

Stephen Small: No.

Q39 Chair: Are you?

James Thorburn: No, Madam Chair.

Q40 Ian Swales: I am an MP from the north-east, and G4S provides the service in my area. I want to ask a bit about KPI, since you have mentioned it. KPI1 talks about acceptable accommodation. I would be interested to know how you define acceptable accommodation, in the light of what one asylum seeker, who stayed in one of your hostels and got leave to remain, said. I quote from a document from a support organisation: “Could hardly believe how wonderful it was”—this was after she moved into a homeless hostel—“it was like arriving in heaven.” Moving from your asylum seeker accommodation to a homeless hostel was like arriving in heaven. I would like you to define what you think acceptable accommodation is.

Stephen Small: It is well defined within the contract. It is the decent home standard, which applies across all housing and social housing. That standard is very well defined.

Chair: I think the best way to deal with this—I’m not trying to take over, Ian—is to look at figure 12, which gives you the result of the inspections. You can see in that figure that Serco had 76 compliant properties out of more than 300 in Scotland and Northern Ireland, and in the north-west 21 out of more than 300 were compliant. That is outrageous. For G4S, it was 29 out of 400 in the north-east, Yorkshire and Humberside. Clearel had 48. It is shocking.

Q41 Ian Swales: You’re right; that’s the data. How do you respond to that? If you take figure 12—let’s just take the north-east, Yorkshire and Humberside, which happens to be my area—that is a shocking portrayal of what you are actually providing. I just don’t know how you can say you are meeting KPI1 with that background.

Stephen Small: First and foremost, as we pointed out before publication, the axis on the left refers to defects, not numbers of properties.

Q42 Chair: So it refers to standards, not numbers.

Stephen Small: It refers to any defects reported within that property.

Q43 Chair: I accept that it refers to standards, not numbers.

Stephen Small: What is measured in the KPIs is the speed of response to a defect.

Q44 Chair: No, there is a KPI on standard as well.

Stephen Small: If an asylum seeker reports a defect in the property, depending on how the defect is categorised, you have an amount of time to respond. What I am saying is that while it says that, it does not necessarily mean that a KPI was failed. Those defects could have been repaired within the terms of the contract.

Ian Swales: I am hearing that this is a poor area of performance—cookers that need pliers to turn the rings on, and things such as that. That is something I feel unhappy about.

Q45 Chair: Sorry, Ian. I have got so many cases—they are mainly G4S cases. In May 2013, “an African asylum seeker mother and her six weeks old baby...was evicted from asylum housing in Bradford by...G4S’s then partner contractor UPM, and transported to a single person’s ‘bed sit’ in Doncaster forty miles away.”

Stephen Small: That particular case that you are quoting is before G4S took on the COMPASS contract.

Q46 Chair: May 2013.

Stephen Small: UPM was never part of our supply chain.

Q47 Chair: In May 2013, you were responsible for that contract.

Stephen Small: People moved before G4S took on the contract in agreement with the supplier at that time, UPM, and the Home Office. It was not during G4S’s contract time. Madam Chair, I am asking that we check the date of that. I believe that that case was in May 2012.

Q48 Chair: I have May 2013. Here is another of yours. Stockton hostel, is that yours?

Stephen Small: Yes.

Chair: In an area where there is street prostitution, where occupants say it is like living in cells—

Ian Swales: That is the one I was referring to, by the way.

Chair: Is that in your area?

Q49 Ian Swales: For some reason, I don’t have asylum seekers in my constituency; they tend to be in Stockton and Middlesbrough. When I talked about “arriving in heaven”, it was having left that hostel, where as the Chair said, it is like living in cells. KPI4 talks about accommodation being safe. The Chair has just spoken about the issues in the neighbourhood.

Do you think that painting the doors a different colour—in this case, red—so that the whole neighbourhood knows who the asylum seekers are is likely to make that accommodation more safe? Is that a good idea?

Stephen Small: The fact is that our supplier, Jomast, supplied services to asylum seekers in the previous contract as well as with G4S. I cannot comment on the doors being painted red, but I will take that point away. I would like to pick up on the Stockton hostel. That hostel is in a building approved by the local authority for its use, and it has passed every inspection and holds a house in multiple occupation licence, which is issued by the local authority. In that particular case, when an individual made a complaint about the conditions of that property, which ended up as a newspaper article, G4S received unsolicited letters from the occupants who were still in there who said they absolutely did not recognise that picture.

Q50 Chair: Have you visited it, Mr Small? Have you been there?

Stephen Small: I have been there.

Q51 Chair: Is it true or not true that there are nine women and their children on one floor with two toilets and two showers serving all those nine women and their children?

Stephen Small: I cannot comment on the numbers.

Q52 Chair: But you have visited?

Stephen Small: I have.

Q53 Chair: Did you not pick up that you had nine women with their children in one room which has just two toilets and two showers, divided by very thin partitions?

Stephen Small: What I will say—

Q54 Chair: You visited it. If I had visited and saw that, I would have been shocked.

Stephen Small: Well, I spoke to the asylum seekers who were being accommodated there and not one raised any issues such as that with us.

Q55 Ian Swales: I know that people from Stockton support services are watching this debate. It will be very interesting to see what they make of the responses.

My final question is on KPI7, which is complaints management. You told the Home Office Select Committee that you supply complaint packs in various languages and so on. We cannot find an asylum seeker in Stockton, I am told, who has one. In other words, those packs

are not made available to the asylum seekers themselves. No wonder complaint levels might be quite low: you don't actually tell them how to raise issues.

Stephen Small: The packs should be handed out as part of the induction when they arrive. If there is any asylum seeker who has not got one, I will take that away and look into it.

Q56 Ian Swales: That is certainly something to look at, because my information is that they don't get them. Finally, I am told that Serco is a benchmark in having liaison and stakeholder panels, where providers, support groups and asylum seekers come together. Apparently G4S don't do that and don't want to do that. Is that correct?

Stephen Small: No, that is incorrect.

Ian Swales: In Stockton? Do you know?

Stephen Small: Yes; we attend all the local migration partnership meetings there. We sit on there with the local authorities, the police and the health providers and meet with them regularly.

Q57 Ian Swales: Those are different; I am talking about the asylum seekers themselves and those who might represent them. Are they allowed into those meetings?

Stephen Small: We intend to set that type of programme up, but we haven't done as yet. We work with all the voluntary sector partners who represent asylum seekers in the migration partnerships.

Q58 Austin Mitchell: I think the basic mistake that both Serco and G4S made is one which no politician would make, and that was to trust the Home Office. They trusted that if they were putting asylum seekers in the accommodation they were taking over, it would be of adequate quality, and it wasn't. Why didn't either of you inspect the properties before you took them over?

James Thorburn: When we went into this, the assumption we made was that we would be able to facilitate an easier and simpler handover of the properties that came over from the old target providers. A property that was fine on Tuesday should be fine on Wednesday. We were caught very unawares by the quality of those transferring properties over. By the time we had received our operating licence, we had paid out £572,000 to renovate properties. We had 1,337 properties that transferred over. In the first three months of those KPI performance targets on maintenance, 90% related to the transitioning properties that had transitioned over to us. Again, we thought it was a reasonable assumption for us to make that the old target provider properties, where the NAO Report makes it clear that the standards in those properties would be the same as the standards in the future properties—

Q59 Chair: But you would accept that that is your risk. You take on this contract. That is one of the things: we transfer risk.

James Thorburn: I think it was a reasonable assumption that because there were exit plans, because we cannot inspect through a closed door that we have no right to enter into—

Q60 Chair: But that is your risk. That is the risk.

James Thorburn: I am not sure I necessarily accept that.

Q61 Chris Heaton-Harris: Paragraph 2.15 of the Report reads: “In their bids, Serco and G4S stated that they would inspect all the housing stock they took on, and that they would not take on any properties that did not meet the required contractual standards”. So you didn’t do that, did you?

Stephen Small: From G4S’s perspective, one of the things I said very early on here today was that with hindsight, given that James Thorburn has said that there were exit plans for the target providers and deadlines for that, we had intended to inspect every property. Within the transition time scales we were unable to do that. Therefore, Madam Chair, we have accepted that there was risk in that. Had we inspected all those properties—had we done what we said in our bid and inspected all those properties—we would not have taken on all the properties that were there. The transition process would have been delayed as we tried to move 6,000 service users, acquiring 3,000 new properties. We have accepted the risk and we have moved on from that.

Q62 Austin Mitchell: Let me ask both of you how you have caught up with the situation since. A lot of the properties are still inadequate in terms of the quality required, so what are you doing about it?

Stephen Small: From G4S’s perspective, we invested over £1.9 million in property standards last year.

Q63 Austin Mitchell: And what proportion is now up to standard?

Stephen Small: We are not failing KPIs; we continue to improve property standards; but if a defect is reported, we fix that within the time scales of the contract. We will continue to invest and swap out properties for better properties.

Q64 Chair: Can I just get that clear? I am just looking at figure 12; that is not complaints. You said it was complaints; it is not. It is inspections, isn’t it? “Department’s property inspections”—that is what it says. The results show all inspections completed between January and August, so it is not people moaning; it is the Department’s inspection. I

find it really hard to believe, when the performance was so bad at the end of August, that it is all brilliantly okay by January.

James Thorburn: From Serco's point of view, to echo what has just been said, the NAO Report says very clearly that we are making significant improvements. I am really pleased to report that in December, where you will see in the Report there are three categories of maintenance defect, on the most severe, where it is deemed unsafe—as was referred to previously—we have not failed on that KPI in either area since spring of last year. On the medium level—

Q65 Chair: Sorry, but are you quarrelling with the data? Have you got figure 12 in front of you? Just look at figure 12.

James Thorburn: To echo what Mr Small said, defects are raised. We have monthly—

Q66 Chair: It is not; it is “Department's property inspections.” The colour code down the side tells you what it is. This is not individuals; this is the Department's property inspections from January to August 2013.

James Thorburn: Just to explain, that is to August. In those categories, the properties that are deemed to be unsafe—the most severe category of failing—would not be listed in there, because we have not failed that KIP target since spring last year.

Chair: Since August. Sorry to say this, but it is since August. This is January to August.

Fiona Mactaggart: Can you understand what “immediate” and “emergency” in figure 12 signify, if not “unsafe”?

Louise Bladen: I asked the Home Office for an update on this, because we were conscious that it might be a little out of date. It has told us that overall the number of properties that need immediate attention—that is, within two hours—is down from 2% of all properties to 1.5%; the emergency category, which is things that need to be rectified in 24 hours, is down from 21% to 13%; but the urgent category, which is something that has to be fixed in seven days, is up from 45% and is now at 55%.

Q67 Chair: Is that across the piece?

Louise Bladen: That is across the piece.

James Thorburn: The targets are a slightly different categorisation from the categorisation of the KPIs—the targets—and of those three targets, we haven't failed on the most serious target since spring.

Q68 Chair: That is not what is being said. Sorry to keep interrupting—I do not do that often—but there is a real difference.

Amyas Morse: Can I help? I just want to get something very clear. Are you telling us that you did not know that they were going to inspect to these standards? Are you saying that you did not know that? You knew what the KPIs were going to be in advance, didn't you?

James Thorburn: Yes, we did.

Amyas Morse: Okay, and even though you didn't like it, you knew it was going to happen. You must have known that there was going to be an inspection regime, yes? You must have done.

James Thorburn: Yes.

Amyas Morse: Okay, so I assume you must have discussed what the standards of inspection would be. You must have done, yes?

James Thorburn: Yes.

Amyas Morse: I am still very troubled—Chair, forgive me—by why you didn't inspect beforehand. I understand the reasons you've given and I am accepting that they may be partly true, but there is another reason as well, isn't there? It would have cost you a hell of a lot of money to inspect all those properties straight away. Have you actually inspected them now?

James Thorburn: I absolutely reject that it was a question of money.

Amyas Morse: Have you inspected them now?

James Thorburn: Are you referring to the properties that transitioned over at the transition?

Amyas Morse: Yes.

James Thorburn: Yes, absolutely.

Amyas Morse: And wouldn't it have cost you a lot of money to have inspected them straight away? You said it wouldn't have done.

James Thorburn: All the properties are inspected monthly.

Amyas Morse: So wouldn't it have cost you a lot of money to inspect them straight away?

James Thorburn: It would have cost money in order to inspect them, but that was not a reason why we didn't. We cannot inspect behind a locked door where we do not have a right of entry and we do not have a direct contract with the exiting previous target providers.

Q69 Chair: But you should, if you are running a contract—from your point of view. I can see that there might be a criticism of the Home Office. You should have jolly well had regard to it, as part of your risk. I am glad that G4S accept that. I am disturbed that Serco do not.

Stephen Small: Can I just point out that G4S were willing to invest in the inspection process? As I explained, with hindsight we wish we had done that. It would have affected transition and it would have been a much better option than the amount of money we have had to invest in property standards.

Amyas Morse: Are you saying the Department told you not to do it?

Stephen Small: No, they did not tell us not to do that.

Amyas Morse: So how did you reach that decision?

Stephen Small: We wanted to keep as many people in the properties as we could. We wanted to do it within the time scale. With hindsight, we should have asked for those time scales to be extended, because if we inspected the properties, we would not have taken them on and we would have had to move several thousand service user—there is no doubt.

On the KPI point, that measures the number of defects, but it does not measure that we failed a KPI. Most of those, if not all of them, will have been dealt with within the time scales.

Q70 Mr Bacon: Mr Small, you mentioned that you spent £1.9 million. Can you remind us, on what?

Stephen Small: On bringing properties up to the decent homes standard.

Q71 Mr Bacon: You have 8,000 properties?

Stephen Small: We have more than 3,000.

Q72 Mr Bacon: That sounds like about £500 or £600 per property, but it would not be like that because presumably some of them did not need any expenditure.

Stephen Small: Some would not, but that £1.9 million is over and above the budget we had bid for the maintenance, so that direct investment by G4S.

Q73 Mr Bacon: Above and on top of.

Stephen Small: Yes.

Q74 Mr Bacon: Can you say what the total cake would have been, including what was included in the bid?

Stephen Small: It would have been more than £3 million. The total number we spent last year on maintenance and repairs.

Q75 Mr Bacon: No. You are saying that £1.9 million is over and above the contract. So you are saying that the contract provided for maintenance of £1.1 million.

Stephen Small: We would expect to spend more than £1 million every year on maintenance of the housing stock.

Q76 Mr Bacon: On 3,000 properties.

Stephen Small: Yes.

Mr Bacon: That doesn't sound a lot.

Q77 Chair: Can I just raise another issue? I do not know if others have got it. I have also got a number of cases where you are responsible for the bills such as electricity within the home. That is clearly because there are asylum seekers who are destitute.

I have three cases that I'm afraid are all G4S; that has just happened with what has come to me. One was in November 2013 where an asylum seeker received eight energy bills in Yorkshire, because you had failed to pay the bills. One was in September 2013 when one of your subcontractors—Cascade—had also incurred debt of £2,800 on a flat that was occupied by a lone asylum seeker and child. The third concerned a woman in Leeds where there was a £1,000 arrears on the property—I assume rent—and a repossession threat before the woman even moved in. That was another one from your subcontractors Cascade.

Stephen Small: We are working with supplier Cascade on some of their issues. All energy bills are now met directly by G4S.

Q78 Chair: From when?

Stephen Small: From 1 December last year going forward. Of the legacy debts, we are now working with Cascade and those debtors on a plan to resolve those. All the properties are now secure, and the payment of the bills on those, going forward. We are working with Cascade on the issues of legacy debt.

Q79 Chair: But that was unacceptable; you would accept that.

Stephen Small: We believe that is unacceptable with our supplier and we are working with them to resolve it.

Q80 Chair: One other point interests me. What proportion of your stock is privately rented, as opposed to social housing?

Stephen Small: All of ours.

Q81 Chair: All is privately rented. And the same with you?

James Thorburn: I believe all ours is; I would need to check that.

Q82 Chair: When you prepared your contract, did you prepare it on the assumption that it would all be private? Or did you prepare it on the assumption that you would have some social housing? The reason I am asking is the rent differential.

Stephen Small: All of ours is in private housing.

Q83 Chair: You assumed that would be the case. So you were not in any way forced by the contract to drive down quality because of the price of privately rented as opposed to social rented housing?

Stephen Small: In the Yorkshire area it was delivered. The previous contract was delivered by the local authorities that used social housing stock.

Q84 Chair: Quite.

Stephen Small: We would have liked to have kept the asylum seekers but we had to assume that that stock would not be available to us.

Q85 Chair: So you assumed that you would have to pay higher rents.

Stephen Small: Yes, we based it on the private sector.

Q86 Chair: Did you therefore assume that you would have to go for lower quality?

Stephen Small: No. We have to go for the decent homes standard quality.

Q87 Chair: Could I have your experience on that, Mr Robinson?

James Vyvyan-Robinson: Yes. It has always been a challenge to source compliant properties in a marketplace that, as was said earlier, is extremely competitive in terms of that type of property. I think it is fair to say that in all areas we are working with local authorities competing for the same type of housing. Local authorities still use a reasonable percentage of private properties, just as we do in our contracts. So it is a challenge.

Q88 Chair: One of my feelings, having watched Serco across the piece on contracts, is that you do undercut on price and do not always understand the implications of that when you then have to deliver the service.

James Thorburn: I do not believe that was the intention.

Q89 Chair: So you were quite confident in the price you set that you could provide decent homes housing standards within the lower cost.

James Thorburn: Yes, we believed we could.

Q90 Ian Swales: Can I just come in on that with reference to figure 8 on page 29? I would like Serco in particular to answer, Mr Thorburn, as to what on earth went on in the north-west and what you have done about it. The number of people you had housed in non-compliant accommodation with severe defects or accommodation that had been assessed as not fit for purpose is a pretty shocking story and stands out like a sore thumb against all the other five areas. What on earth went on there and what have you done about it?

James Thorburn: As the Report points out, we made considerable improvement. In December, we only failed the maintenance KPI on around 10 properties. That is out of a total portfolio of 1,839 at that time.

Chair: That's not what was said. That's not what you have said, was it?

Louise Bladen: We go up to August in these graphs. That was the latest available data that had been agreed by the Home Office with the providers when we were finalising the Report in December.

Chair: There was a quarrel over the facts.

Q91 Ian Swales: The one you have just referred to, are you referring to KPI5? Is that the maintenance one in your terminology?

James Thorburn: There are three KPIs. The most severe, KPI5, is the mid-levels, so that is a dripping tap or a boiler not having a certificate. In fact, in that case in December, it was one property that failed the KPI. The other nine were on the least severe level. We have similar performance in January. We have not published or agreed the figures, but we feel that

it will be broadly in line with what was just said: only a handful of properties, around 1% to 2% of the overall property portfolio.

Q92 Ian Swales: KPI5 says, “assessed as non-compliant and having severe defects”. Do you regard a dripping tap as a severe defect?

James Thorburn: I am referring to the definitions in the contract.

Q93 Ian Swales: Okay. As the NAO said, this graph stops in August. For KPI5 and KPI6, would we see those orange bars close to the zero line now?

James Thorburn: Absolutely. It is a mere handful of properties in December. We haven’t closed January, but we believe that it is a handful.

Chair: Do you agree, Louise?

Louise Bladen: We asked the Home Office for an update on this in January. They said that they had only agreed with you up to November at that point, so we haven’t got the data for December.

Chair: And November, just to repeat it again?

Louise Bladen: November does look like it has gone down.

Chair: But it is not a zero.

Louise Bladen: No.

Q94 Ian Swales: Just to confirm, you have had no actual penalties as a result of this under the contract. You have not had any financial penalties for this performance. Is that right?

James Thorburn: It is important not to judge the penalty in relation to the failing. In December, in terms of the data—clearly they have not been agreed through the process we go through with the Home Office—we failed on one property, which was a burst pipe that took us 48 hours longer to fix. On the KPI5, as it is, the medium level KPI, the penalty for that would be £75,000. It would be cheaper to buy the property.

Ian Swales: We will come back to penalties in the following session.

Q95 Chris Heaton-Harris: I would like to know a tiny bit more about your relationship with the Home Office when you are taking on these contracts. Mr Thorburn, you said that you made a number of assumptions. Were you led into those assumptions by what you were hearing from the Home Office at the time?

James Thorburn: I am not sure. I was not there at the time. I am just looking back and reviewing the documentation, as you would expect me to do.

Q96 Chris Heaton-Harris: Mr Small, do you think that the Home Office officials you were dealing with were completely honest with you when they were talking about this contract with you and leading you to make assumptions that might not have been the case?

Stephen Small: The Home Office supplied a considerable amount of detail at the pre-bidding stage, and we used that detail to build our bid.

Mr Bacon: A very carefully crafted answer.

Q97 Chair: Are you expecting to make a profit out of this contract in its five years?

James Thorburn: At the moment I think it is too early to tell. It is normal in these large complex projects that early on there will be a considerable amount of investment and outlay. One can improve performance over the life of the contract—

Q98 Chair: Not at the expense of the asylum seekers.

James Thorburn: Not at the expense of the performance targets.

Q99 Chair: What about you, Mr Small? Are you expecting to make a profit?

Stephen Small: As things stand, we may break even.

Q100 Chair: What about you, Mr Robinson?

James Vyvyan-Robinson: We expect to make a small profit.

Q101 Mr Bacon: It would be unfair to ask any of you to describe the Home Office as lying swine, since you have a commercial contract with them that is ongoing, but Mr Thorburn did say that he relied on documentation provided by the Home Office in drawing up his assumptions, which is what you would do.

James Thorburn: May I clarify? I was not there at the time. I reviewed the documentation, as you would expect, and that is what I believed happened at the time.

Q102 Mr Bacon: I beg your pardon. From your answer, Mr Small, they provided a lot of documentation and you used it. Would it be fair to say that you looked at the detail of the documentation provided, or that your business did, and drew assumptions based on that?

Stephen Small: Yes.

Q103 Mr Bacon: Mr Vyvyan-Robinson, could we get the same clarification from you? Did you rely on the documentation given to you by the Home Office?

James Vyvyan-Robinson: Absolutely.

Q104 Chris Heaton-Harris: Had the Home Office's documentation been completely correct—I am not saying that it was not correct—would your profit levels be slightly higher than those you are expecting to achieve?

Stephen Small: There is no doubt. Had we understood the condition of the properties in the previous contract, we would have asked for more time to consider the inspection process within that transition period.

James Vyvyan-Robinson: No, I think we are appreciating the sort of profits that we expected.

Chair: They had the experience. Thank you very much indeed.

Examination of Witnesses

Witnesses: **Mark Sedwill**, Permanent Secretary, Home Office, **John Fernau**, Commercial Director, Home Office, and **Glyn Williams**, Director of Asylum, Home Office, gave evidence.

Q105 Chair: Welcome. We are trying to keep this very tight, Mark. If we could keep it tight, that would be really good because we have got all sorts of votes—democracy interferes with the Committee. I want to start at the beginning, because I want us to understand why the Department decided to change the arrangements you previously had, which those of us who remember know took for ever to improve—it took a decade to get them up to some sort of acceptable standard. If you had wanted to cut costs, why did you not work with your existing providers either to cut those costs or to improve the arrangements? Why on earth did you go down this road?

Mark Sedwill: If you look back at the 2005 NAO Report, it encouraged us into this, really. That Report suggested that we needed to push more risk and responsibility away from the Department and on to the providers. It was clear, if you look at the savings in the business case, that the vast majority of those come from the economies of scale, so, while in general terms I am in favour of disaggregating, there are cases where it does make sense to get economies of scale. The previous providers did, I believe—obviously, this is long before my time—bid in the new round and were not successful.

So I think it was right to take another look at it. The Target Contracts were the second generation. They were an improvement over the first—there had been savings there. But, as you will have seen, we are—

Q106 Chair: So was it savings that drove it?

Mark Sedwill: This was before my time, but my understanding is that they did, but it was also that we wanted to address the issue that you have just been talking to the suppliers about: the property standard. The Decent Home Standard criterion was not set in the Target Contracts, but it is set in this. Obviously, there are issues over—

Q107 Chair: But you could have done it with those existing providers. You could have made a change—I do not know when those contracts came to an end. What is telling when you read the Report and around that is that the providers who had been at it the longest—I forget the name—

Mark Sedwill: Yes, Clearel.

Q108 Chair: They were actually making money out of it and providing a much better service to a really vulnerable bunch of people.

Mark Sedwill: Agreed, and they were one of the successful bidders among the old providers for the new contracts. But the others were not. This is the nature of Government procurement: you refresh some, you do not refresh others.

Q109 Chair: Let me just come back, because this is almost a repeat of other areas we have looked at. You deliberately went for big providers. That was the nature of what you were doing. You divided the country up into six or eight areas and that immediately carved out some of the existing people who worked under the previous scheme, the Target scheme. I put it to you that you increased your risks in two ways. First, if they don't perform and things go wrong, more people are hurt—I can't remember my second point now, but I think that you increase your risks by having a small number of providers. You always force it. It is always the same providers coming up, time and time again. You haven't got diversity of provision and you haven't got experts. They say they've done other things, but they haven't done asylum accommodation, except for the one group. I think you increased your risks unnecessarily by the nature of the procurement.

Mark Sedwill: It is a very fair point and a very fair challenge, but you have to balance that against the effort that was being made to save a very significant amount of public money through economies of scale. The other point it is worth remembering is that the Target contracts—the previous generation of contracts—were not providing a better standard of accommodation than COMPASS is providing. Actually, partly from the conversation you have just had, the standard was lower than we are beginning to see achieved. There will be lots of examples where it is not working; we are aware of that. They are not fully compliant—we have acknowledged that and we're working on it—but it would not be right to suggest that the Target contracts were a better solution. It's easy to criticise the Border Agency, but I understand why they judged that they needed to go for this.

Q110 Chair: Chris wants to come in, but I have to say that one of the reports I read was by the Joseph Rowntree Foundation—I accept that they've got a bit of an axe to grind, but I've got a lot of time for them—and it gives examples where, under the National Asylum Support Service contracts, they would disagree with you, Mr Sedwill. In Newcastle upon Tyne, they talk about how under the previous contract they had set up a dedicated team, which was working well in supporting community cohesion. Bolton had established six urban care and neighbourhood centres, which were doing a good job. Glasgow had integration networks. Nottingham housed 240 families for up to six months in permanent housing. Joseph Rowntree doesn't spin its research, so I don't believe it's right to say that the previous service was poor. I think they had learned a lot during some 10 years of developing and were delivering a far better service than we've had so far—I don't know about the future.

Mark Sedwill: I am not aware of the Joseph Rowntree report exactly. I don't think the NAO Report or the earlier NAO Report quite bear that out. There were many issues over the standard of accommodation. The contracts themselves didn't contain the decent homes standard requirement. Of course, you're right that we could have applied that to a similar set of contracts as in the past, but as you have suggested, the big benefit to the public purse from moving to the COMPASS contracts has been a very significant saving through economies of scale.

Q111 Chair: How much have you saved?

Mark Sedwill: So far, assuming our prediction for the next six weeks is correct, we will have saved £27 million compared to the previous contracts.

Q112 Chair: That is over what period? Eighteen months?

Mark Sedwill: Yes, give or take—a little longer than 18 months. We anticipate £137 million over the seven years of the contract—assuming it is extended that far—against a total expenditure of less than £700 million, so it is a very significant saving to the taxpayer.

Q113 Chair: That is what is driving this?

Mark Sedwill: Of course; it is a very important factor.

Chair: I am just asking.

Q114 Chris Heaton-Harris: I have no problem with you driving costs down in this area and being able to use this new set of standards that you have set for the private providers to drive quality up, even though it has taken a bit longer than many of us would have liked. My question—and I shall be very blunt—is about why the companies which provide the service and have been failing have not been fined. Is it because the Home Office was a bit unfair and the data provided to the companies when they were bidding was not quite as solid as it could have been?

Mark Sedwill: I have two points on that. First, we are invoking the penalty clauses, as the NAO Report recommends, and we expect—

Q115 Chair: From when? Not in the first six months.

Mark Sedwill: Not in the transition period, but in the period thereafter, which is when the penalty clauses came into effect.

Q116 Chair: But you lost six months.

Mark Sedwill: I would not describe it as lost—I can come back to the point about the transition in a moment. I think it was probably right to give them six months to get up to that standard. They knew they had six months to do it, and we are invoking the penalty clauses from that point on—January 2013—and will be retrieving the service credits that have accumulated over that time, so they are, to use your language, Mr Heaton-Harris, paying a financial penalty for falling short of those service standards. We expect to have that settled by then.

On the other point you made, I will not repeat Mr Bacon's more colourful description of the way the Home Office may have handled that.

Q117 Mr Bacon: Go on; it would be great to have it on the record.

Mark Sedwill: Exactly. I was not involved, but I have seen no evidence that that is the case. The contracts require them to improve the standards. They knew what the decent homes standard was. I realise it is much more complex than that, but let's be frank: these are very mature commercial organisations. The two that you described, Madam Chair, are in a lot of business with Government. I cannot imagine that anyone in this room has rented or bought a property without doing a full survey, no matter how nice they think the people selling it to them are. I know that analogy can't be driven too far, but we were clear that the companies needed to understand the portfolio they were taking on—understand the responsibility to improve it—and, during the transition period, minimise the disruption to families, which was an important element of it. I think "buyer beware" remains a pretty important principle in any commercial arrangement between Government and the private sector.

Chair: Louise, just come in and then Chris will come back.

Louise Bladen: I just wanted to clarify the service credits, because the picture is quite complicated. The Home Office could have invoked service credits from January 2013, when the contracts became operational. They only did so for Clearel. G4S and Serco have only paid service credits from July, so it is a different picture across the contracts.

Mark Sedwill: But we are now invoking service credits across the piece.

Q118 Chair: But there was a six-month gap.

Mark Sedwill: There was a six-month gap until January 2013.

Q119 Chair: No, from January to July; that is what I thought.

Mark Sedwill: No, no, no. We have not invoked them as in recovered the money—yet—but we are invoking them. That money is going to be recovered.

Chair: Not January to July. Let us get that absolutely clear.

Q120 Chris Heaton-Harris: What I read in my research led me to exactly that conclusion.

Mark Sedwill: Can I ask the commercial director, John Fernau, to come in, because he can clarify this?

John Fernau: From January to July, we accrued the service credits, so we are recording them. We are banking them, if you like; we were not claiming them. From July, we

have been in a process of claiming them and recovering them. The service credits in that period are not lost; they are being recovered.

Chair: I am sorry, you will have to speak up.

John Fernau: In the period from January to July, we accrued service credits and we lodged them in a bank, if you like.

Mark Sedwill: So in effect we logged them. We did not insist the company handed the money over. We are now getting the money—

Q121 Chair: From January?

Mark Sedwill: From January 2013, so by the end of this financial year—

Q122 Chair: So the Report is not right, Louise?

Louise Bladen: Those service credits from January to July are logged, but not yet claimed, or not yet agreed.

Mark Sedwill: That is correct.

Louise Bladen: So you haven't got the money yet.

Mark Sedwill: We haven't got the money yet. Your recommendation—I forget which; we are getting a little confused here. We logged them, so we knew what service credits we were owed—what money we were owed in penalty clauses by the contractors. We did not invoke those because we were in a commercial discussion with them over the other issues that they raised. We are now invoking them and we expect to have the money back by the end of the financial year, including for that period.

Q123 Mr Bacon: To be clear, you say you haven't got the money back, but when one speaks of service credits, what you are actually talking about is money that you are not paying out.

Mark Sedwill: Exactly.

Q124 Mr Bacon: And you are getting services for it, for which they are not charging you.

Mark Sedwill: That is right. We are implementing the recommendation to do that in the Report. It had not been done at the time the Report was written.

Q125 Austin Mitchell: Surely the aim of the new scheme was to save money. The Report states: “The Department aimed to save...£140 million”. You said £137 million. The motive was to save money, wasn’t it?

Mark Sedwill: That is a primary motive of any commercial arrangement. The aim was to save money while also maintaining a level of service that was adequate for the asylum seeker.

Q126 Austin Mitchell: But you didn’t know about the state of the properties when you set out to save money. In a sense, G4S and Serco were saying they were sold a pup, because the properties were not in adequate condition.

Mark Sedwill: Had we been applying, Mr Mitchell, the same standards we are applying now, that would have been true under the Target contracts. I don’t think it is right to suggest that we sold them a pup. This was a transparent process. These are very mature companies.

Q127 Austin Mitchell: Well either you didn’t know about the real condition of the properties or you sold them a pup.

Mark Sedwill: I don’t know, Mr Mitchell. We may not have had a complete survey of the properties, but the point is that contractors were required, as part of the contract, to upgrade their quality. They were required to minimise the disruption during the transition period.

Q128 Austin Mitchell: And they hadn’t done so.

Mark Sedwill: The onus was on them to be sure they were bidding at a price that would enable them to meet that service and meet our requirements.

Q129 Chair: Can I just bring Amyas in on that?

Amyas Morse: I just want to make sure that we have not left any confusion in our minds on this January-to-July service credit point. You have claimed the service credits. You are having negotiations with the companies, which I think—without wishing to prejudice them at all—probably relate to some of the representations and information you have provided at the initiation of the contract. So again, without prejudicing them, they have some arguments. So if you were going to the bank, you would not necessarily say that 100% of those are going to be paid over at this point.

John Fernau: The January-to-July service credits are agreed with the providers and we are reclaiming them.

Amyas Morse: I understand that, but there might be some offsetting adjustments.

John Fernau: Not directly. If we are offsetting the service credit, that is the mitigation. Was there a reason why the service that we recorded as being failed wasn't failed? We have separated the commercial dispute which they raised. That is now being dealt with separately.

Amyas Morse: Thank you; I am only doing this for clarity. So there are two things, which I won't go into in any more detail. There is a commercial dispute going one way and there are service credits going the other. You are presenting those as separate. It may be that you find yourself talking about them at the same table.

Chris Heaton-Harris: Similar amounts.

Chair: You have had similar claims from them.

Mark Sedwill: I do not think I am going too far in suggesting that the kind of numbers—the range that you have identified—is the range we would expect to have retrieved for that period. Is that fair, John?

John Fernau: *indicated assent.*

Q130 Chair: What is their claim against you? Is it information?

John Fernau: Their claim is that they did not receive as much information as they were expecting in the tender process. Not wanting to go into the details of it, we have received their claims and we have reviewed them.

Mark Sedwill: They are essentially saying that we are applying the service credits—which we identified along the same sort of order of magnitude as the NAO—too rigidly. They've got some mitigation with that. That is a commercial negotiation.

Q131 Chair: I wish you called it penalties. Service credit is so—

Mark Sedwill: Service credits are the way you—

Chair: Of course it is a penalty, but it is a daft way of describing it.

Q132 Austin Mitchell: What I am saying is that you were attempting to save money on a situation in which you are already putting asylum seekers—a vulnerable group—into unacceptable conditions, some of which were frankly appalling. That is what you are saying. You are being mean to those who are badly treated already.

Mark Sedwill: I don't think that is fair, Mr Mitchell. While not all of the properties are compliant, most of the problems with the properties, as the companies set out, are not putting the health and safety of the asylum seeker at risk. Now there are examples that are.

Q133 Chair: It is the chart of your own inspections that shocked me.

Mark Sedwill: Indeed; me too, Madam Chair. Some of the language in that chart is quite counter-intuitive. I struggle a bit with “immediate” being more immediate than “emergency”—

Chair: I assume it is yours. With respect, Mr Sedwill, all they do is regurgitate your categorisation.

Q134 Fiona Mactaggart: I can’t imagine that you think the repairs need to be done in two hours unless they are dangerous.

Mark Sedwill: Exactly. That is the point, so if it is within two hours, it is something that is material to the safety and welfare of the occupant of the house. If it is within 24 hours, it might not be a cracked window; it might be the central heating having failed or the boiler having gone off—something of that kind, which any of us would expect to try to repair. But repair within a day—you would not repair it within two hours; it would be seven days, and so on. I think this language comes from the decent homes standard. Personally, I find it quite counter-intuitive, but it is the language that is in the contract, so I am trying to put it into terms that I would find more intuitive.

Q135 Austin Mitchell: As a result of your inadequate knowledge of the condition of the properties that were being taken over by the new providers, you are saving less than you thought, because you are now having to inspect the properties more vigorously to enforce improvement. The savings are going to be much less than expected.

Mark Sedwill: You are right that we are having to put in more of an inspection regime. The cost of that is minimal compared with the £137 million we expect to save. We are talking about fewer than 20 inspectors, and we would not expect them to be operating at the same intensity of inspection through the lifetime of the contract—

Q136 Mr Bacon: Could we just be clear about the size of this? The contracts are for seven years and are expected to save £140 million or £137 million. Previously, providing accommodation cost £150 million a year, which over seven years is £1.05 billion. Am I right that globally now—roughly, given the ebb and flow of service credits—it is £910 million?

Mark Sedwill: It is less than that, Mr Bacon, because the number of asylum seekers and other demands on the system are different. Had we continued with the target contracts on our predictions of what we expect the demand to be, the target contracts would have cost about £826 million, if my memory serves me right—the guys can check. These should cost £687 million, I think. We will correct that number if I have remembered it wrongly.

Chair: I want to put something on the record. If you look at figure 12, which comes from your own data, point 5 refers to where “there has been an adverse effect on a service user’s health, safety or security,” and point 4 refers to where “there may be a material adverse effect on a service user’s health, safety or security,” so no one can pretend that these are

unimportant or in any way minor. I don't call the central heating going off the most important thing—you can survive without central heating—but these are serious things. I think your central heating is way up the ladder.

Q137 Chris Heaton-Harris: Would there have been similar figures on the number of faults and so on in the previous target contract you had? Housing stock does not run perfectly all the time.

Mark Sedwill: No, it doesn't.

Q138 Chris Heaton-Harris: Perhaps it is an improvement.

Mark Sedwill: This is a very challenging area of the housing market. You may recall that more than 200,000 council house properties in this sector were defined in 2011 as being sub-standard. Under the Target contracts we did not have the same criteria. The decent homes standard had not been applied when that contract started, but the quality of the accommodation was below the quality that we now have. I could not give you exactly the same criteria because the translation mechanism has changed.

Q139 Chair: Would you send us a note on that, because I am sceptical? If you have got the data, I would like to see them, so send us a note justifying that.

Mark Sedwill: We will give you what we have.

Q140 Ian Swales: I want to talk about penalties—I will use that word, although maybe you do not want to. We have talked about the six-month period and the work you are doing on that, but I want to ask about what has happened since. Do you routinely levy penalties for failure to perform? For example, Serco in the north-west has clearly failed to provide the right standard. We only just get past June, but the figures are clear. Are you routinely levying penalties for failures to deliver KPIs?

Mark Sedwill: Yes.

Q141 Ian Swales: In all cases?

Mark Sedwill: Yes.

Q142 Ian Swales: You are; I think it is extremely important that we get that on the record. If you don't, bidders for future contracts will bid lower, knowing that you do not mean what you say. It is important for this contract and others.

Mark Sedwill: I agree with you 100%.

Q143 Ian Swales: Leading on from that, you say you have got 20 inspectors. We know that two of the three providers we have had in the room—I think I am right in saying this and hope I don’t get myself prosecuted—are already in trouble for reporting data to the Home Office that are not true.

Chair: The MOJ.

Ian Swales: Sorry; the Ministry of Justice.

Mark Sedwill: Thank you.

Q144 Ian Swales: Be careful. They are in trouble for that. In payment-by-results contracts, there is unfortunately a perverse incentive to report the results that people want to see. Are the 20 inspectors that you referred to not just doing touchy-feely things but routinely checking KPI data against the reality on the ground?

Mark Sedwill: One of my experts can answer exactly that. There is the role of the inspectors and the role of the commercial arrangements, and I will need them to answer on the detail.

May I pick up on the point about the track record of the two suppliers—in particular with the MOJ—to which the Chair correctly referred? When that happened—I referred to this briefly in the letter I wrote—we immediately commissioned our own internal audit to look at our contracts with them to see whether we were at risk. As you can imagine, I, like many others, was shaken by that news, and I worried that we might find ourselves in the same situation. They were clear that that was not the case. There has then been the cross-Government review, in which two independent auditors—PWC and Moore Stevens—were commissioned to look at a range of contracts with those two companies. As a result of the sort of concerns that the NAO has been raising about our performance management—not our financial management—I commissioned our internal auditors and Moore Stevens to do a much deeper dive into those contracts. They found that the payments had been made correctly and in accordance with the contract, with no evidence of impropriety, so we have done a fairly thorough audit check to make sure we are not subject to that.

We are going to change the KPIs—John may want to say a little more about that. One of the amendments we are making to the KPIs is essentially an open-book accounting arrangement for the performance data that we get from the companies.

Q145 Ian Swales: I was going to come on to that. First, some of the KPIs—maybe we only have summarised forms in our Report—sound potentially woolly, in terms of accommodation standards. I know that you are probably working with more detail. We have had two of the providers in the room talking about this issue in general. To the amazement of some of us, they were quite prepared to have open-book arrangements for their Government contracts—Clearsprings is not a company that I am familiar with, but I am talking about the other two. They sat where you are sitting not very long ago, and they said, “Fine,” so you are following through on that and you are finding that they are willing to do that.

Mark Sedwill: John, you have been in the commercial negotiations with them, but I think the short answer is yes.

John Fernau: Currently, the performance regime is a self-reported regime. If things were working normally, we would do dip-check audits—random audits—where we ask, “Is the data what you said it was?”, so we know that they are telling the truth.

Q146 Ian Swales: To be clear, were you doing that from the start or have you started doing that in the light of recent revelations? Would it be normal for you to do that?

John Fernau: It would be normal for us to do that.

Mark Sedwill: We did the deeper dives. When I described it to our auditors, I said, “We have had a health check; I want a full medical.”

Ian Swales: Random deep dives are a very good idea, because they don’t know where you are going to look next. That is good.

Q147 Fiona Mactaggart: Mr Sedwill, you will be much more familiar than I am with the Select Committee on Home Affairs report in December, which said: “It is unacceptable that the Home Office is still over-reliant on a very small number of large providers to deliver its major projects”. It then went on to describe how they failed.

Until I read the Report, I assumed that one of the reasons why you wanted a small number of large providers was to more effectively manage the interface between the Home Office and the provider. Paragraph 2.17 of the Report states: “The Department did not require outgoing providers to supply information on the condition of their housing stock”—we have heard about that—“nor did it share information on previous suppliers’ performance against contractual standards with the new providers”. It seems to me that I am reading about a kind of civil service jobsworth—“It’s your problem now”—and we are not actually concerned about the quality of service that this vulnerable group of clients gets. That seems to be the opposite of what you should be able to achieve with fewer big suppliers.

Mark Sedwill: I think the criticism of the way that the Target contracts were configured and managed is fair. One of the things that John is now working on with our contracts generally is thinking not just about the transition in, but about the transition out. There is clearly an issue that if you change suppliers, the previous supplier may lose interest in the last period of the contract. We are trying to ensure that we tie that down more properly in future contracts.

I don’t really want to take issue with this, but I just must with the assertion that civil servants do not care about the quality of accommodation that asylum seekers find themselves in.

Q148 Fiona Mactaggart: I am surprised to read this. I did not assume that that was what people thought, but it does seem, from this account—

Mark Sedwill: We are very conscious. All the caseworkers I deal with when I go out on visits are very conscious that we are dealing with a population that has a large number of very vulnerable people, particularly women with young families, who have been trafficked and in many cases are still subject to abuse. People really care about that and are quite careful about how they interact with them. That goes to some of the other issues that have been raised here, but we also need to keep in mind that there is a significant proportion of the asylum seeking population who are seeking to do so simply to prolong their stay in the UK. They do not always present very differently from the genuinely vulnerable, so it is a challenging area of work for us.

Q149 Fiona Mactaggart: Mr Sedwill, you know that I know that. I am not saying that every one of your tenants is an angel, but I think that every one of your tenants, while they are a tenant, deserves proper management. I am rather shocked to discover that the companies did not have regional directors or people to talk to. They did not know what they were taking over. Frankly, if I had been them, I would not have bought this pig in a poke. Nevertheless, it seems that you failed to iron the path to them being able to provide a better service. I think that's your job, and I think you've failed at it.

Mr Bacon: “Buyer beware”, you said.

Mark Sedwill: I did. I was trying to explain the point about providers needing to understand the property portfolio they were taking on. It is the nature of this kind of to and fro that one ends up emphasising a particular point in response to one question, when one is actually trying to cover a much more complex picture.

Ms Mactaggart, I have accepted in the letter that I do not think our performance management of this has been as strong as it should have been—our financial management has been sound. Of course I would always want to be in a position where we had identified everything the NAO Report identifies and have already addressed it. I think we have identified quite a lot of those issues, but in accepting the recommendations of the Report, which has some challenges for the way the Departments handle this, I absolutely accept that we need to improve.

Q150 Chair: Can I take you—this is important—to the concluding comments in the summary on page 7? It is about the whole issue of transition and who gets the blame on that. You say that they should have known, and I think they say that you didn't tell them. Look at that. It says: “Many of the issues that arose during transition remained unresolved between the Department and the providers and continued to affect provider performance once the contracts became fully operational...providers are still failing to meet some of their KPIs, notably around property standards, and the experience of some service users has suffered.” The reason we are here today is the number of letters that we got, and Sarah Teather has run a cross-party inquiry into the conditions of asylum seekers' accommodation. It has not just been the odd person raising it with us; there has been a lot of concern among MPs who have

had this in their constituencies. Looking at that, it looks to me as if there is a whole load of stuff that you still have to sort out.

Mark Sedwill: I accept the conclusion. We accept the NAO recommendations. We are sorting it.

Q151 Chair: What? Go on; tell me what you're doing.

Mark Sedwill: I've set out in our letter that we have accepted the recommendations, and there is a list of all the actions that we are taking. We are applying the penalty regime, which Mr Swales talked about, to try to incentivise the service providers to deliver the service.

I should say—this is worth putting on the record—that while of course it is important, if they are not providing it, that we get the taxpayer's money back, that is not the purpose. I don't want the money back; I want them to provide the service that we have contracted and paid for; but we will get it back if they don't provide that service.

Q152 Ian Swales: Earlier you said that you were changing the KPIs. Is that to make them tougher? I am guessing not. What are you doing with them?

Mark Sedwill: I referred to one change, which was the open-book accounting point, but we are not going to soften the KPIs on housing standards. That is absolutely not the case.

Q153 Meg Hillier: Mr Sedhill, it seems that the Home Office is developing a reputation for being the Foxtons of Whitehall, because we heard that there was a bit of sharp practice in not providing full information. I hear what you are saying about "buyer beware", but I have to say that there is some naivety among Government Members, possibly. What was the main driver? There was taxpayers' money and cost-savings—you have actually outlined quite substantial cost-savings—but had you gone slower, as it was hinted would have been helpful to the providers in terms of quality, they have indicated clearly that they would have moved up to 3,000 people in one case.

There is obviously an issue when talking about—as you did eloquently—vulnerable asylum seekers. What was the priority? Was it to get shot of it quickly so that you did not have that mass movement of people or to get shot of it quickly so that you could save money? Or was it just not very competent?

Mark Sedwill: To be fair, I do not think that it was any of the above. I once sold a flat through Foxtons, so I know exactly what you are referring to. They sold it very fast, as I recall.

Q154 Meg Hillier: Well there you go. What was the problem with it?

Mark Sedwill: It was a very nice flat. Sorry, we are digressing. The transition period was six months. I wondered whether one of the criticisms that we would get was whether the transition period was too long and that we had been too generous to the suppliers, because—as I understand it—we had originally aimed for a transition period of three months. We agreed to extend it because we recognised that the transition was proving challenging and complex for them. You could argue, on the other side, that we let them have a longer period than we could have done without applying the penalty clauses in the service credits, had we taken an utterly rigid approach.

Q155 Ian Swales: It's the period for the contract, though.

Mark Sedwill: I understand the point, but I am trying to illustrate the approach that we were taking. We were not simply—

Q156 Meg Hillier: So there was six months for transition?

Mark Sedwill: You made the point that we were inclined to rush it. I was trying to give evidence to suggest that we were not and, if anything, we were being quite understanding to the suppliers in allowing them—

Q157 Meg Hillier: Can you just lay out very clearly, from the discussions at the opening to them taking on the contract, what that time period was?

Mark Sedwill: John may know the answer, but just to remind you, the old contracts were expiring so, as with any contract—

Q158 Meg Hillier: Yes, though Whitehall does extend contracts quite often for all sorts of reasons.

Mark Sedwill: I know and I am very uncomfortable whenever I extend them beyond their legitimate period because I think that that is bad practice. The old contracts were expiring and needed to be renewed and the new contracts were designed—we have gone through the points, so I will not repeat them—to address some of the issues that the NAO had raised with us in their 2005 Report. They are not perfect, but we sought at that time to address those issues.

Q159 Meg Hillier: Can we be clear on this time frame?

John Fernau: Initially we had a three-month period of mobilisation—that is when the contractors were getting their supply chain, staff and systems in place. Then we had planned a three-month period for transition, which we extended by a further three months to give us a six-month period for transition.

Q160 Meg Hillier: Can I ask, when you were doing all these negotiations, were you aware how few of the properties were being inspected physically, and was that an issue for the Home Office?

John Fernau: At the three-month point we were aware that we were not where we needed to be—that some of the suppliers were having problems with their supply chain and that we needed to extend other contracts to keep that continuity of service to the service user, which was fundamentally important. That is what led us to extend it by a further three months.

Q161 Chair: Did you arrange the contracts just on price?

John Fernau: No.

Mark Sedwill: No, there was a bidder who came in with what we considered to be an unrealistic price and they were excluded.

Q162 Chair: Am I wrong, based on the information that I was given, to understand that one bidder won four of the six regions and then pulled out? Is that right or wrong?

John Fernau: I do not know.

Mark Sedwill: I do not know. We will have to come back to you.

Q163 Chair: So there is not somebody who won and then pulled out?

John Fernau: It was before my time, but I think that was a member of a consortium who pulled out, but the rest of the consortium carried on.

Q164 Chair: So they had won and then they pulled out?

Mark Sedwill: We will have to come back to you, because I do not think that we can say anything authoritative.

Q165 Chair: The other thing is that we have given quite a clean bill of health to Clearsprings, but they did it as a joint venture and then their joint venture partner, Reliance, pulled out. Did you reflect on that?

Mark Sedwill: Well, I think Clearsprings were the lead—the prime—so in the end it was for them to work those arrangements out. Our relationship was with Clearsprings. That is why—

Q166Chair: No, it was a joint venture between Clearsprings and Reliance—Clearel is the name.

Mark Sedwill: That is right.

Q167Chair: It was a joint venture and Reliance pulls out. If you are worrying about the quality, what action did you take when you knew that one of the people who had won the contract pulled out of a joint venture?

John Fernau: When we are reviewing bids, including subcontractors, the subcontractors' capability all counts as part of the main bid.

Q168 Chair: This was a joint venture.

John Fernau: Yes, as a joint venture, so all the joint venture partners contribute. When Reliance pulled out, that would have been re-evaluated. I would expect that Reliance were a relatively small part of that bid, given the size of Clearel.

Chair: I think it would be helpful to give us a note on those two aspects, because I think it is part of contract evaluation and then service quality.

Q169 Stephen Barclay: Can I, too, apologise? I had a three-line Whip to attend an SI meeting—the joys of that—so I missed part of the session.

On a different note, if the supplier has taken on board housing stock and not checked it and done its due diligence, I cannot see why that is a fault of the Department: they are a commercial organisation who should be able to look after themselves, so I have no issue with that.

Could you comment on relationship management, both on this contract and more widely? As you know, Mr Sedwill, on e-Borders there were issues with Raytheon. We see this across Whitehall with IT suppliers. Our hearing on Monday with the BBC, in essence, was all about the gap between the business and the IT department and the management of that. Here you have multi-site, sensitive clients and complex contracts. I am not sure whether open-book is a key performance indicator; I thought that was a contractual term. But you have got a range of KPIs—I am interested in this specifically and more widely as a Department. Do you feel you are devoting the right seniority and amount of resource to relationship management? What are you doing differently now, as opposed to perhaps two years ago? How do we avoid some of the disputes? I note that the Report says: “No formal contract changes have been agreed to date.” There are ongoing issues, so how will we stop those, moving forward?

Mark Sedwill: It is a really big and important question. We do not want to be in a situation where essentially we have the lawyers in the room fighting over the definitions of KPIs and so on, because you do not get the service that you want. I was out just the other day—if I may use an anecdote—with one of the suppliers who was talking about the issue of

dispersal and the 1:200 question, which, as you know, is quite sensitive with some local authorities.

That supplier has recognised already, with some local authorities, what the different pinch points are. In one area, the pinch point for the local authority is primary education, so they have agreed that they will not place families in that area because of that. In another area it will be something else, so although the purely contractual element of this might say 1:200, they are approaching that in an intelligent, relationship management way. We are seeking to do the same. We have established a strategic partnership council—on which Glyn, as the operational director, will represent the Department and chair—in order to have all the suppliers together to talk through the various issues and try to do this, while maintaining the commercial rigour, in an essentially intelligent way.

If I can go to your wider point briefly—because this is an issue for Government as a whole—Government as a whole has not used its sheer market buying power as intelligently as we should have done. There are several very big suppliers who supply to different Departments for whom, in some cases, we are their biggest customer in the world and in others at least one of their top five or six or 10 customers, or whatever. There is the innovation in the Crown Commercial Service to appoint Crown representatives—these very senior people who are former chief executives and so on—who can be the Government's interlocutor with these really big suppliers and on whom John, for example, if he has an issue, can call to bring that greater weight to bear.

Within the Department, my commercial director now has the lead responsibility for relationship management with our main suppliers. We have different contracts with them anyway, so he oversees all of that. So John would have the conversation with G4S or Serco—or Fujitsu or whoever it might be—about the range of issues we might have with them and call on the Crown Representative, should he need to bring in that greater heft.

Q170 Chair: Mr Sedwill, how many big procurements have you done in your career?

Mark Sedwill: I suppose two, before I came into this job. As you know, I spent most of my career doing other things.

Q171 Chair: And what is your experience of dealing with these contractors in the past?

Mark Sedwill: I think if you get the point that Mr Barclay referred to right, you can get it right from the start.

Q172 Stephen Barclay: I agree that it can often raise capabilities in operation and functions, but that was not the point I was raising today in terms of Mr Sedwill. What I was trying to drive at is the escalation process internally within the Department, but also across different parts of the public sector. A legitimate issue for suppliers is often not getting a quick enough response from somewhere in the public sector—perhaps a local authority or the Department for Education—and how that is gripped. Have we got the escalation right? Do we

have common working? I think you alluded to that. Is that being done on the projects? I am pleased to hear that we have one or two senior people looking in terms of owning the overall relationship, but we have been told that for three years. I am sure it is happening, but it is very hard to get visibility on that, so it might be one to take away and ask for a note about. I guess my concern is: to what extent are these issues being addressed more widely?

Mark Sedwill: Others really have the central responsibility for this, but having been involved in the cross-Government review—I was on the strategic oversight group that oversaw the work into G4S and Serco, as a result of the Ministry of Justice—I think that has been a wake-up call. I think you are seeing it in Government as a whole. Senior Ministers, the Chancellor and the Chief Secretary now lead a ministerial group dealing with the markets for Government services. There is a very senior official group at Permanent Secretary level that looks at it as well. I do not want to answer in a very bureaucratic way—“We’ve got a Committee, therefore we’ve got the answer”—but there is a level of attention on it.

Q173 Stephen Barclay: I am actually driving at the opposite, which is: who’s the person? Who is the person who is the Government’s lead with Serco?

Mark Sedwill: I can’t remember the name, but that would be the Crown representative.

Q174 Stephen Barclay: In a way, that is my exact point. For you to be here today, for a hearing that I am sure you have done some preparation for, and for us to not know who that person is—

John Fernau: It’s Vincent Godfrey, I think.

Q175 Stephen Barclay: Good, but do you see what I am saying? You are ultimately the accounting officer and Whitehall always has Committees. The start of your answer was, “Well, actually, that’s for someone else,” but actually you are allocating the money for this. I do not want to over-press it, but it is about the individual owner and how engaged they are with the escalation, whether they are seeing things and whether they are picking up on some of those issues.

Mark Sedwill: I can give you an example. There is another big supplier—a big supplier to many Government Departments—based overseas. I recently called over one of their senior vice-presidents to see me, to have essentially a pretty tough discussion about their behaviour. It was not contractual performance—I wasn’t in the weeds of that—but the behaviour they were exhibiting towards us in the way they were negotiating contracts.

Chair: Okay. Austin, very quickly—

Mark Sedwill: If I may just say half a sentence? I would expect John to lead this for us and to escalate either to me if appropriate and/or bring in a Crown representative if appropriate.

Chair: I observe that it is interesting that you oversaw the central review of the contracts, but you do not have that much experience yourself. It is not that I expect you to have, but you have not.

Q176 Austin Mitchell: The flow of asylum seekers is up slightly since the contracts were reached. I know it is difficult, but you estimate the flow of asylum seekers. I would have thought that that information is crucial for the providers, because they have to maintain flexibility and also know something about the possible balance—for instance, single men are difficult to accommodate, but families are much more straightforward—but you do not share that information with the providers. Why is that?

Mark Sedwill: We do now.

Austin Mitchell: Oh, you do.

Mark Sedwill: But it is a fair criticism, because I do not believe we did in the initial phase of the contract. That is right, Louise, isn't it? I don't think, "Don't ask, don't tell" is a very good answer in this area. "They didn't ask and we didn't tell them" is not a good enough answer. We should have shared it; we are now sharing it.

Chair: Good.

Q177 Austin Mitchell: I just want to put a question to Mr Williams, because he has had to sit there nodding silently through the discussion. I imagine from my experience in Grimsby that, for single men in particular, who are the most difficult to accommodate, when the verdict on their appeal on their applications goes against them, there is a tendency for them to melt into the background and disappear—not to go home or surrender themselves, but just to go underground. Do we have any figures on the proportion who just disappear from accommodation?

Glyn Williams: I think you are talking about where someone has had a decision on their asylum claim, they have gone through the appeal—

Austin Mitchell: And they get a letter saying "go".

Glyn Williams: They then become a failed asylum seeker. They would normally be required to leave the supported accommodation—

Q178 Austin Mitchell: And they don't—well, they leave the accommodation, but not the country.

Glyn Williams: Single men leave the accommodation, but families we continue to put up in the supported accommodation. There is a provision in the law called section 4, where we can carry on accommodating single males, for example, where they are trying to leave the UK—so, they are arranging their departure.

Q179 Austin Mitchell: Those are known facts. Do you have figures on the number who just go underground and disappear from the scene?

Glyn Williams: Yes. I think there are about 12,000 absconders.

Q180 Mr Jackson: I don't think you collect the information properly for Members of Parliament. I have asked parliamentary questions about the number of absconders and we get a wishy-washy answer from the Minister saying, "We only collect it by postcode. We don't collect it by parliamentary constituency." That is not good enough. You need to look at the collection of data on a constituency basis for the number of asylum seekers and absconders. I have been in Parliament for nine years; it is always the same. We don't get proper information, and we should.

Mark Sedwill: I have asked our chief scientific adviser, who is a statistician, to look at the data that we release and publish. An awful lot of data come out in PQ answers and other things, and then we end up with a confused picture. We are trying to get to a situation where we have a much more coherent set of data that we can publish. I absolutely take that point.

Chair: It would do a heck of a lot for social cohesion if we had the real facts, by a constituency basis.

Q181 Meg Hillier: The whole premise behind the COMPASS contracts was to go for fewer, bigger providers, but there is a drive in Government to go for smaller suppliers. For lots of housing associations and people out there, it could have been easier to inspect the properties, and perhaps it has some cost-benefit because of some support from their core business. Did you consider that at all? When you looked at the prime's relationships with other parts of their chain, was that a factor in making decisions about the quality of provision?

Mark Sedwill: There are quite a number of subcontractors who would fit into that category. I agree in principle that we want to disaggregate and reduce our dependence in Government on a handful of big suppliers, and we need to try to make the markets more competitive. In one of the procurements I was responsible for, which the Chair asked me about earlier, we insisted that the market had more than one supplier, even though there was one supplier that was miles ahead of all the rest, simply to generate some competition in the market.

The Home Office has more than 4,500 suppliers, so we are active in that area, but in this case, the judgment was made—I think rightly and soundly—by the Border Agency, as it was at the time, that the right way to achieve the best value for the public purse at a time of stringency, while maintaining the standards, was to go for economies of scale. We would get the critical mass we would get by having this number of suppliers.

Q182 Chair: Would you do that again now?

Mark Sedwill: I would not make an assumption about the right number. I would want to do the analysis and understand the balance between economies of scale and the drive to encourage SMEs and all the rest of it, and then come to an answer when I was procuring. In general, we want to disaggregate, but there will be occasions when it makes sense to aggregate—

Chair: On this one, you knocked out a lot of the small providers.

Meg Hillier: When you say “housing association”, which Target housing association—I am not sure if that is a real one or if it was set up just for this, but there aren’t any of the normal housing providers, or subcontractors, on the list in figure 2 on page 13—

Chair: Good. Are we there?

Austin Mitchell: Can I just ask one more question?

Chair: No, because we are going to have a vote soon.

Q183 Austin Mitchell: I objected, under the brutal heel of the Labour Government, to dawn raids on asylum seekers, when their kids, as they were getting ready for school, were dragged out of the house screaming, and the wife would be bawling. There were terrible scenes. Are we still doing dawn raids?

Glyn Williams: We are not detaining children—

Chair: Okay. Thanks.