

G4S considered exiting youth offenders market in US and UK

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[G4S](#) is considering an exit from contentious work looking after young offenders in the UK and the US after a series of scandals.

In the latest incident, staff at a young offenders centre run by G4S were filmed [apparently squeezing a teenager's windpipe](#) as the 14-year-old screamed "I can't breathe".

Employees at the Medway secure training centre in Rochester, Kent, were also allegedly heard by undercover BBC reporters agreeing not to record the incident so as to avoid a fine by the government. Five G4S staff have been arrested.

Ashley Almanza, G4S chief executive since June 2013, has succeeded in restoring the company to profit after it slumped to a pre-tax loss of £190m in 2013. This loss was partly because of a £109m settlement with the government after it emerged that G4S had been [overcharging the ministry of justice for the electronic monitoring](#) of offenders, including some who were dead.

But the scenes filmed at Medway by the BBC's *Panorama* programme raise important questions about G4S's efforts to improve contract execution, plus its approach to the recruitment, training and supervision of staff. G4S's risk management policies and internal controls are under scrutiny once again, having been told by the government after the tagging fiasco that it must undergo a process of "corporate renewal".

"How could this happen?," says one person close to G4S, referring to the incidents filmed by the BBC reporters at Medway. "It's a debate about the strategic direction of the business. And should G4S leave youth justice and concentrate on the rest of its work, which is far less controversial?"

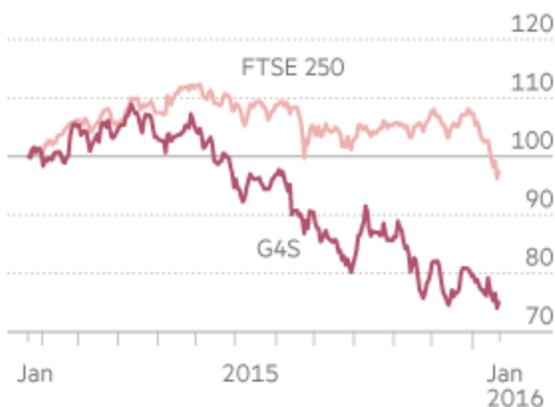
The core of G4S's business is security services for companies and governments. It employs more than 600,000 staff, many of whom are guarding offices scattered across the world.

G4S declined to comment on whether it would exit youth justice work but said some of the alleged behaviour at Medway was "horrifying and sickening". "It is wholly unacceptable in a business that has responsibility for children," it added.

G4S's youth justice unit, which includes Medway, accounts for less than 2 per cent of the company's £8bn of annual revenue, but a disproportionate number of problems.

G4S

Against FTSE 250 (rebased)



Source: Thomson Reuters Datastream

FT

Last year Ofsted, the education watchdog, criticised [G4S's running of Rainsbrook](#) secure training centre in Northamptonshire. Ofsted said that some children were subjected to "degrading treatment". Six G4S staff were dismissed, and the company has since lost the contract to manage Rainsbrook.

Meanwhile, in the US, there were riots last year at G4S's Highlands youth academy in Avon, Florida, which caters for 130 young men aged 16 to 19.

Ironically, Medway had received a "good" report by Ofsted in a document that was briefly published the day after the *Panorama* programme was broadcast. It was subsequently withdrawn by Ofsted.

Unlike some of G4S's other UK government contracts, lack of funding does not seem to be the issue at Medway.

G4S is paid £10m per year by the government to run Medway, based on estimates that it costs £140,000 to house one person for one year at the centre. It is paid to keep 76 places available for occupancy, regardless of whether they are filled at any one time.

Analysts calculate that G4S generates an operating profit margin of about 8 per cent at Medway.

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- Person close to G4S

Rob Allen, co-founder of Justice and Prisons, a lobby group, who helped set up the UK's secure training centres when they were established in the 1990s as privately run operations, says in a blog about Medway that the "government should look at the way G4S recruit, train, supervise and support their staff and insist on change if it is found necessary".

He also says "the system of monitoring, inspection . . . has undoubtedly failed".

A member of the government's youth justice board, which oversees young offenders, is at Medway every day, as well as representatives from Barnardo's, the children's charity, and education specialists.

G4S staff at Medway must undergo a minimum of eight weeks of training, provided by the youth justice board.

A starting salary for a G4S trainee assistant at Medway is about £23,000, but the centre has had difficulty hanging on to staff as the work is more difficult than comparably paid jobs in the area, say company insiders.

Peter Dawson, deputy director at the Prison Reform Trust, a charity, is hesitant to blame private sector involvement for Medway's troubles, acknowledging that "contracts like this carry a lot of risk and are reliant on how staff behave".

Nevertheless, he adds that Medway is not the first incident for G4S and the company "absolutely has to answer questions about why it happened". "It may be more about staff supervision than training," he adds.

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