National Audit Office

Report
by the Comptroller
and Auditor General

Home Office: Disclosure and Barring Service

Investigation into the Disclosure and Barring Service

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Home Office: Disclosure and Barring Service

Investigation into the Disclosure and Barring Service

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

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The Disclosure and Barring Service provides services that help organisations that work with children and vulnerable adults make employment decisions. It provides access to criminal record information through its disclosure service (for England and Wales), and makes independent barring decisions (for England, Wales and Northern Ireland) about people who have harmed, or where there is considered to be a risk of harm to, a child or vulnerable person within the workplace. In 2012, the government approved a business case that was intended to bring safeguarding and financial benefits through new products and modernised IT. Delays in this business case have been reported in the Disclosure and Barring Service's financial accounts, and following correspondence about problems with the initial procurement we decided to set out the facts about this business case and the benefits that have been delivered.

Investigations

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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This report can be found on the National Audit Office website at www.nao.org.uk

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What this investigation is about

1 In 2009, the Home Office launched a transformation programme with the intention of reducing the cost and increasing the efficiency of safeguarding services. It provides these services to help employers make safer recruitment decisions and prevent unsuitable people from working with children and vulnerable adults. In 2010, the government committed to delivering improvements to these services by ensuring that they:

- are efficient and easy to use, removing unnecessary burdens for employers, employees and those who volunteer;
- are more proportionate and better protect the rights of the individual; and
- help to safeguard children and vulnerable adults from abuse by those who work with them.

2 In 2012, the Disclosure and Barring Service (DBS) was created, a non-departmental public body formed by merging the two organisations which previously undertook safeguarding functions: the Criminal Records Bureau (CRB), which was responsible for providing disclosure certificates that are requested by employers before deciding whether to employ job applicants; and the Independent Safeguarding Authority (ISA), which maintained the lists of people who are legally barred from working with children or vulnerable adults. The DBS is sponsored by the Home Office and funded by customers who pay for disclosure certificates.

3 DBS does not set safeguarding policy and it does not decide who is checked or who is employed. The business case for the programme did not set out to change this, but to make DBS cheaper and more efficient. Poor financial performance could result in customers paying more and poor operational performance is likely to delay applicants starting jobs.

4 In addition to the merger of the CRB and the ISA into DBS, the Home Office sought to deliver cost reductions and service improvements by:

- launching a new product (the 'update service') that would allow employers to check whether there are any changes to the safeguarding information on a certificate, for example a change in barred list status or new information contained in police records since the existing disclosure was issued; and
- contracting with an external provider to design, build and run a new, modern, IT system for the provision of disclosure and barring services.

5 Together, this was expected to reduce the cost of running DBS. In October 2012, the Home Office awarded the contract to modernise and run the new IT for five years to Tata Consultancy Services Limited (Tata).

6 Through our annual audit work and correspondence we became aware that the modernisation was facing delays and rising costs. We decided to undertake an investigation into the progress made in:

- introducing the update service (Part Two);
- modernising DBS (Part Three); and
- reducing cost and delivering the benefits of the business case (Part Four).

7 We have not looked at the value for money of the programme or the overall effectiveness of the safeguarding policy that DBS helps deliver for the Home Office.

Summary

Key findings

1 **The benefits of introducing the programme were predicated on a reduction in costs for the Disclosure and Barring Service (DBS) and its customers.** The Home Office forecast that the expected benefits of the programme would be achieved through greater customer use of the cheaper update service rather than existing types of disclosure and a reduction in DBS's running costs (staff costs, supplier and IT costs, and amounts paid to the police for extracting data from police databases). These cost savings would then be passed to customers, who are often public sector employers such as schools or healthcare providers.

On progress with introducing the update service

2 **The update service has been used less than expected.** The update service was launched in June 2013. In July 2012, the Home Office expected that most applicants would opt into the update service and expected 2.8 million paying users by 2017-18, 69% of all transactions. In 2014, DBS cut this forecast to 0.9 million (20% of transactions) and while current forecasts are still for 0.9 million paying customers, increased disclosure activity mean this now represents 18% of forecast transactions.

3 **DBS does not know why the demand for the update service has been lower than anticipated.** The Home Office did not run a pilot or engage with potential users of the update service before committing to the programme. DBS has not collected systematic data about why people are not using the update service. DBS believes that demand for the update service is reduced by: low awareness among applicants; incentives for registered bodies to promote the use of disclosure certificates instead; the fact that employers generally pay for the disclosure certificates but applicants pay for the update service; and there is anecdotal evidence that some employers prefer to request a new certificate to ensure they have proof of the applicant's identity rather than rely on the update service alone.

4 **The update service has not delivered the savings the Home Office originally expected in 2012.** Applicants who are using the update service are paying £13 a year rather than the £10 expected in 2012. The 2012 business case expected applicants to opt into the cheaper update service, meaning employers would need to pay for fewer, more expensive, disclosures. This change did not happen as expected. The 2014 business case forecast savings for employers by reducing the price of traditional disclosures but this decrease has not been implemented. DBS estimates that 54% of paid disclosures were requested by public sector employers.

On progress in modernising DBS's services

5 Modernisation of DBS is currently running over three and a half years late. In July 2012, the Home Office planned that DBS would move to a modernised IT system and business processes by March 2014, with further modernisation completed by June 2014. Part of the first stage of modernisation was delivered in September 2017 but modernisation of disclosure certificates is not yet delivered (as of January 2018, a delay of at least 46 months).

6 The modernisation may not be completed before the current Tata contract ends. DBS currently has no date agreed with Tata for when any further modernisation will be delivered. Disclosure certificates will remain paper-based rather than become fully digital.

7 The contract does not directly link payment to completion of modernisation. Only 3% of the original contract value was payable on completion of milestones, and these only related to transition. The contract specified detailed requirements (around 450 requirements for business processes and more than 1,350 requirements for the IT) but included only an outline timetable for the modernisation, with detailed design work expected to happen during the contract life. The contract does provide for payments for delays to be made, in either direction, if agreement can be reached.

8 DBS and Tata have not yet agreed whose fault the delays are but, so far, DBS has paid Tata £8 million for agreed delays. Tata is yet to pay DBS any amounts for delays. The modernisation is currently delayed by 46 months and the parties have agreed cause for 24 months of delay. The cause and impact of the remaining 22-month delay is the subject of ongoing negotiations between DBS and Tata.

9 Despite spending more than expected on modernisation, Tata continues to report a profit. In its first four-and-a-quarter years of the contract, Tata says it made a net profit of £5 million (excluding VAT), 3% of revenues, compared with the 22% it had expected from this contract. Tata's figures show it has spent £47 million more than it expected to, of which half was passed to DBS and half has been borne by Tata as lower profit. These numbers are based on unaudited data supplied by Tata and may change as a result of the ongoing negotiations.

On progress in reducing the cost and delivering the benefits of the programme

10 The anticipated cost of operating DBS to 31 March 2019 has risen by £229 million. DBS now forecasts spending £885 million between December 2012 and March 2019, 35% more than the 2012 forecast. The increase is caused by both changing demand and delays in modernisation. We estimate that costs have increased because of:

- lower-than-expected demand for the update service and higher-than-expected demand for the more expensive disclosure certificates (£163 million);
- delays to the modernisation programme (£42 million); and
- scope changes since 2012 (£24 million).

11 **The update service is losing DBS £9 for every sale.** DBS's 2016-17 Annual Report and Accounts report that the update service costs DBS £22 but is priced at £13 per paying applicant per year. These calculations are based on cost allocation rather than a detailed modelling of costs. DBS does not know what the long-term unit cost would be once modernisation is fully implemented, or how costs could be influenced by changes in price or employer attitudes to the update service.

12 **DBS aims to break even but is projecting a surplus of £114 million.** The financial loss from the update service is currently being offset by surplus from disclosure certificates. DBS's forecast income from customers has increased by £304 million (December 2012 to March 2019), whereas its forecast costs have increased by £229 million. DBS had forecast a surplus of £39 million but now forecasts £114 million. DBS expects to retain this additional surplus and not pass it on to customers through lower charges. DBS considers that its ongoing discussions with Tata mean it is not feasible to reduce prices until 2019.

13 **The wider benefits expected in 2012 are not being tracked, but they have not been achieved to the extent expected.** The business case expected to bring improvements by making it easier for employers to carry out their safeguarding duties through more frequent checking through the update service, thereby improving safeguarding, as well as improvements to users through modernisation. The update service enables employers who use it to obtain the information they need more quickly to make decisions about an individual's suitability for a particular role, for either existing or new employees. DBS and Home Office are not tracking the degree to which all the improvements expected have been achieved. As these benefits rely on modernisation being implemented faster than it has been and the update service being used more than it currently is, the wider benefits have not been achieved as expected.

14 **DBS does not believe that either the delay or lower-than-expected take-up of the update service have stopped it providing an effective safeguarding service.** In 2016-17: some four million disclosures were issued, of which some 260,000 (6.1%) contained information potentially relevant to safeguarding; there were one million subscriptions to the update service, for which 2.6 million status checks were made (of which 0.1% indicated new information was available); and the lists of people barred from working with children or vulnerable adults contained some 64,000 individuals as at 31 March 2017.

15 **There are no checks on how employers use information provided by DBS.** DBS's role is to process the safeguarding information that the police hold and provide this to employers on request. Employers are responsible for complying with legislation when they make employment decisions. There is no check on what employers have done with the information provided by DBS. Government does not know how many people this information prevented from working with children or vulnerable adults.