



Home Affairs Committee

Oral evidence: The work of the Home Office, HC 300

Tuesday 10 November 2015

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Members present: Keith Vaz (Chair); Victoria Atkins, James Berry, Mr David Burrowes, Nusrat Ghani, Mr Ranil Jayawardena, Tim Loughton, Stuart C. McDonald, Naz Shah, Mr Chuka Umunna, Mr David Winnick .

Questions 1 – 98

Examination of Witness

Witness: **Mark Sedwill**, Permanent Secretary, Home Office, gave evidence.

Q1 Chair: Mr Sedwill, thank you very much for coming today. I apologise for keeping you waiting. We have had other business to conduct.

You had a meeting both with Mike Penning and the Home Secretary over the last 24 hours, I understand. Were you able to apologise to Mr Penning for the work of your senior officials at the Home Office in respect of the police funding formula mistakes that clearly have been made?

Mark Sedwill: Let me repeat what the Minister said in the House yesterday and let me repeat the apology. These mistakes should not have happened. It is important that consultations of this kind take place on the basis of sound data. This was a serious error and it has inevitably disrupted the consultation process that we were going through. We talked this morning about what we were going to do about it and Ministers are reflecting further on the options now. But as you would expect, and as Mr Penning said yesterday, we concluded that we need to pause the current process, increase the independent scrutiny and Ministers will come back on exactly what the process will require.

Q2 Chair: Of course. Were you watching the Minister in the House yesterday?

Mark Sedwill: Yes.

Q3 Chair: This is what he said. “I and the Government regret the mistake and I apologise to the House and to the 43 authorities. This is an embarrassing situation. I have apologised and I will do so again if necessary. I have apologised to the 43 authorities. I apologise in particular to Devon and Cornwall. I apologise to Derbyshire for the delay”.

But he should not really have made those apologies because this was not his mistake, was it? This was a mistake of Mary Calam, the Director General at the Home Office, and other officials, who failed to spot what Andrew White and Devon and Cornwall were able to spot. In other words, that there was a mistake with the data. So although you have repeated the Minister's statement yesterday—we all heard it for ourselves—did you apologise to the Minister for the failure of your senior officials to spot the mistake before it happened?

Mark Sedwill: I have apologised to the Minister and to the Home Secretary. But I want to make an additional point here. I am the accounting officer. This represents three quarters of the public money for which I am accountable personally to Parliament. This is not just in the end about Ministers as far as I am concerned; it is about my role as the accounting officer.

Q4 Chair: We do not regard it as the Ministers. We want to know about you and the Department.

Mark Sedwill: My point, Mr Chairman, is that as the accounting officer I take this not only seriously but personally as well. I am personally accountable to Parliament for the value for money and the expenditure of public money. This is two-thirds, three-quarters, of the money that my Department spends. We should not have made the mistake. It was a serious error. We are going to get to the bottom of it and we are going to correct it.

Q5 Chair: So what have you done about the fact that you have made this mistake? Did you see the letter that Mary Calam wrote to Andrew White?

Mark Sedwill: Not at the time but obviously subsequently, yes.

Q6 Chair: So she wrote the letter on the Thursday to Andrew White, the Chief Executive of Devon and Cornwall. He received it on the Friday. When did you first see this letter?

Mark Sedwill: I think over the weekend. I first became aware of the problem on Friday; early Friday evening.

Q7 Chair: The Minister said he was alerted on the Friday. So were you told before the Minister?

Mark Sedwill: I think the Minister, the Home Secretary and I all found out around the same time; early evening on Friday. I don't know in exactly what sequence. All our offices became aware of this at roughly the same time.

Q8 Chair: Do you now accept that there is a serious problem with those who are undertaking this review? They seem to lack the ability to know basic mathematics.

Mark Sedwill: No, I don't accept that, Mr Chairman. The people doing the work on this, there are experts in police funding; there is a separate group of statisticians employed by Home Office Science; we have peer review of the process by independent academics. One of the things I need to get to the bottom of—and let me set out how I am going to do that in a second—is exactly how this error occurred and why it was that the significance of it

was not realised immediately and brought to my attention and brought to Ministers' attention, which is what I think the Minister set out yesterday.

Q9 Chair: The letter is dated 5 November. I have read it a few times and I can't see in here any apology to Devon and Cornwall for the mistake that had been made. I am talking about the Director General of Crime and Policing, a very senior official. She writes a letter to Mr White and she does not even understand the implications of what she is saying. You have read the letter, have you?

Mark Sedwill: Yes, I have. Yes.

Q10 Chair: The poor old Minister was before the House on Monday having to say sorry and apologise and here is Mary Calam, your most senior official, writing a letter to Devon and Cornwall and nowhere in the letter does it say, "Sorry; we made a mistake".

Mark Sedwill: I do not have the letter in front of me, Mr Chairman, so I can't remember the exact phrasing of it, but I think the letter makes clear that an error was made. That was prompted by Devon and Cornwall. But my point here, Mr Chairman, is this: I don't know all exact sequence of events; who said what to whom—

Q11 Chair: But shouldn't you know? You have just told us you are the accounting officer. This is a very large percentage of the budget. A Minister has gone before the House and in all my years in this House I have never known a Minister being really so apologetic; being so open with the House. On something that affects 43 police forces you have had people working for months; spent huge amounts of policing time; you have a threat of legal action; seven local police authorities threatening judicial review. You were appointed, Mr Sedwill, as a safe pair of hands. How can you not know what was going on in your own Department?

Mark Sedwill: Mr Chairman, I do not do the work of 30,000 people myself. This was drawn to my attention, as I said, on Friday evening. I have appointed now, yesterday, my most senior and experienced director—Ken Sutton, I think you know him—who is entirely independent from this process to do a management review for me, to get to the bottom of exactly why this error was made. The people involved in this are experts in the funding. We had independent statisticians involved. We have had peer review of it. The error should not have happened. I am not going to defend it. But I need to understand exactly why it happened and exactly why the implications of it were not understood and that is why I have commissioned that review.

Q12 Chair: Of course; but if you look at that letter it contains no apology. Do you know what the words, "the older hard pressed classification of CACI Limited's Acorn 5 measure" mean?

Mark Sedwill: These are—

Q13 Chair: Do you know what that phrase means?

Mark Sedwill: I think I can explain it. Do you wish me to try to do so?

Essentially there are two measures of population characteristics in urban areas. There is this older measure, which was described as the hard pressed measure, and there is the more recent measure, which is described as urban adversity. Now, I am not a statistician, I do not understand the exact details by which these measures are compiled but these were both, for the purposes of the consultation, used as measures to try and assess the population characteristics reflected in urban adversity. So the funding formula that we have been consulting on, on which in terms of the principles there is a wide degree of consensus across policing and it is important we do not throw all of that out as we deal with this particular problem. We have a population based model that reflects both the crime and non-crime demand in policing, it needs to be adjusted for population characteristics, including social deprivation and so on, and it needs to be adjusted for environmental factors.

Q14 Chair: Yes, but it comes down to the fact, as she says in this letter, that they were using the older data, the data that was given, and it was forced out of the Home Office by Devon and Cornwall writing in. I have spoken this afternoon to Andrew White who discovered this mistake. Have you considered offering him a job in the Home Office since he did such a good job in finding the mistake that your great officials—how many people do you have in your team there working on this?

Mark Sedwill: Off the top of my head I don't know. The team itself is relatively small, it is probably half a dozen officials but then we have other people from other parts of the Home Office, statisticians and so on.

Q15 Chair: So in total it goes to how many people would have been involved in this process?

Mark Sedwill: I don't know exactly.

Q16 Chair: A couple of dozen?

Mark Sedwill: Probably less than that.

Q17 Chair: All right, less than a couple of dozen. There is Mr White sitting in Devon and Cornwall, not necessarily watching the ships come in but going through all this data and he has managed to find out what all your highly paid and clever people at the Home Office could not find out. It is a big embarrassment for you, isn't it?

Mark Sedwill: Mr Chairman, I am embarrassed by this. Look, we were running a consultation process that in any event, particularly in a context of adversity, was always going to prove challenging and controversial with policing, it is important we do not get those things wrong. I have said I am not going to defend the error, I do not. It should not have happened. I need to find out why it happened. If there are individual performance issues we will address those, if there are managerial issues we will address those, if there are system issues we will address those.

Q18 Chair: Have we now written to all these 43 forces to tell that there is a pause or do we expect them to have listened to the "Today" programme?

Mark Sedwill: The Minister announced the pause yesterday. I do not think we have written out individually yet but, of course, we will need to communicate to the forces and to Parliament exactly the decisions Ministers take on the nature of the pause, the nature of the further consultation, what the next steps are and we will try to do that imminently.

Q19 Chair: What is essential now, of course, is that all that information is put out to the police forces so they can see for themselves if there are any other mistakes.

Mark Sedwill: Well, Mr Chairman, all this information was available to all of the forces. We were at the second stage of the consultation. At the first stage we had consulted—

Q20 Chair: But the wrong information. As was said in the letter, the older hard pressed information was in there, not the right information?

Mark Sedwill: No. But my point, Mr Chairman, is all of the information was already shared with the forces, we now need to consider whether these measures are still the appropriate ones on which to continue the process. We are not simply assuming that this is an error, we correct the error and carry on exactly as before. As the Minister said yesterday, we need to pause the process, take stock, consult the police and crime commissioners, the chiefs, the chief executives, consider whether we need further independent expert scrutiny from outside and at that point decide how to move forward. The Ministers are considering options on that as we speak.

Q21 Chair: You now have the impact of the comprehensive spending review and you have the speech made by the Home Secretary today when she is talking about further cutting down the Home Office, were you surprised that she has decided to make it even smaller, given the headaches that officials have given her?

Mark Sedwill: The Home Secretary and I worked together on that speech. That narrative is, of course, hers—in the end she is the Secretary of State—but she would be the first to say it is ours. That programme of transformation of the Home Office, of reform in all of the operation systems for which we are responsible is one that I regard in my job to deliver on her behalf.

Q22 Chair: But clearly you cannot work with the people you have at the moment. You need additional help, in this case you had Devon and Cornwall helping you. Can you really cut your staff any further? Can there be a further reduction of 50% in the Home Office staff covering immigration, policing, counterterrorism and all of the other areas that you are dealing with?

Mark Sedwill: Mr Chairman, there is a bigger question there because, of course, we are not just cutting staff and, as you know, we have not yet settled with the Treasury but where we would cut staff in the operations, for example at the border, the introduction of e-gates enables us to reduce the number of staff at the primary control points. So I can talk about that in more detail if you wish, but I do not want to get off the main point of your question.

Chair: We will come back to that again.

Mark Sedwill: The issue here, which I need to get to the bottom of, I suspect this is not the number of people on this, these are people operating under pressure but that is the nature of modern Government, I need to understand why the error happened, whether we had the right expertise within the Department, whether we had consulted the right people, whether we had the right kind of external expertise involved in this process. It seemed that we did. I was briefed regularly on it as we went through it but it turns out an error was made. We have to get to the bottom of why that error was made and we will sort it out.

Q23 Chair: Why did you write to the Speaker and tell the Speaker that this matter was not urgent on Monday? Clearly it was very urgent, it affected 43 forces. Mr Speaker made a statement to the House yesterday.

Mark Sedwill: I saw that, Mr Chairman. This is very much in the intricacies of parliamentary handling and—

Chair: We can handle it, we know about these things.

Mark Sedwill: I know. You know these better than I obviously. My expectation would have been that once we had Ministers taking decisions yesterday on how they wanted to move forward, what the pause would mean, how we were going to re-engage the process, restyle the process at some point, then Ministers would have wanted to make a statement themselves at their own initiative to Parliament and to the PCCs.

You put down an urgent question, it brought that moment forward probably by no more than 24 hours.

Q24 Chair: Would you take that letter away and have a look at it again? I am not asking you to do it now, and look at it carefully because it contains no element of remorse or regret when Mary Calam wrote to the Devon and Cornwall authorities. I think it could have been better written, rather than leaving it to your Minister to take the flak in Parliament for a mistake that was clearly made by officials.

Mark Sedwill: I absolutely accept that this mistake was made by officials, Mr Chairman, and on their behalf and on my own behalf I apologise for that. As I said, as accounting officer I take this personally as well as seriously as the Permanent Secretary. This just goes to the heart of my own responsibilities and I am deeply, deeply frustrated to find myself in this situation with you and to have put Ministers into that situation. It is not the kind of Home Office I am seeking to build and lead.

Chair: You said you expected it to be quieter than Afghanistan when you were last there, it is certainly not turning out to be.

Q25 Mr Umunna: Do you think the mistake could have been avoided or perhaps identified earlier if the consultation process was better?

Mark Sedwill: This is something we will have to look at. The consultation process was quite compressed. We have been seeking to see whether we could put in place a new formula on which we could command a consensus—

Q26 Mr Umunna: Do you mind if I just butt in? Why was it compressed?

Mark Sedwill: Well, perhaps I can explain, Mr Umunna. We could not start until after the election. Given the vagaries with the old formula, our aim was to see whether we could get a new formula into place for the 2016-17 spending round, so the first year of the new settlement. To do that we need to have the formula in place to be announced before Christmas, that is the statutory requirement. Inevitably it was quite a compressed timetable.

We set out at the beginning of it that it might not be possible to do it for 2016-17 but we were working to that timetable. Can I just finish my sentence? I think it is clear, given in particular in this area of the funding formula some of the sensitivity and volatility around some of that data, that even aside from this error it would have been extremely challenging to have this ready for that time and therefore I think we are going to have to shift it out.

Chair: Order, we will return when we are quorate.

Sitting suspended for a Division in the House.

On resuming—

Q27 Chair: Order. We will resume the session. Mr Umunna has a question.

Mr Umunna: Before we adjourned I was asking the Permanent Secretary about the consultation process and you, Permanent Secretary, are saying that now going forward you will need to consult the police and crime commissioners and others in relation to the new way of applying the formula. They in their letter last week which you will know of described the current consultation process as, “Deeply unfair and inadequate from the outset. The entire process has lacked transparency”. How can they have any confidence that the consultation process you are now going to carry out after this mistake has been made is going to be any different?

Mark Sedwill: I think it is clear from what the Minister said and what I have said we need to reengage with the APCC, with the NPCC and indeed with the chief executives as well.

That description which I do not think represents the views of all PCCs and all chief constables is harsh.

Chair: I missed that word?

Mark Sedwill: Harsh.

Chair: Harsh.

Mark Sedwill: The consultation process was as I said compressed. This is a very complex business. Everybody agrees that the old formula is inadequate for the modern needs of policing and we have a great deal of pressure every year from police to reform it. There is a widespread consensus that a population based model is the right way to go because it enables us to reflect both crime and non-crime demand and you will know of the issues around that in policing. That model has to be adjusted for population characteristics and environmental characteristics.

The principles are there is quite a widespread consensus the issue came up as soon as we started exemplifying it. To be honest some of the issues you heard in the evidence session you had last week with various chiefs a lot of that is fundamentally a question about austerity and cuts rather than the model itself. That of course is the underlying issue here.

Q28 Victoria Atkins: Who is responsible for this, Mr Sedwill?

Mark Sedwill: We need to get to the bottom of exactly who is responsible for which element of it. Usually in circumstances like this there is no one person because if one person makes a mistake someone else spots it. In a circumstance like this it is usually the case a mistake is compounded and that is why I have an internal independent management review to find that out, But in the end I am accountable for this mistake but the responsibility I need to establish.

Q29 Victoria Atkins: You have mentioned just now the compressed consultation process. It must follow as a matter of logic that the Home Office had this data for a longer period of time than the Chief Executive of Devon and Cornwall Constabulary.

Mark Sedwill: I presume so, yes.

Victoria Atkins: Yes, because it is Home Office data.

Mark Sedwill: It is not Home Office data but the Home Office had secured it.

Q30 Victoria Atkins: When one talks about compressed time frames that does not really stack up against the fact that the mistake has been made, does it, if the Home Office has had that information for longer than the person who found out that the mistake had been made?

Mark Sedwill: Devon and Cornwall identified the mistake. What I need to get to the bottom of, and I do not have the answer to this yet, is why it was that mistake was made. Why the quality assurance process involving statisticians, involving the funding experts had not identified this?

Q31 Victoria Atkins: When are you expecting to know the answer to this? It has been four days.

Mark Sedwill: Going through all the way back through this and making sure that we have looked at all of the e-mails, who knew what when and so on does take a little time. I would expect it to be a matter of a few weeks, not more than that. Once I have the conclusions of that, once we have identified what needs to happen next I will undertake to write to the Committee to set out the conclusions of that review and the actions that I have taken.

Q32 Victoria Atkins: How much will this mistake cost the Home Office?

Mark Sedwill: Apart from some administrative costs, and of course there is then the ongoing cost of changes to the consultation there is no significant cost to the Home Office because this was part of the consultation. We were not allocating funding on the basis of

this data. This was the second phase of an ongoing consultation about the process itself. The direct costs of a mistake like this are relatively limited.

Victoria Atkins: But you do not have the number?

Mark Sedwill: No.

Q33 Victoria Atkins: What will be the average loss to Constabularies across the country?

Mark Sedwill: I do not know.

Victoria Atkins: Can I help with—

Mark Sedwill: But again I would imagine this is quite a small administrative cost. The issue is going to be about the ongoing consultation.

Chair: We have a figure for you from—

Victoria Atkins: Lincolnshire Constabulary was expecting to gain by £8 million next year had the formula gone ahead as planned. That now is not going to happen and so the Chief Constable of Lincolnshire tells me that the cost potentially to his force is £8 million. That will have an impact on policing on the ground in my county.

Mark Sedwill: Ms Atkins, I think we have to distinguish two things here. This is a consultation. These were never the numbers on which we were going to allocate money next year not least because the basis for them was the 2015-16 grant settlement and next year's total will be settled through the comprehensive spending review as the 2016-17 settlement. This is a consultation about the variation between forces. Had we gone ahead some forces on the basis of this would have had more and some less. We go ahead on a different basis those numbers will change but this is a consultation. These are not locked down.

Chair: We understand these are indicative figures but Victoria Atkins made the point that people are going to feel that they have lost out as a result of these changes. Let us leave this section.

Victoria Atkins: I have one further if I may?

Chair: If it is very brief.

Q34 Victoria Atkins: What will happen to the civil servants who made this mistake?

Mark Sedwill: That will be, as I said, determined as a result of the management review. If there are individual performance issues we will tackle those. If there are managerial issues, if there are system issues I will tackle those. I will not disclose exactly, people are entitled to personal privacy, any performance action that is taken about the individuals but if there are performance measures that have to follow they will follow.

Chair: Let us just close this section. This Committee is appalled at this mistake. We welcome the fact that you are conducting a review. We would like you to write to us with the

outcome of that review before the end of this session and should we not have a letter we would like you to appear before us when the Home Secretary comes in the last session of the term. We honestly say to you we think it is a good idea for you to use a wider group of people for the analysis. I was not jesting when I said Andrew White from Devon and Cornwall may be someone who you might want to take on to help you work your way through this. If you could write to me about that letter, and the next letter that goes out to the 43 forces in our view should contain an apology to those forces that have worked so hard and we do not think that this should come from Ministers. It should come from those who are responsible. Let us move on. David Winnick.

Q35 Mr Winnick: I want to pursue, if I may, a position over what occurred yesterday. Do you consider that the urgent question served a useful purpose?

Mark Sedwill: At any point, Mr Winnick, we would have needed to make a statement to Parliament through whatever mechanism. The urgent question just fulfilled the same purpose that would have been fulfilled had Ministers made a statement.

Mr David Winnick: You are not answering my question. It is a very simple one. Do you think it served a useful purpose for the Minister to come and say what he did say?

Mark Sedwill: That is my point, Mr Winnick. The Minister would have wanted to do so whether it was yesterday or today, whether it was in response to an urgent question or a statement we had initiated ourselves I think is a secondary question. It is obviously important that Ministers account to Parliament for issues of this kind.

Q36 Mr Winnick: In which case, could you explain the following which the Chair touched on? When the Speaker concluded exchanges yesterday he said the Home Office itself declared in writing that the matter was not urgent, which was Mr Vaz's urgent question, and did not think that the urgent question should be granted. There was no indication that in the absence of an urgent question the Minister was going to make a statement. Am I right, there was no statement due yesterday?

Mark Sedwill: No, there was no statement due yesterday partly because Ministers were still addressing the substance of the issue yesterday. As I said my expectation is, and I do not know exactly when it would have been and would have been a decision for Ministers, Ministers would have decided to make a statement to Parliament of whatever form promptly once those decisions had been taken. The urgent question brought that moment forward.

Q37 Mr Winnick: Mr Sedwill, I think you will agree that it would be wrong for anyone to mislead Parliament. What causes concern is when it was stated in writing the matter was not considered urgent by the Home Office. If the note had said to the Speaker, "It is certainly a matter which we are discussing at the most senior ministerial level, and a statement will be made the following day", as far as I understand it—otherwise the Speaker would have stated so—it simply said what the Speaker said. I would argue that there is a danger, is there not, such a note could have misled both Mr Speaker and therefore Parliament itself?

Mark Sedwill: You and the Speaker would need to take a view on that but I think I need to be clear that in arguing that an urgent question, the non-urgency if you like of an urgent question, it is a very technical matter. It is simply about the mechanism of an urgent question itself at that moment. It does not mean that Ministers were disregarding Parliament. Indeed Ministers are clear that once they had taken decisions at the appropriate time, I think that probably would have been today or within a day or so, they would have come to Parliament and they would have made a statement. Generally in response to an urgent question you just address the question.

Q38 Mr Winnick: I cannot see how it could be described as a technical matter in anyway. It is very much a political matter as I am sure you are perfectly aware. Who wrote that note to Mr Speaker?

Mark Sedwill: Mr Winnick, I do not know but these notes when it comes to parliamentary handling are approved by Ministers or their officers.

Q39 Mr Winnick: Did you see the note?

Mark Sedwill: No.

Mr Winnick: You were not aware that Mr Speaker's office had requested the information from the Home Office whether it was urgent or not in their view? You were not aware of any that?

Mark Sedwill: No. You asked whether I saw the note. I was aware there was an urgent question. I was aware that we were responding to that by suggesting that we should not answer an urgent question yesterday but I did not look at the note itself.

Q40 Mr Winnick: Did any Minister know about that note?

Mark Sedwill: Decisions on urgent questions are invariably taken by a Minister, I do not have an audit trail in front of me, Mr Winnick, I do not know exactly who saw what, when. But Ministers take decisions in terms of parliamentary handling, my expectation is it will have been a ministerial decision yesterday as well.

Q41 Mr Jayawardena: We are moving to a separate issue entirely: procurement contracting. Your seven-year improvement programme was introduced in 2013, was it not, to combat identified weaknesses including in contracting and project management. What benefits have you gained from this programme to date?

Mark Sedwill: I can probably write to you with some financial benefits but we have seen a more rigorous approach to contracting. I do not know how long you will give me to answer.

Chair: I will stop you when it is time.

Mark Sedwill: When you are bored, right. Essentially the NAO report last year—which you will remember was prompted by the G4S Serco affair—when they looked at the Home Office they concluded our financial management of contracts was tight, and indeed I was criticised in another committee for that being too tight. But the performance

management was not as effective. We were accumulating penalty payments, service credits, when performance was inadequate, but we were not as effectively managing the contractors to deliver that performance. I made clear at the time I am not really interested in accumulating service credits, I want the performance that we have contracted.

Q42 Mr Jayawardena: Was that because it was not entirely clear who in the Department is controlling these contracts?

Mark Sedwill: This is partly in response to some earlier issues, our financial management was sitting very tightly with the commercial experts who run contracts, performance management was with the operations. We have shifted responsibility to the operations and as a result I think we have a better balance so we are seeing tighter performance management of these contracts as well as financial management.

Q43 Mr Jayawardena: The Moore Stephens review said some contract managers were concerned about overlaps with the operations teams, and were not clear on their precise role. That has now been resolved, in your opinion?

Mark Sedwill: That is clarified, yes.

Q44 Mr Jayawardena: Could I just also look at the senior management involvement in these contracts? That was a key issue identified by the National Audit Office. How are you tackling that weakness?

Mark Sedwill: In two ways, the first from the business perspective, the operational perspective. Each big contract, each major supplier now has a senior business contract owner, so that will be a senior officer who is responsible for the frontline operations, so in effect the customer of the contract, who has the overall responsibility for the relationship.

Q45 Mr Jayawardena: What role would that be?

Mark Sedwill: It will vary from contract to contract but I will give you an example, the new senior responsible owner for the Digital Services at the Border programme, which is the new programme to digitise the border, is the chief operating officer of the Border Force. In that case quite a senior role but it will vary from contract to contract. We are also up-gunning the capability within our commercial directorate, so we have people with more experience, more seniority and more impact to manage the relationships with the big contractors, and we are one of the main players in the effort the Cabinet Office has taken to appoint Crown representatives for helping manage the relationships with the strategic suppliers.

Q46 Mr Jayawardena: It is helpful you have just moved on to strategic suppliers because it could be said that Government is over reliant on a very small number of these large providers to deliver major projects. Could the Home Office itself look at whether it would be more efficient in fact to look at a wider range of providers to deal with the different and varying contracts that the Home Office is responsible for?

Mark Sedwill: We always do look at this and I think we have shifted very significantly in that direction over the last few years. If I take the COMPASS contract, one option would have been to put it out to a single provider. One of the providers has consistently

performed better than the others, it is essentially their sole area of business, so you could have made a sort of efficiency argument to go with a single provider and in fact we went with three because we wanted to retain some competitive tension in the market. That makes it more challenging to manage for us but it is probably the right decision.

In terms of the big procurements, like the rest of Government we have broken these down—so we do not do these single procurements as we did five or 10 years ago—into essentially modular approaches. Whether that is the new border services programme or immigration technology programme, or the emergency services network and so on, these are broken down into smaller lots, put out to different providers, so each is completed separately, so we do not have essentially a single point of focus.

Q47 Mr Jayawardena: Two points in conclusion if I may, Chairman, the first is: so you are now confident that your contract management is able to deal with that? The second question is: what is the cost to the Home Office—dealing with COMPASS as an example—of splitting these up? It is value for money or not?

Mark Sedwill: I think it is value for money; of course one is always, in a sense, trying to measure that against a counterfactual. The COMPASS contracts are more efficient than the system we had before, which was more directly contracting. We concluded it was right to have some competitive tension but of course we have never tried it against a single—

Q48 Mr Jayawardena: On the contract management you are confident there that you can deal with these more complicated matters?

Mark Sedwill: Our capability has improved significantly like the rest of the civil service, however, this is work incomplete. As we go into the comprehensive spending review, as we have a tighter financial settlement, then there is going to be a premium for the civil service as a whole on commercial skills, digital skills, and so on.

Q49 Mr Burrowes: The Home Secretary spoke today about further cuts to the Home Office and a slimmer workforce. Will that include the commercial directorate?

Mark Sedwill: In the commercial directorate we have slimmed down the numbers but increased the experience and seniority. Like every other part of the Home Office it has to play its part in efficiencies and it will do so. We believe that by changing essentially the profile of that directorate we can achieve the impact that we want. We certainly in the past probably had too many quite junior, inexperienced staff involved in quite mechanistic management of contracts and that is probably not the most effective way of operating.

Q50 Mr Burrowes: Yes, we picked up on that before.

Mark Sedwill: Yes, indeed, our last exchange.

Q51 Mr Burrowes: As we look to this budget, which I understand has not been settled, unlike other departments?

Mark Sedwill: No, only a few so far.

Q52 Mr Burrowes: Do you know when?

Mark Sedwill: The Chancellor is due to announce the spending review in the last week of the month and obviously we want to settle before that. Some of you who have been in Government know that this is a process that gets quite testing.

Q53 Mr Burrowes: Looking in your crystal ball, in relation to the commercial directorate, are you seeing any reduction in the senior staff that you think have upped the game in relation to the commercial directorate?

Mark Sedwill: No, I think overall we will probably have in absolute terms, but certainly in significantly relative terms, more senior and experienced staff dealing with contracts and managing the relationships with contractors rather than trying to manage the technicalities of annex F of a particular contract. Those things need to be done but one of the lessons we learned was while you keep the financial management tight—and I think you were at the hearing when we discussed this in detail—the performance management needs to be done through a relationship where the operational managers on our side and those providing the operational service on the commercial side have a relationship where they understand each other and can work through issues, rather than getting into a room with accountants and lawyers.

Q54 Naz Shah: In 2014-15 you received a lump sum in your accounts of £150 million.

Mark Sedwill: That is right.

Naz Shah: What was that for?

Mark Sedwill: That came quite late in the year and that was a specific ring fenced lump sum to settle with Raytheon after the Raytheon judgment on the e-Borders contract.

Q55 Naz Shah: Can you just explain that last bit to me?

Mark Sedwill: You will be aware, Ms Shah, that we had a protracted legal case with Raytheon over several years relating to the e-Borders contract that was cancelled at the beginning of the 2010-2015 Parliament. Mr Burrowes will remember in the PAC, and I think here, Mr Chairman, in the last Parliament I constantly found myself having to say, “I cannot say anything about this” because the action was ongoing. The tribunal found against us. We appealed it to the High Court, the High Court found in our favour that the tribunal ruling was deficient. Following that we then re-entered talks with Raytheon to try and settle the case, and it was as a result of those talks that we reached a settlement of £150 million and it was specifically for that, that the Treasury transferred that lump sum into our account at the end of 2014-15.

Q56 Naz Shah: What criteria do you use when you want to terminate these big contracts?

Mark Sedwill: We try not to do so of course because our objective is always to make the contract succeed. In fact in terms of that particular contract—this is well before my time in the job—it was felt at the time that the Home Office did not have confidence, and my predecessor, the Home Secretary at the time, did not have confidence in Raytheon’s ability

to deliver the services to the timelines that had been agreed in the contract and, therefore, concluded it was right to cancel it. I have asked the NAO—and they have agreed to do so—to have a look at the entire e-Borders programme and they are going to be reporting in the next few weeks.

Q57 Naz Shah: At the moment how many contracts are we reviewing to bring to an end?

Mark Sedwill: None to terminate in that way that I am aware of. Certainly no big and significant ones of that kind of scale.

Q58 Naz Shah: Do you have any cost implication in the next five years to terminate any contracts that you know of?

Mark Sedwill: We do not build in a contingency for that, we build into all contracts a certain amount of what the technicians call optimism bias because inevitably there are always risks of both time and money in delivery. But we do not build in contingencies for cancelling because our objective is to make contracts succeed.

Q59 Chair: The outsourced visa services contract, which is worth £33.3 million, has that now been awarded?

Mark Sedwill: I would have to come back to you, Mr Chairman, I am not exactly sure.

Q60 Chair: The Her Majesty's Passport Office contract for £10 million, the contract service provider, has that been—

Mark Sedwill: Again, I will have to—

Q61 Chair: Would you write to us?

Mark Sedwill: Yes, I will have to come back to you. These are in flight but I do not want to mislead you about the exact amount.

Q62 Chair: Of course. The concern that we have is that you gave a contract to Teleperformance for visa services in Africa, they did not fulfil it and a lot of those visa centres were not opened.

Mark Sedwill: There were certainly issues with Teleperformance. I recall when I ran UK visas quite a number of years ago now, nearly 10 years ago, for the reasons we were just discussing we brought in alongside VFS, who have been our main provider for a long period, CSC into some of the regions. They at that time also had quite a challenge in the first year or two in getting themselves up to speed and providing the service levels, and Teleperformance I think had some of the same challenges.

Q63 James Berry: In the Home Office you do a lot of work for lots of other Departments as well. Can you just tell the Committee what you are doing to promote collaboration in procurement, both within your own Department and with other Government Departments?

Mark Sedwill: I will try and give you a fairly short answer. I can write to you with the figures if you are interested, we are one of the main participants in Crown Commercial Services procurements across Government. Most commodities now we procure through those central frameworks and those are collaborative frameworks essentially set up for all departments to draw down from. That can be from very prosaic things like stationery and so on, but through commodity IT and so on. Probably the biggest collaboration in which we are directly involved at the moment is the emergency services network. We are leading the procurement but it is on behalf of ourselves, the fire service, ambulance and other emergency services, which of course spread across departments. That will be a single procurement on behalf of all of the departments with emergency services involved.

Q64 James Berry: I do not want to rake over old coals but due to the unforced error with the calculation of the sums in the funding formula there is going to be a delay until that review is completed. One of the things that the number of different police officers have told us was that they found it difficult to deal with the CSR at the same time as the funding formula. Can you now perhaps see a benefit to the two being dealt with separately so the police can work around the difficulties they are going to face as a result of CSR, and then come on to address the funding formula later on?

Mark Sedwill: We thought about this quite hard with Ministers when deciding whether to do the two in parallel and the conclusion we reached was the flaws in the old formula were so significant—and Ms Atkins was talking about Lincolnshire, which is one of the forces that essentially is probably underfunded under the old formula, of course against a formula I do not yet know—that to manage effectively an austerity programme over the next few years it is necessary to allocate the money on the most rational basis that we can. Although inevitably there is a question of the amount of change that can be absorbed at one time and managed at one time—and that might be one of the reasons that we made as you put it, Mr Berry, this unforced error—that in terms of giving the police a sensible settlement over the four years, each of the 43 forces is having a settlement over the four years, we need to have a new funding mechanism in place so they can be confident that it is as close as possible to reflecting the demand that they have within the budget that is allocated to us by the Treasury.

Q65 James Berry: There have been grumblings about the police funding formula for as long as I can remember. Successive Governments have not dealt with it so you ought to be commended for trying to grab the bull by the horns. It is inevitable, is it not, that however accurate you are, however complicated or simple the formula ends up being, there will be some winners and some losers?

Mark Sedwill: Yes, there will.

Q66 James Berry: There will be some people sitting where you are who are disappointed, however scientific the formula ends up being?

Mark Sedwill: There will, and inevitably there is an element of art and judgment in this as well as, as you have put it, science. I travel around the country a lot. I talk to some forces who, for example, have big container ports and they say there needs to be an element in their funding that accounts for that. Other forces have very dispersed populations and it takes a long time to get across those areas, so they will argue there needs to be something

for that. Areas with very dense populations and so on. There are lots of variations around the country. We have to try to come to a formula that allocates the central grant—which, of course, is not the only source of funding for policing—as rationally as we can, particularly at a time when the overall budget is inevitably going to decrease.

Q67 Mr Umunna: You said that the consultation process had been compressed and that there was a need for it to be carried out within the time frame because of the decision to run it before the CSR. Who made the decision to do this process concurrently with the negotiations you are having with the Treasury on the CSR? Was it you or was it Ministers?

Mark Sedwill: It was the Ministers.

Q68 Mr Umunna: Ministers were the ones who decided to do this police funding formula review at the same time that they were negotiating with the Treasury?

Mark Sedwill: That is a Ministerial decision on official advice.

Q69 Nusrat Ghani: If I can take you back to Mr Berry's original question on efficiencies and savings, this Committee instigated a report back in January 2014 on the work of the Permanent Secretary and noted that, "The National Audit Office has found that procurement practice vary considerably between the 43 forces in England and Wales and that forces have not agreed common specifications for many types of goods and services, which has reduced their ability to make savings by delaying or preventing collaborative purchasing arrangements being established." Can you update us on what the Home Office has done to lead or encourage police forces to make decisions more in tandem and to find efficiency savings?

Mark Sedwill: Again, it is a very big question but to the specifics you are addressing, we have launched the National Police Procurement Hub, which I think Mr Chairman christened, "The Amazon catalogue for policing" at one point. That is a pretty good description. That is to enable police forces to get the best price for commodities that they need. There is still too much variation. There are forces—HMIC have pointed this out—who are paying £50, £60 or £70 for a piece of equipment that other forces are paying £20 or £30 for. There is no reason for that. If they wish to do that, then as a voter and a taxpayer I want to hold my PCC accountable for it at the election next year.

Secondly, we have launched the Police ICT Company. It is seeking to achieve the same in information and communications technology, which is becoming a more commoditised market, so that the police can use their overall buying power together. It is owned now by all of the PCCs to interface with the ICT sector. We have provided through the innovation fund funding for various forces that have sought to improve collaboration in procurement—either with each other or, as in some cases, with their local council; these vary around the country—or, in some cases, to upgrade their own commercial capabilities so that they can make use of the Procurement Hub. There is a range of different initiatives we have taken.

Ministers are clear that in the end, the primary responsibility for this rests with PCCs. It is only in rare circumstances they are willing for us to mandate. We did mandate the National Police Air Service. That was done so that we now have a single air service for policing, which is saving millions of pounds. There is a Crown Commercial Service

procurement for vehicles that has already saved £7 million and I think £15 million as well, if memory serves me right. There is a series of different initiatives of this kind.

The final point I would make is that we have made changes to Police.uk and we have encouraged HMIC to make their material more user-friendly to the public so that the public can hold PCCs accountable for decisions of this kind that they take.

Q70 Nusrat Ghani: A key measure of whether that is successful is being able to access police procurement data. The same report that was produced by the Committee said that your awareness on police procurement data was close to 5%. You were aiming for it to be closer to 80% at the last election in May 2015. How close are you, between 5% and 80%?

Mark Sedwill: My recollection might be wrong, Ms Ghani, but I think it was 80% through collaborative arrangement. I believe that number was hit but the truth is that still not enough police procurement is off these frameworks where they are able to get the best price possible. The data is, however, now available. The Committee, when it looked at this at that time, was clear the data was pretty impenetrable and it is now available in a much more voter-friendly, user-friendly form.

Q71 Nusrat Ghani: The collaborative data is no longer at a possible of 5%, it is now closer to 80%?

Mark Sedwill: Police procurement through collaborative arrangement I believe is now near 80%, but I do not want to mislead the Committee so perhaps if I have described that wrong and I need to clarify it I can give you the exact language in writing.

Q72 Nusrat Ghani: The difference between 5% and 80% is quite big, you see.

Mark Sedwill: My point is that there is an 80% figure, I just do not want to describe it wrong in a hearing of this kind. I will write to you if I have described that incorrectly.

Chair: Please do. We now have some quick questions and quick answers.

Q73 Stuart C. McDonald: The Parliamentary and Health Service Ombudsman reported today that 69% of complaints against the Home Office have been upheld in the most recent period. That is double the public sector average. The immigration casework was a particular problem with errors, delays, poor decisions and prolonged uncertainty. Why is so much immigration casework going so badly wrong?

Mark Sedwill: Quite a lot of that dates back to the UKBA era and, as you will have seen, the Ombudsman's report does credit us with trying to get on top of this problem and it does refer to delays as being one of the main reasons that we faced that criticism. One is one too many, I am clear about this. I am never comfortable when we find ourselves on the wrong side of an Ombudsman report. However, you will find that around a third, for example, of the cases they upheld there date back to the UKBA era and I am sure the Chair, in the interests of a quickfire answer, will not want me to rehearse all the problems from that era.

Q74 Stuart C. McDonald: What the report says is not so much, “Trying to get on top”. It says, “The Home Office failed to address delays and poor decision-making in the immigration system last year and did not deal adequately with the impact these failings may have had on individuals and their families”. You must appreciate this is a particular concern when appeal rights have been cut down significantly. There is a Government proposal to remove in-country rights for appeals, so folk will have to leave while tribunals are fixing the mess that is made in the Home Office. What can be done to fix this, short of abandoning these proposals for out-of-country appeals?

Mark Sedwill: It is worth recording that although these numbers are significant, this is a tiny proportion of the casework that the immigration directorates handle every year. It is about 3 million cases every year that they deal with. While these are serious and some of these delays are clearly unacceptable—one of the cases that was quoted dated back to 2003 and that is clearly wrong—it would be wrong to assume that that is representative of all of the casework that the immigration directorates do. Our success rate at appeals has increased steadily over the past few years.

Q75 Stuart C. McDonald: You are still talking about being corrected on appeal in something like 40% to 45% of cases, if I recall correctly. We are talking thousands and thousands of cases where people would have to leave for several months—families, places of work, studies—while the tribunal corrects bad decision-making.

Mark Sedwill: It is not all bad decision-making, Mr McDonald. I do not have the figure to hand but a significant proportion of appeals that succeed—it may be a third or a half, I cannot recall exactly—succeed because new information is brought forward at the moment of the appeal that was not available to the original case worker. Compressing the timelines is an important element of this. I do not like losing appeals and we should always be working to improve our decision quality, but our success rate at appeals has improved significantly over the past few years.

Q76 Mr Jayawardena: One very quick follow-up to the points on procurement. Some police forces have been paying five times as much as others for equipment and uniforms. One hi-vis jacket costs £20, another costs £100. Could it not be said that, given there are such clear cost pressures, there is a duty for the Home Office to act and to create, for example, a common uniform, or ensure that the hire of common vehicles is taken forward?

Mark Sedwill: There was a discussion I recall a couple of years ago about the white shirt. I remember someone saying, “They cannot even agree whether the shirt should be white”. It is extremely difficult to create a complete consensus.

Q77 Mr Jayawardena: Should you not direct that, to save money for the taxpayer?

Mark Sedwill: There is a choice for Ministers about whether to mandate or whether to leave PCCs to do it, and the clear policy of the last Government and this one is that PCCs bear that primary responsibility. Our job is to try to ensure that they are able to make efficient purchases. We have done that through the National Police Procurement Hub and the ITC Company is now doing that too. However, in the end it is down to them to run their own forces properly. Neither this Government nor the last, certainly not this Home Secretary, want to be mandating or trying to run police forces from 2 Marsham Street.

Q78 Chair: You now have an extra Minister, Richard Harrington. Do you know how many Syrian refugees have arrived in this country under the Vulnerable Persons Relocation Scheme?

Mark Sedwill: Mr Chairman, I wondered whether I would get this question. We can go around this but you will understand I am not going to give you a different answer to the answer the Minister gave.

Q79 Chair: Right. Do you know when we will know?

Mark Sedwill: The Prime Minister, as you know, has set us a target in the new scheme of 1,000 by Christmas and the plans are in place for that. The first charter flight is due to arrive next week. We are running a different—

Q80 Chair: That is a little bit of information.

Mark Sedwill: Indeed. It is an update.

Q81 Chair: Were you supposed to tell us that?

Mark Sedwill: I do not know, Mr Chairman. I will find out when I get back.

Q82 Chair: The charter flight is coming next week.

Mark Sedwill: There are a series of charter flights over the next few weeks in order to meet that objective.

Q83 Chair: You are satisfied that we are on track to meet that?

Mark Sedwill: Yes. Of course there are great uncertainties in this area. We are dealing with very vulnerable people from the camps but we have good plans in place. The old scheme, good scheme though it was, was not designed for the kind of numbers that we are now looking to bring in. Indeed, we have expanded the categories that we will bring to the UK in order to hit those numbers.

Q84 Chair: I know that in Leicester we are taking five. Birmingham are taking 15. Bradford have had some. In terms of asylum-seekers and going back to procurement, do you know how many asylum-seekers are currently being housed in hotels?

Mark Sedwill: I do not know the exact number but it is certainly several hundred at the moment.

Q85 Chair: Would you write to us, please?

Mark Sedwill: Yes, I can do that, Mr Chairman. They are there for quite a short time but I can give you a number, yes.

Q86 Chair: There is a view that the big providers, Serco and G4S, are going to hotels because of the shortage of accommodation. It is understandable. They are not high-grade hotels. Would you let us have that figure? That would be very helpful.

Mark Sedwill: I will. Maybe just two quick points, Mr Chairman. What we pay the contractors is the same whether they use hotels or other accommodation. It is expensive for them to use hotels so they have an incentive to use other accommodation.

The numbers of asylum-seekers have gone up somewhat this year. That is just a spill-over effect of the European refugee crisis. We face a tiny fraction, frankly, of the issues that others are facing, but the numbers have gone up and the proportion requiring supported accommodation within that has gone up as well because of the blend of nationalities coming through. There are some pressures on the system, which is partly why hotels are in use, mostly for a short time for people in transit, essentially, into accommodation.

Q87 Chair: We know there was a shortlist for the Director-General of the NCA, a very important body, the creation of the Home Secretary. Do we have a candidate appointed yet? If not, when do we expect a candidate to be appointed?

Mark Sedwill: That is in process. We went through the usual process: a long list, a shortlist and interviews. The Home Secretary—

Q88 Chair: How many applied for that?

Mark Sedwill: I do not know exactly, Mr Chairman. It was not far short of a dozen but maybe less. There may have been nine or ten, something of that kind. As normal, we had a shortlist of three and there is then an interview process. I chaired the panel. The Home Secretary then has her own interview. It is a statutory appointment for her but there is consultation on it with the devolved Administrations and with the Prime Minister. We are in that process now and we hope to make an appointment shortly.

Q89 Chair: Do we know where the process of extending or not extending the Commissioner is? We heard evidence today that he would like an extension, the Deputy Mayor would like him to have an extension and the Mayor would like him to have an extension, but it is now left with the Home Secretary. Do we know where that is, that process?

Mark Sedwill: For all of that to happen MOPAC need to write to us and I am not aware that we have received a letter with a proposal yet. If I am wrong about that I will come back to you but I am not aware of a letter having come in.

Q90 Chair: You raised an important issue about leadership. When they advertised for the Chief Constable of Greater Manchester only two people applied. In West Midlands, the second biggest force, again only two people applied. Where are all these leaders? You are clearly a leader in your field, there is no doubt about that, but where are the other leaders in the Police Service? Why are so few people applying for these jobs?

Mark Sedwill: It is an interesting question. One of the areas that the College of Policing is looking at is exactly this and part of the reason for the direct entry reforms is to strengthen the overall leadership in policing. The Commissioner himself, Bernard Hogan-Howe, is an outstanding leader. We have other—

Q91 Chair: He has your vote?

Mark Sedwill: I am not going to reveal private advice to the Home Secretary. I think he is an outstanding leader. I think she thinks he is an outstanding leader.

Chair: We will ask her.

Mark Sedwill: That is a separate question from any proposal that comes from the Mayor.

Q92 Chair: It is a worry, isn't it?

Mark Sedwill: There is an issue with whether or not policing is developing the leaders from within. It relates to some of the points that the Home Secretary has made about diversity in policing as well, and that is partly one of the reasons for the direct entry.

Q93 Chair: On diversity, she was very hard on Durham and some of the other police forces to say that there was not a single ethnic minority officer. Was she not hard on you? In your senior management we do not have anyone who is black or Asian.

Mark Sedwill: The proportion in the Home Office as a whole is just over 20% BME. This is, of course, based on self-declared data.

Q94 Chair: But not the leadership.

Mark Sedwill: In the senior civil service in the Home Office, it is—

Chair: You are talking about the Home Office?

Mark Sedwill: Yes, the senior civil service in the Home Office. In the senior civil servants, the leadership core of the Home Office, it is under 4%. Our objective is to get to six.

Q95 Chair: When?

Mark Sedwill: As soon as possible. We have in place a whole range of programmes. Of course you have seen the Prime Minister's announcement about name-blind recruitment. We have been doing that in several areas of our operations already.

Q96 Chair: Has it made a difference?

Mark Sedwill: It is probably too early to say, but all the evidence from elsewhere suggests that it does. We have brought members of our Network Panel, which is our BME staff representative group, and they are now involved in the moderation panels for appraisals to try to ensure that there is no bias in that process. I mandated all of the senior civil servants in the Home Office to do unconscious bias training by Christmas last year and they did so. We are looking at other issues in the appraisal system. We had a management scheme to bring on BME talent and we are re-launching a more extensive one in the New Year. The Home Office is the pilot for the rest of the civil service on that.

We do take this seriously. We take all diversity issues seriously. We have done well on gender. We are regarded very highly by Stonewall on sexuality. We have, like most big institutions, real challenges and some way to go on ethnicity.

Q97 Victoria Atkins: The issue of police pensions is obviously very important to individual officers but the national maths with police pensions is quite stark. The cost of police pension grants has increased by 160% since 2010 or 2011. Is this sustainable? Can we afford this in the longer term?

Mark Sedwill: There have been reforms introduced to the police pension itself, as you will be aware, Ms Atkins. They came in in April this year. Like the reforms to civil service pensions and other public service pensions, those will take some time to come through but they should mean that police pensions, in the long term, are on a sustainable footing. Of course, there are going to be some transitional effects. It is a pay-as-you-go scheme, as you know. The overall funding pressures could increase over the next few years as, for example, officers take early retirement and are therefore a charge to the pension scheme rather than a charge for salary.

In the long term, the reforms should make it a sustainable scheme. The budget for it is annually managed expenditure. It is not part of the Home Office control total, it is managed separately and is essentially paid directly by the Treasury into the funds required to pay out the pension. It is part of a wider issue around public sector pensions as a whole, which the last Government introduced significant reforms to.

Q98 Chair: Last question from me: is life easier under a single Government rather than a Coalition, for you? The last time you were here, of course, we had disputes between one of the Ministers and the Home Secretary. He had just resigned. Is it better? Is it easier? Is decision-making much quicker?

Mark Sedwill: Life in the Home Office is never easy, Mr Chairman. It is all hard all the time, as the first period of this session illustrated. What civil servants want is Ministers with a very clear view of what it is they want, the political authority to deliver it and the ability to take decisions. You will be aware that we have a Home Secretary who meets those criteria.

Chair: Mr Sedwill, thank you very much for coming in.

Mark Sedwill: Thank you.