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

30 January 2018

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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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Contents

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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.

Part One

Background

1.1 The Home Office supports the safeguarding of children and vulnerable adults by providing a way for employers to check people's background against police databases such as criminal records and government lists of people considered unsuitable to work with children or vulnerable adults. This service is widely used by organisations in the public, private and voluntary sector, such as schools and care homes, to check prospective employees and volunteers.[1]

The DBS programme

1.2 In 2009, the Home Office launched the convergence programme. At this time, three public sector bodies had responsibility for providing vetting and safeguarding services: the Criminal Records Bureau (CRB), the Independent Safeguarding Authority (ISA) and the Security Industry Authority.

1.3 The convergence programme was intended to reduce costs of disclosure services by:

- developing a common, modern, operating model for all the three bodies;
- allowing disclosure records held by the CRB and ISA to be continuously updated. This later became known as the update service; and
- modernising the IT by replacing outsourcing contracts including between the CRB and Capita Services Limited ('Capita') and between the ISA and Logica plc ('Logica'), which were due to expire in March and May 2012.

1 In this report we use the words "job", "employers" and "applicants" to include volunteer roles as well as paid employment roles. Volunteer disclosures are produced in the same way and cost DBS the same amount to produce as non-volunteer roles but DBS receives no income for producing them.

1.4 Following a review of safeguarding policy in 2011 the Home Office changed its plans to compulsorily register some individuals working with children or vulnerable adults. Additionally, the Security Industry Authority was removed from the programme as it was expected to be abolished.[2] In July 2011, the Home Office set out that it would:

- merge the CRB and ISA into a single entity known as the Disclosure and Barring Service (DBS);
- contract with Capita to implement the update service using existing IT and business processes; and
- let a contract to take on, modernise and run the IT for five years. Tata Consultancy Services Limited ('Tata') was appointed in 2012.

1.5 These changes to the programme were expected to deliver:

- reduced operating costs – The update service was expected to be cheaper to run than the traditional disclosures. The modernised systems and processes would reduce the cost of operating DBS;
- reduced cost for DBS's customers – Using the update service instead of buying disclosure certificates would save money for DBS's customers, around 79% of whom were expected to be public sector entities such as schools or hospitals;
- wider benefits for DBS's customers – A modern, online service would be easier to use and less burdensome than the paper-based certificates previously issued;
- improved safeguarding and public protection – The update service would allow employers to re-check employees more often, and the modernised IT would allow better matching of applicants' identities against police databases; and
- a more proportionate service for individuals – better protecting civil liberties without endangering public protection.

2 The Security Industry Authority was de-scoped as it was expected to be abolished as part of the new government's policy of reducing the number of public bodies. This abolishment did not occur and the Security Industry Authority remains a separate entity.

1.6 DBS was created on 1 December 2012,[3] inheriting the contract with Tata and taking responsibility for delivering the programme as set out in the business case from October 2014.

1.7 Safeguarding policy remains the responsibility of the Home Office. DBS is responsible for producing disclosure certificates and maintaining the lists of those barred from working with children or vulnerable adults. The police own the data that DBS uses to produce the certificates. It is the responsibility of employers to decide which applicants to check, how often they should be re-checked and whether the information on a disclosure certificate means the applicant should not be given the job. The employer is legally responsible for ensuring that it is entitled to submit an application for a disclosure. DBS does not have a role in checking whether employers discharge their responsibilities.[4]

Why we are doing this investigation

1.8 Through our annual financial audit and correspondence about problems with the initial procurement we identified that the benefits of the DBS programme were not being delivered as anticipated. The modernisation of the IT is running behind schedule and the take-up of the update service is lower than had been expected, while forecast costs are higher. We decided to undertake an investigation into:

- the introduction of the update service (Part Two);
- progress in modernising DBS's services (Part Three); and
- reducing cost and delivering the benefits of the business case (Part Four).

3 Protection of Freedoms Act 2012, available at: www.legislation.gov.uk/ukpga/2012/9/contents/enacted
4 For some industries regulators check compliance, for example Ofsted inspections include checks that schools have DBS certificates for teachers.

Part Two

Progress with introducing the update service

2.1 The Home Office forecast that many of the benefits of the Disclosure and Barring Service (DBS) programme, in particular reducing the cost of running the disclosure service, would be achieved through customers taking up a newly introduced and cheaper update service rather than continuing to use existing types of disclosure certificates.

Disclosure Certificates

2.2 Employers working with children or vulnerable adults are responsible for ensuring that they do not employ unsuitable people. DBS produces disclosure certificates to help employers meet this responsibility.

2.3 There are four kinds of certificates (**Figure 1**). The law determines which kind can be requested for each type of job. The most common type of certificate is an 'enhanced disclosure', which includes relevant information held by the police as well as formal criminal records, cautions and reprimands. Employers in regulated activities, such as healthcare, are legally required to obtain a disclosure certificate for certain jobs.

2.4 The process for producing disclosure certificates is set out in **Figure 2**. When an employer requests a certificate, DBS gathers safeguarding information about the individual and sends the individual a certificate setting out the results. The applicant can pass this to the employer to use as part of the decision-making process.

Figure 1

Disclosure and Barring Service disclosure certificates

The Disclosure and Barring Service produces four types of disclosure certificates

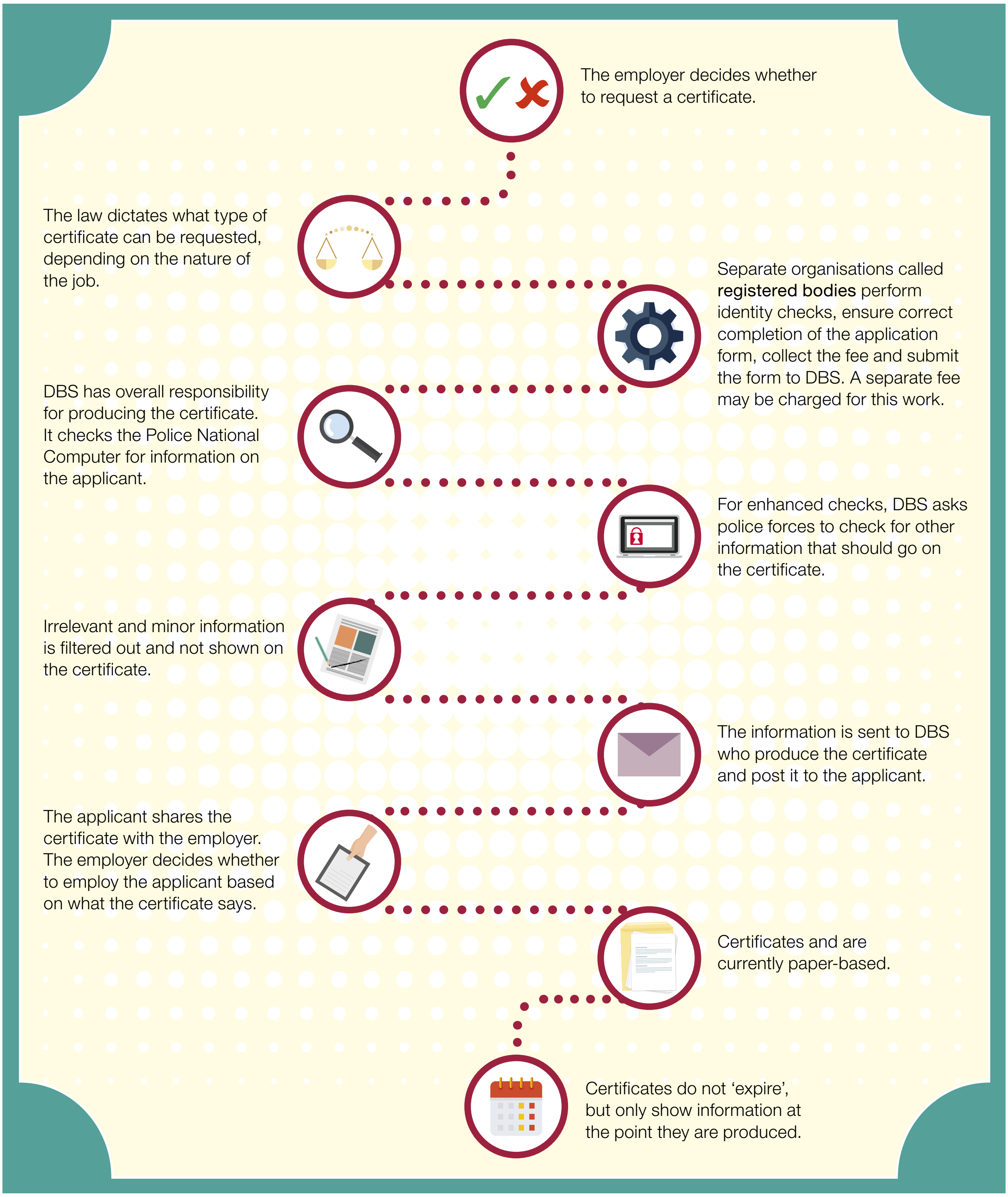
	Unspent convictions	Spent convictions	Cautions, warnings and reprimands	Other police information	Check against barred list(s)	Cost
Enhanced, with check of barred list(s)	✓	✓	✓	✓	✓	£44
Enhanced	✓	✓	✓	✓	✗	£44
Standard	✓	✓	✓	✗	✗	£26
Basic	✓	✗	✗	✗	✗	£25

More information included

Source: National Audit Office

Figure 2
Disclosure certificates

Employers request disclosure certificate to see safeguarding information about applicants



Source: National Audit Office analysis of Disclosure and Barring Service (DBS) documents

2.5 The responsibility for the employment decision falls to the employer and the certificate is one source of information that they can use. The certificate does not expire and is not specific to the employer that requested it. However, it only records information available when it was issued so it is common for employers to request a new certificate whenever employing someone, even if that person had a previous certificate for a similar role. It is also common for employers to request a new certificate for their employees from time to time. This requires DBS to conduct the full process again, even if there is no change to the safeguarding information.

Introduction of the update service was later than planned

2.6 The update service was envisioned as an online portal that would allow an existing or new employer to check whether new information had become available since an existing certificate was produced (**Figure 3**). This would allow new employers to rely on existing certificates and also allow current employers to recheck their employees more often to ascertain whether anyone's circumstances had changed. If new information was available the employer would need to pay for a new certificate to find out what the information was. The update service aims to:

- reduce the volume of disclosure certificates required by making certificates portable,[5] thereby reducing the cost of running DBS; and
- reduce the cost to employers of seeking disclosure certificates. DBS estimates that in 2014-15 around 54% of paid disclosures were for public sector employers.[6]

2.7 Because the information in the portal is highly personal, the Home Office decided that the individual needing the certificate should control access to the portal, pay the fee and make the decision about whether to opt in to the update service rather than the employer.

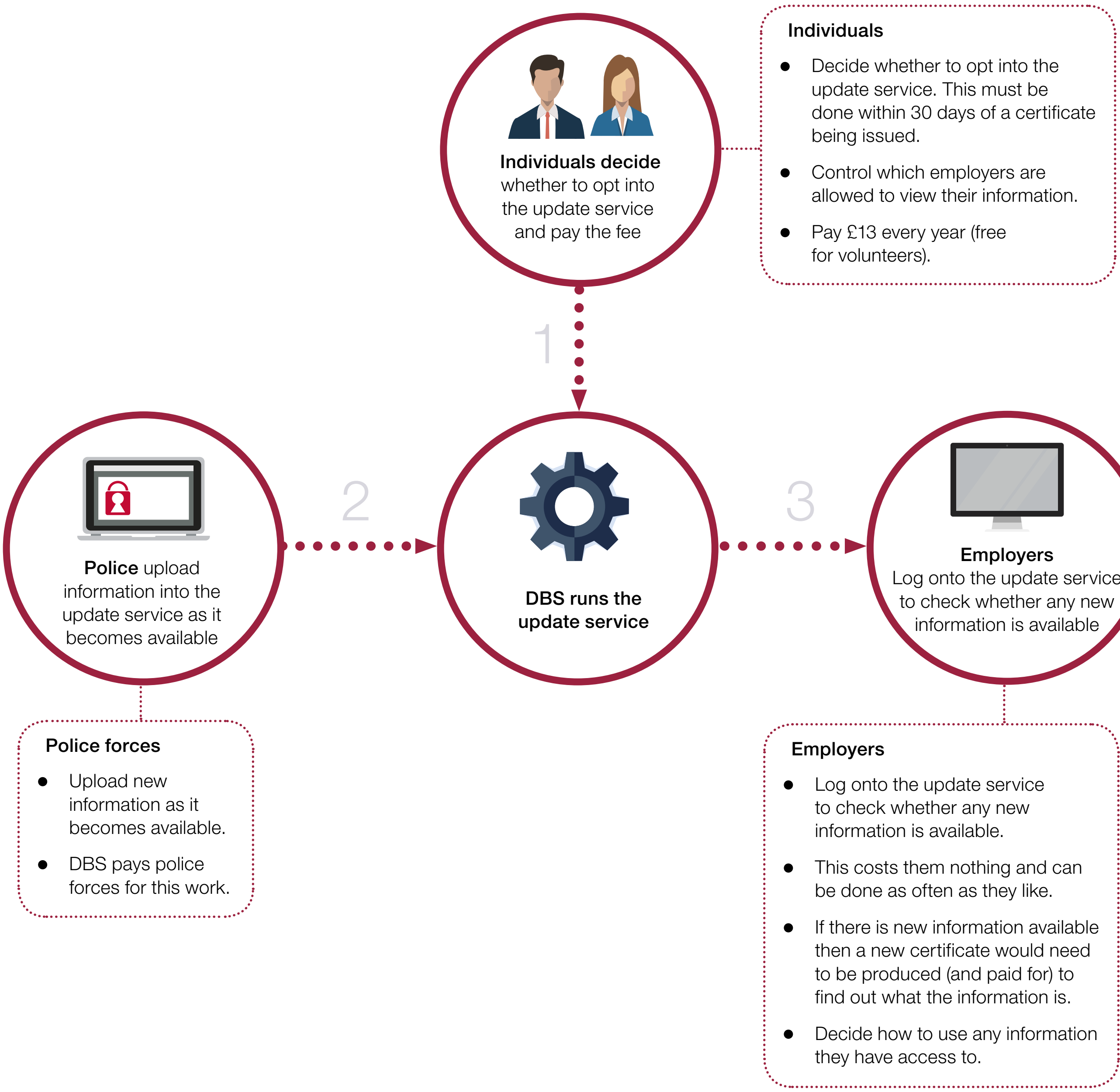
2.8 The update service was launched in June 2013 by Capita, four months later than expected. In January 2013 the government lost a Court of Appeal case that ruled that old and minor offences must be removed ("filtered") from disclosure certificates.[7] This required changes to the update service to ensure it operated lawfully.

5 This means that employers should be able to rely on certificates requested by other employers in the same workforce.
6 The 2012 business case put this figure at 79%.
7 *R (on the application of) T -v- Chief Constable of Greater Manchester and others,* available at: www.judiciary.gov.uk/judgments/r-t-chief-constable-greater-manchester-judgment-29012013/.

Figure 3

The update service

Individuals can choose to opt into an update service that will enable employers to check whether new information is available since a disclosure certificate was produced



Source: National Audit Office review of Disclosure and Barring Service documents

Use of the update service has been lower than expected

2.9 The 2012 business case for DBS anticipated that, in 2017-18, there would be 2.8 million paying users of the update service, 69% of DBS's transactions by volume.[8] The number of disclosure certificates was expected to reduce by 67% as applicants opted into the update service and there would be fewer certificates needed (**Figure 4**). These estimates and the associated modelling were based on the assumption the service would be popular rather than on a pilot or a survey of applicants or employers.

2.10 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 means this now represents 18% of forecast transactions.

2.11 DBS does not have extensive data on why people are not choosing to opt into the update service as expected. The Home Office did not advertise the update service. DBS has advertised the update service via two online videos. Its survey of service users showed 62% of applicants expressed an awareness of the update service.

2.12 Traditional disclosures are issued through a network of some 2,250 registered bodies (**Figure 5** on page 18) who check the identity of applicants, collect DBS's fee and submit the application form to DBS. The largest registered bodies are for-profit private businesses which make money from the traditional disclosures. Registered bodies must follow a statutory code of practice issued by DBS[9], but this does not mandate promotion of the update service and few registered bodies mention the update service on their websites.

8 This refers to the number of applicants using the service including renewals and new subscriptions. Each user could theoretically be checked multiple times by multiple employers using a single subscription.

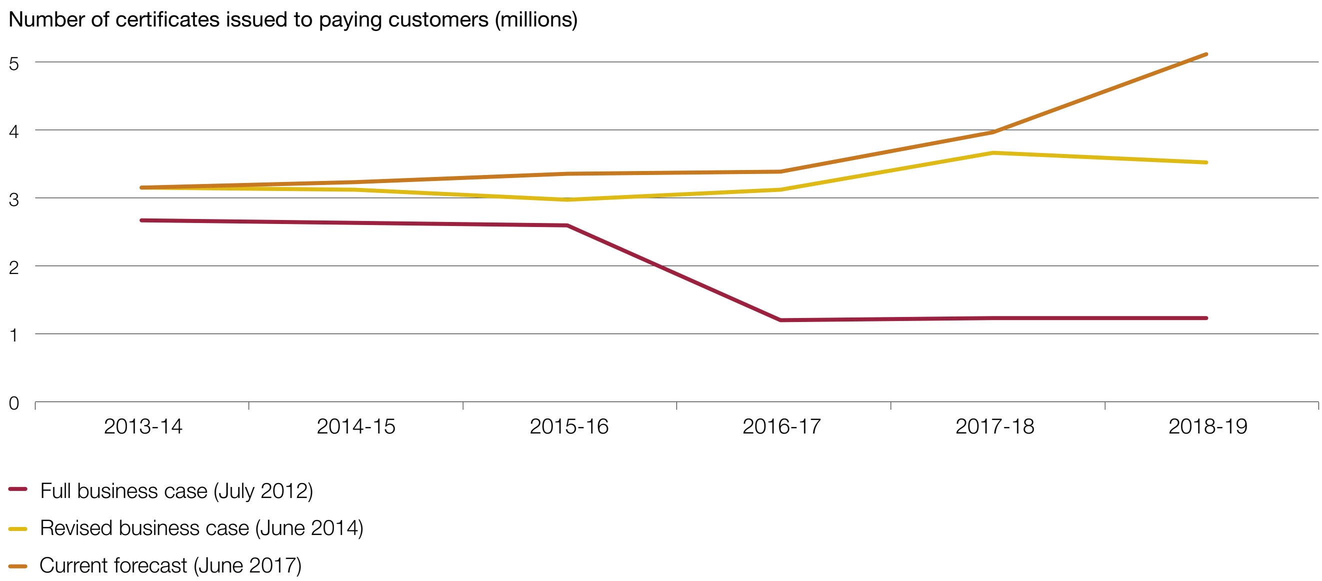
9 www.gov.uk/government/publications/dbs-code-of-practice

Figure 4

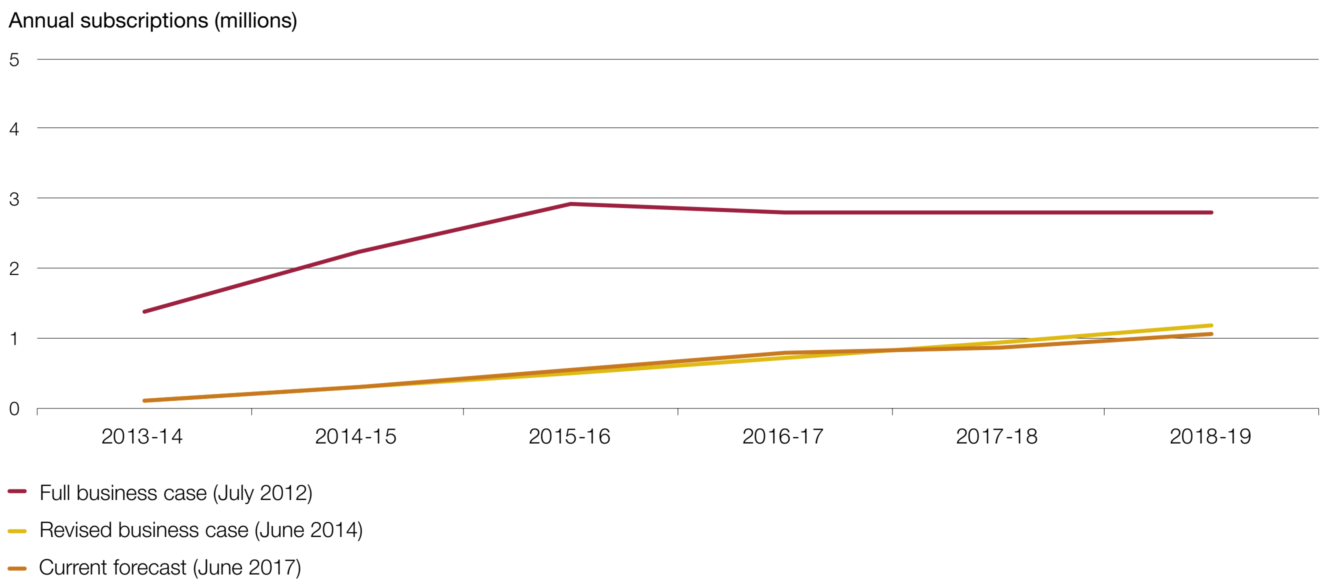
Demand for the Disclosure and Barring Service

The expected shift from traditional disclosures to the update service has not been achieved

Number of disclosure certificates



Number of update service users



Notes

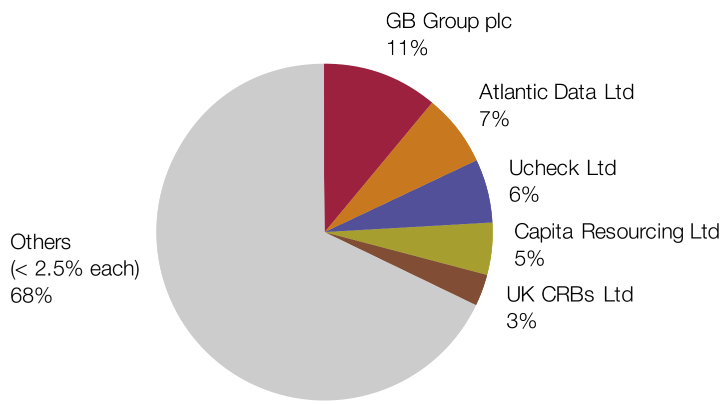
1 Excludes disclosures for volunteers but includes volumes processed by both Capita (before 12 March 2014) and Tata (after 12 March 2014).

2 The full business case only forecast volumes to 2017-18 so we have assumed 2018-19 volumes would be the same as 2017-18.

Source: National Audit Office analysis of Disclosure and Barring Service and Home Office forecasts

Figure 5
Registered bodies

The largest registered bodies are for-profit entities



Note

1 Shows 2016-17 market share based on total applications processed.

Source: National Audit Office analysis of published Disclosure and Barring Service data

Part Three

Progress in modernising DBS's services

3.1 In October 2012, the Home Office contracted with Tata to design, build and run a new IT system for the provision of disclosure and barring services, and transition existing services, including the update service, from Capita. The Disclosure and Barring Service (DBS) was created in December 2012 and took over responsibility for managing the contract and realising the expected benefits from October 2014.

Tata was contracted to modernise DBS's services

3.2 The contract included:

- the design, build and transition to a modernised IT system for processing disclosure certificates and maintaining barring lists;
- running of the update service;
- a range of business processes including first point of contact with customers, application and document handling, payment handling and printing and distribution; and
- general IT application management and development.

3.3 The procurement was completed using a new version of competitive dialogue known as LEAN competitive dialogue.[10] This reduced the time between formally approaching the market and selecting the winner to 190 working days, of which just nine days were spent in dialogue with each bidder. This compares with an estimated 400 working days for a full competitive dialogue process.[11]

3.4 Tata won the contract against two other bidders. Tata was not the cheapest bidder but was considered to be substantially better technically than its competitors and to be the only bidder who provided the desired approach to commercial risk-sharing and delivery.

3.5 The Home Office concluded the procurement exercise for the modernisation programme in May 2012 and expected to sign its contract with Tata in July 2012. In accordance with usual government procedures, prior to signing the contract with Tata, approval was sought from the Cabinet Office and HM Treasury.

10 Competitive dialogue involves several potential bidders discussing and refining the details of their proposal with the customer before submitting a final competitive bid.
11 Taken from the July 2012 full business case.

3.6 The procurement exercise had been run on the assumption that any modernised IT would be hosted on physical servers provided by an existing Home Office contract.[12] The Cabinet Office rejected this as too expensive and instead required the Home Office to use virtual (cloud-based) servers instead. The Home Office accepted this change to how the IT would be hosted but did not discuss the implications of this with Tata or change the contract with Tata before signing it in October 2012, three months later than expected.

3.7 The key aspects of the contract are:

- transition – the point at which Tata would take over the existing service (including the update service and processing of disclosure certificates) from Capita;
- a five-year period to modernise the service – expected to happen in two stages, referred to as 'Release 1' and 'Release 2'; and
- DBS had the option to extend Tata's contract by up to three years.

3.8 The contract with Tata specifies 450 requirements for business processes and more than 1,350 for the IT system. The contract includes an outline implementation plan for the design and build of the new system.

3.9 The contract payment mechanism is linked directly to volumes and not linked to progress on modernisation. The contract includes:

- two milestone payments during the transition period, worth £4 million (around 3% of the original contract value); and
- volume-based payments during the contract term. These cover the cost of designing, building and running the modernised IT as well as processing costs and are based on the number of transactions multiplied by the contractual unit cost.[13]

3.10 Achievement of modernisation milestones does not attract automatic payment, but if delays occur the contract requires fault to be allocated. This could then result in payments to either party.

Modernisation of DBS services has been delayed

3.11 All stages of modernisation have experienced delays and some aspects originally expected by DBS to be in place by March 2014 are currently expected to be delivered over three and a half years (46 months as of January 2018) later than planned (**Figure 6**).

12 The Home office's contract was estimated to cost £19 million and involved hosting the IT on dedicated physical servers.
13 The unit costs fall by 64% for disclosures and 70% for the update service over the five years after transition, reflecting expectations that modernisation would reduce costs through more digital processing. There is a mechanism for adjusting the unit cost if actual volumes differed from the original forecast.

Figure 6

Delivery of key stages of modernisation

Modernisation has been delayed

Milestone	Date forecast in full business case (July 2012)	Date milestone delivered or forecast	Delay (Actual/ forecast compared to full business case)
Award contract to Tata	July 2012	October 2012	3 months
Capita to introduce update service	February 2013	June 2013	4 months
Capita contract ends/Tata begins to provide services	March 2013	March 2014	12 months
Release 1 of modernised IT and business processes – barring services	March 2014	September 2017	42 months
Release 1 of modernised IT and business processes – basic disclosures	March 2014	September 2017	42 months
Release 1 of modernised IT and business processes – standard and enhanced disclosures	March 2014	Unknown	at least 46 months
Release 2 of modernised IT and business processes	September 2014	Unknown	Unknown
End of initial term of contract with Tata	March 2018	March 2019	12 months

Notes

1 The programme plan for the full business case is dated May 2012 and was not updated as the full business case went through approvals. This plan targets contract award in June 2012, which we have adjusted to July 2012 to align with the approval date of the full business case.

2 The full business case envisaged that the first, most significant, modernisation of the IT and business processes would all happen at the same time. This has gradually been split into two and then three 'drops' of technology to reduce risk.

Source: National Audit Office analysis of outline and full business case, contract between Disclosure and Barring Service and Tata Consultancy Services Limited and current Disclosure and Barring Service plan

3.12 The contract requires parties to allocate the cause of delays and agree appropriate compensation. In March 2015, DBS had agreed the cause of 24 of the 46 months forecast delay. DBS has paid £8 million to Tata (**Figure 7** overleaf) for the delays and a further £18 million for associated changes to scope.

Figure 7

Amounts paid to Tata resulting from delays and associated scope changes

DBS had agreed the cause of 24 of the 46 months forecast delay. DBS has paid £8 million to Tata for the delays and a further £18 million for associated changes to scope

Agreed cost of delay (£m)	Associated scope-change (£m)	Agreed delay (months)	Summary of agreed reason
–	–	3 months	Delay to contract signature.
–	–	9 months	Transition delays (settled at no net payment, but Tata paid £2.6 million earlier to help with cashflow).
3.3	2.9	4 months	Decision to split modernised IT into two phases.
–	9.7	–	Paid when hosting provider changed from physical to cloud-based.
5.0	–	8 months	Paid when cloud-based hosting provider changed.
–	5.1	–	Paid when some aspects of hosting transferred to Tata.
8.3	**17.7**	**24 months**	

Source: National Audit Office analysis of contract amendments

Delays to transitioning services from Capita

3.13 In March 2013, the Home Office extended Capita's contract for 12 months due to both delays to introducing the update service (paragraph 2.8) and in transitioning all existing services to Tata. This extension was in addition to a previous 12-month extension that was required while the policy review was undertaken in 2011 (paragraph 1.4). In total, the Capita contract was extended by two years beyond the point at which it was due to end.

3.14 Services were transitioned to Tata on 12 March 2014, 12 months later than expected. This delay includes the three-month delay in contract signature (paragraph 3.6). Alongside transitioning services to Tata, Capita was also managing the introduction of the update service and implementing the unplanned change to filter old and minor offences from disclosure certificates (paragraph 2.8). The cost of delays to the transition was settled at no net cost but DBS paid Tata £2.6 million earlier than planned to help with cash flow during the delay.

3.15 Internal minutes from meetings at the time show that the Home Office and DBS had concerns about the working relationship between Capita and Tata and Tata's ability to transition services over. This was resolved through workshops to develop a joint plan and better ways of working.

Delays due to contract changes and governance

3.16 A four-month delay was caused by delays in transitioning contract governance from the Home Office to DBS and a desire by DBS to have the modernised IT delivered in two 'drops', one for barring and one for disclosures, to reduce risk. DBS agreed to pay Tata £3.3 million for the delay plus an additional £2.9 million for associated scope changes. DBS and Tata currently expect to deliver modernisation in three 'drops'. Modernisation of barring and basic disclosures were delivered in September 2017 with the rest remaining under discussion with the supplier (as of January 2018).

Issues with hosting platforms

3.17 The cause of a further eight-month delay was agreed in March 2015. This resulted from an incompatibility between the Tata applications and the cloud-based servers that the Home Office had bought (see paragraph 3.6).

3.18 Issues with hosting have led to further payments to Tata. In total, DBS has paid Tata £19.8 million comprising:

- £9.7 million agreed between March and July 2015 to cover the costs of changing to a new cloud-based solution as the first proved incompatible with Tata's design;
- £5 million agreed in March 2015 to resolve delays that emerged after the new procurement was completed; and
- a further £5.1 million was paid in January 2017 when further issues meant responsibility for some of the hosting services was transferred from the new cloud provider to Tata.

3.19 These payments do not include any estimate of the cost of operating the cloud servers. In 2012 the cost of using physical servers was estimated to be £19 million.

There are ongoing discussions about the rest of the delay

3.20 Since March 2015, DBS and Tata have been negotiating to agree the cause of the remaining 22 months of delay. These commercial negotiations are ongoing and the cause and responsibility for these delays has not been agreed between the two parties.

3.21 In 2012, the Home Office expected that DBS would operate for six months (March 2014 to September 2014) on a first release of the new, modernised, IT and then a further 42 months (September 2014 to March 2018) on a fully modernised system. Current plans have part of the first release operating from September 2017 and the rest not delivered by January 2018, meaning they will last for at most 14 and 18 months before the contract ends.

3.22 It is not clear if there will be any subsequent modernisation before the initial term of the contract with Tata ends in March 2019. Disclosure certificates will remain paper-based rather than become fully digital, although applications can be submitted electronically. The update service provides digital access for employers, but a lack of standardisation of police IT systems means information cannot currently be automatically uploaded into the update service. Instead, DBS must request police forces regularly re-check their data to see whether any new information is available.

Tata has spent more than expected on modernisation

3.23 Tata continues to report a profit despite the delays in modernisation. Unaudited information provided by Tata to DBS reports that Tata's profit to 31 March 2017 was 3% of revenues.[14] The contractual financial model produced by Tata in 2012 forecast a profit of 22% of revenue by 31 March 2017. This model assumed that by March 2017 the service would have been operational an additional year. The financial model was created in 2012. An updated was provided by Tata in April 2017 but DBS did not accept that the new version complied with the contract. Several changes since 2012, including the delay, could materially alter the expected profit margin. We do not have a benchmark level of profit from the Capita contract as DBS has not felt it necessary to exercise its rights to receive information on profit on this contract.

3.24 Tata spent £47 million more than expected (1 December 2012 to 31 March 2017), mostly on higher staff costs, while revenue increased by £24 million, implying Tata bore about half the increase in costs as lower profits and passed about half of the costs to DBS. Tata's accounts for 2016 17 show an overall operating profit margin of 30% and a net profit margin of 22%.

14 These numbers may change as the result of the ongoing discussions.

Part Four

Progress in reducing cost and delivering the benefits of the business case

4.1 The introduction of the update service and modernisation of the Disclosure and Barring Service's (DBS's) processes was meant to make DBS cheaper and more efficient to operate while improving safeguarding. For customers DBS would be cheaper, more convenient and more proportionate.

The cost of running DBS is higher than expected

4.2 In 2014, DBS produced a new business case (see paragraph 2.10), which forecast that its costs between 1 December 2012 and 31 March 2019 would be £761 million, an increase of £105 million (+16%) over the 2012 forecast of £656 million. The current forecast is for costs to be £885 million, an overall increase of £229 million (+35%) compared with the 2012 business case (**Figure 8** overleaf).

4.3 The main driver of these cost increases has been lower-than-expected demand for the update service and higher-than-expected demand for disclosure certificates. DBS does not have a detailed analysis of how costs have increased. Our analysis suggests:

- **Increased operating costs of £163 million due to changes in demand for the services DBS provides (Figure 9 on page 27).**

  Disclosure certificates cost more to process than the update service. As the original estimates of demand for disclosure certificates and the update service have not been met, costs are higher than envisaged. This includes: costs with Tata after transition (£52 million), the cost of processing police data (+£70 million) and other operational costs (+£41 million). The last two are also impacted by the delay to modernisation, which has eroded planned efficiency savings, but DBS believes the majority of the increase is because of the higher-than-expected volume of disclosure work.

- **Additional supplier costs of £42 million due to delays.**

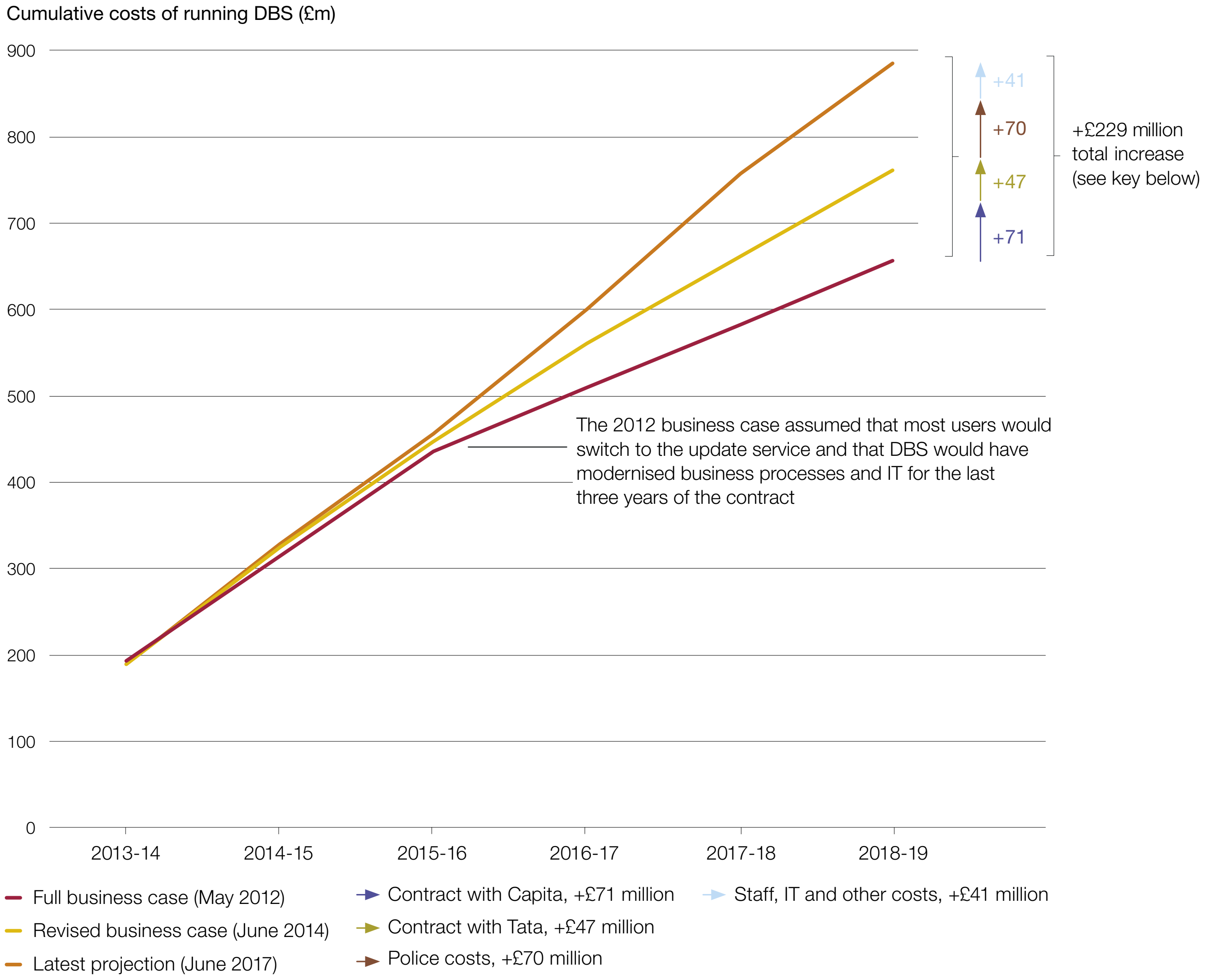
  This includes £8 million paid to Tata for the delay (paragraph 3.12) and the net impact of using Capita (+£71 million) instead of Tata (-£37 million) during transition.

- **Contract changes with Tata adding £24 million to expected costs.**

  For example, the 2012 business case did not include any estimate of how much it would cost to post disclosure certificates.

Figure 8
The cumulative cost of running the Disclosure and Barring Service

The projected cost increased by £229 million compared with the 2012 business case



Notes

1 Shows cumulative cost of running DBS (1 December 2012 to 31 March 2019) as forecast in 2012, 2014 and 2017.

2 Higher Capita costs were incurred during transition (1 December 2012 to 12 March 2014) due to the extension and changes to the service following the Court of Appeal case (paragraph 2.8). Some of these costs were met by reduced cost with Tata and other suppliers during this period. The Tata and Capita contracts have different scope so the increases are not directly comparable. The other increases relate to the whole period, 1 December 2012 to 31 March 2019.

3 Latest projection is based on numbers provided in June 2017 and is actuals to March 2017 and forecast thereafter. Because the transition slipped one year we have extrapolated the 2012 business case forecast from 2017-18 to 2018-19 by assuming costs other than depreciation are constant.

4 DBS is unable to reclaim VAT so all costs are gross of VAT where applicable.

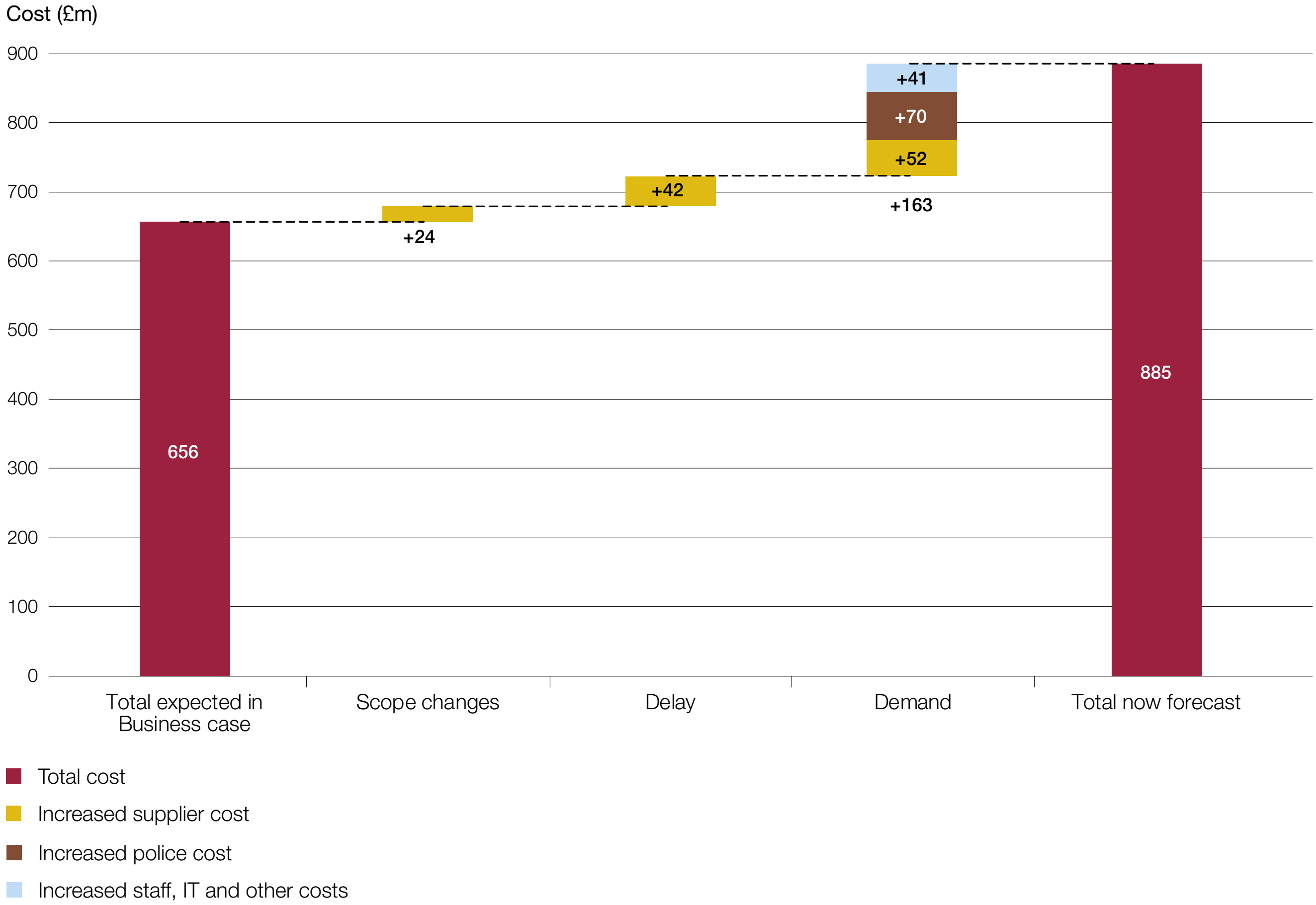
5 Current forecast does not include costs incurred by the Home Office in setting up DBS. These costs are currently estimated at £19 million but it is not clear whether these were omitted from the business case or included within other costs.

Source: National Audit Office analysis of business cases and Disclosure and Barring Service forecast

Figure 9

Change in forecast cost of running the Disclosure and Barring Service

The change in demand is the main reason cost has increased



Notes

1 Shows how the forecast cost of running DBS has increased, comparing the 2012 forecast to current projection.

2 Supplier costs include additional cost with both Capita (+£71 million net increase) and Tata (+£47 million net increase).

3 An element of the increase to Police costs (+£70 million) and Disclosure and Barring Service (DBS) costs (+£41 million) could be attributed to the delay to modernisation, which has eroded planned efficiency savings, but DBS believes the majority of the increase is because of the higher-than-expected volume of work.

Source: National Audit Office analysis

DBS income has increased despite the update service running at a loss

4.4 The continued demand for more expensive non-update disclosures means that DBS's income has increased by £304 million compared with the 2012 forecast. This more than covers the £229 million increase to DBS's costs. The difference between DBS's income and costs is now forecast to total £114 million (11% of income), some £75 million higher than the £39 million surplus forecast in 2012.

4.5 The update service is currently running at a loss. The update service costs £22 per user per year, a loss of £9 per user per year (**Figure 10**). DBS does not yet have detailed information about how its unit costs would vary with demand, how demand might be impacted by revised prices, or whether increased demand would impact its ability to subsidise the loss on the update service from its other products.

Prices for customers have not reduced as planned

4.6 The 2012 business case aimed to make DBS cheaper for customers. It assumed that users switching to the update service would pay less as they would not need to pay for repeated checks. This assumption ignores that the cost of the update service is borne by applicants whereas the cost of other disclosures is more likely to be borne by employers with the applicant paying nothing.

4.7 The update service costs £13 a year whereas an enhanced disclosure costs around £56 (£44 to DBS plus a median £12 charged by the registered body for identity verification[15]) paid whenever the employer decides to renew the certificate – often every three years. On this basis, even if employers re-charged applicants the entire £56, it would take around 10 years before the update service works out cheaper for the applicant (**Figure 11** on page 30).

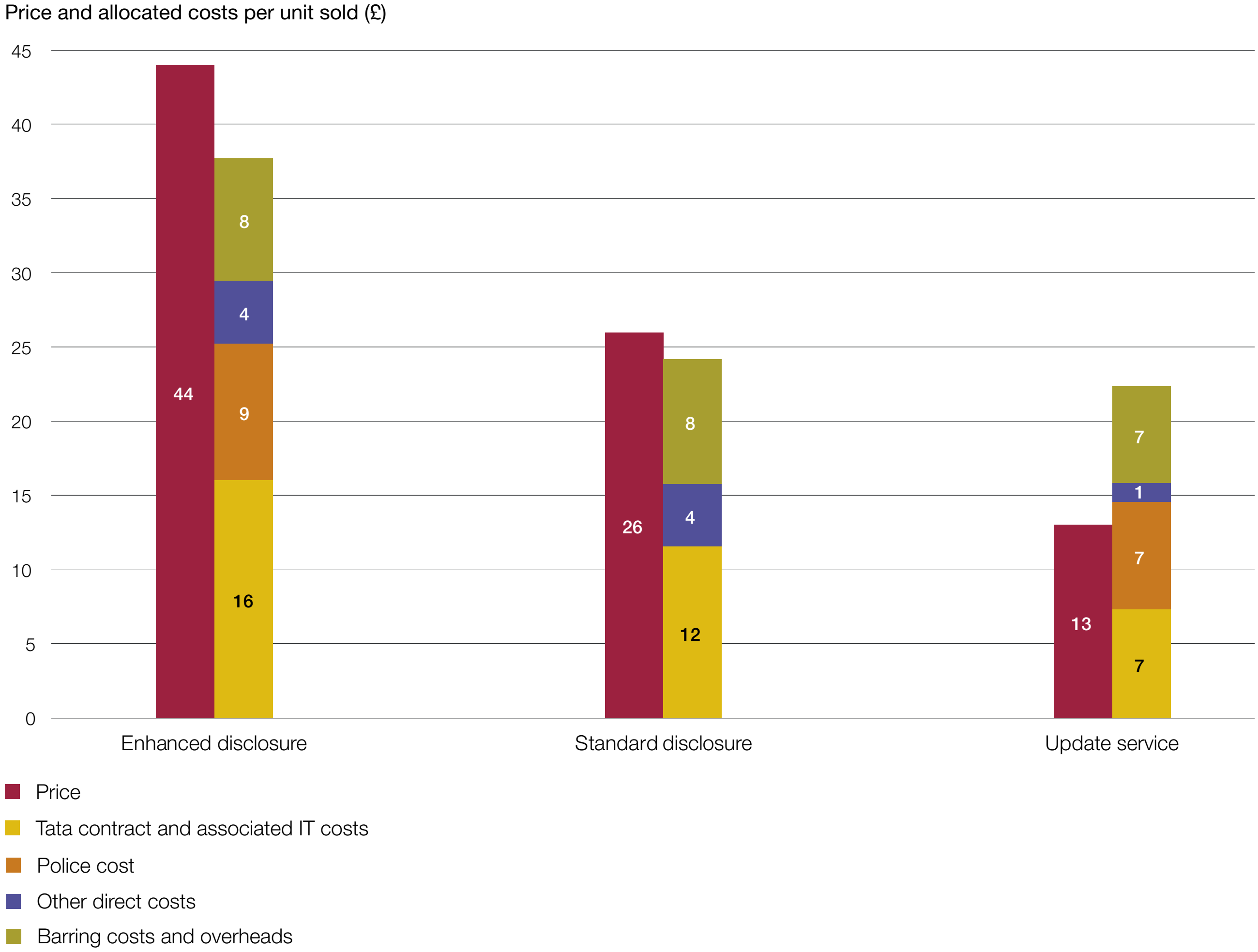
4.8 By 2014 when it was clear that the switch to the update service was not occurring, DBS reset the business case and envisaged that prices would fall. Due to the delays and cost increases, DBS has not felt able to implement these reductions. Currently, the price charged for the update service is 30% higher than the £10 a year envisaged in 2012 (**Figure 12** on page 31). DBS does not plan any price review until at least the middle of 2018, meaning it is unlikely fees will be changed before 2019.

15 Median fee based on 446 registered bodies with price information listed in the online database at https://dbs-ub-directory.homeoffice.gov.uk/. The median fee in that database is £12, the most common is £10 and the mean is £13.

Figure 10

Unit costs of the Disclosure and Barring Service achieved in 2016-17

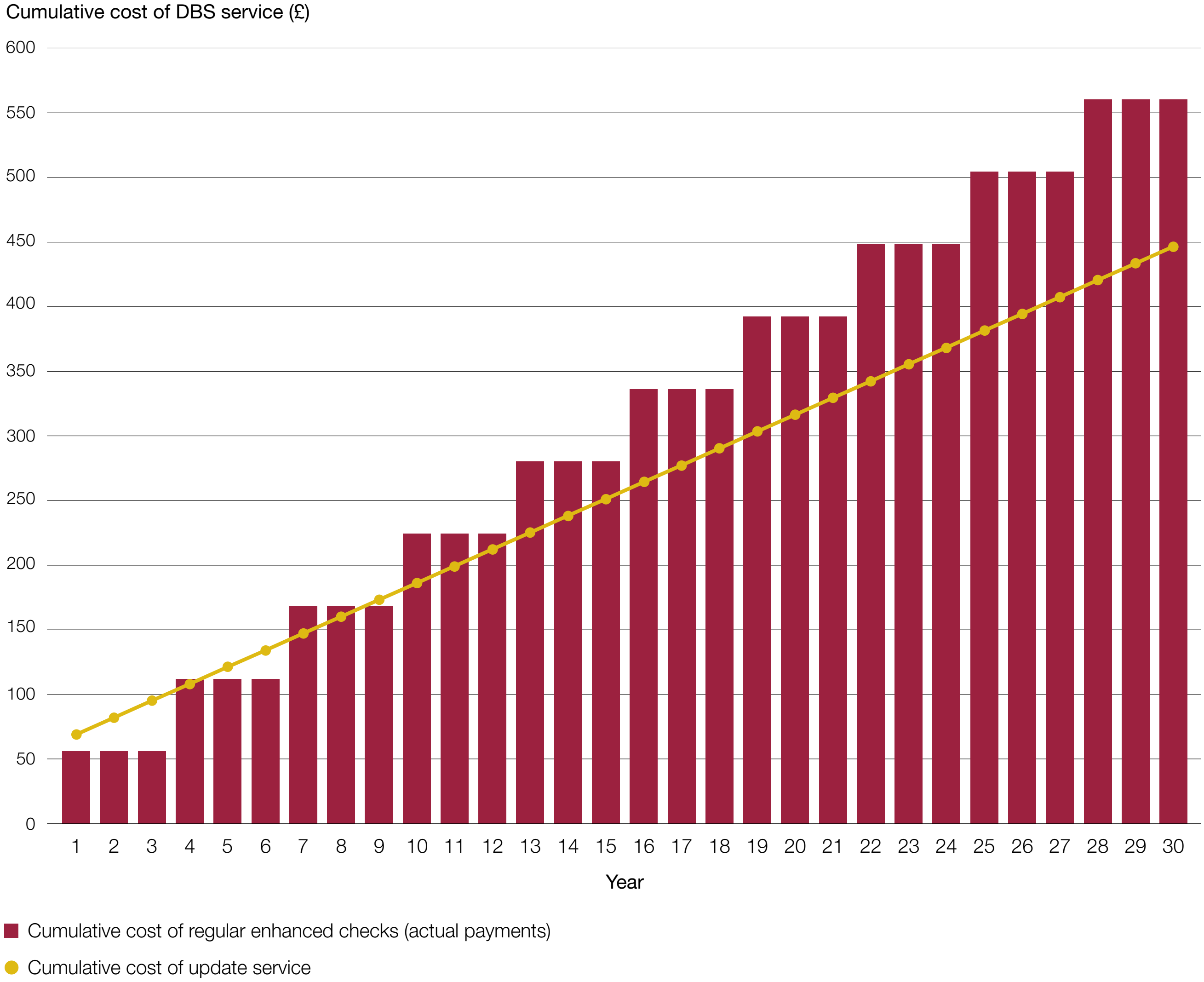
The update service is run at a loss, subsidised by the disclosure certificates



Source: National Audit Office analysis of Disclosure and Barring Service information

Figure 11
The total cost of the update service

The update service takes 10 years to be cheaper than paying for a new enhanced check every three years



Notes

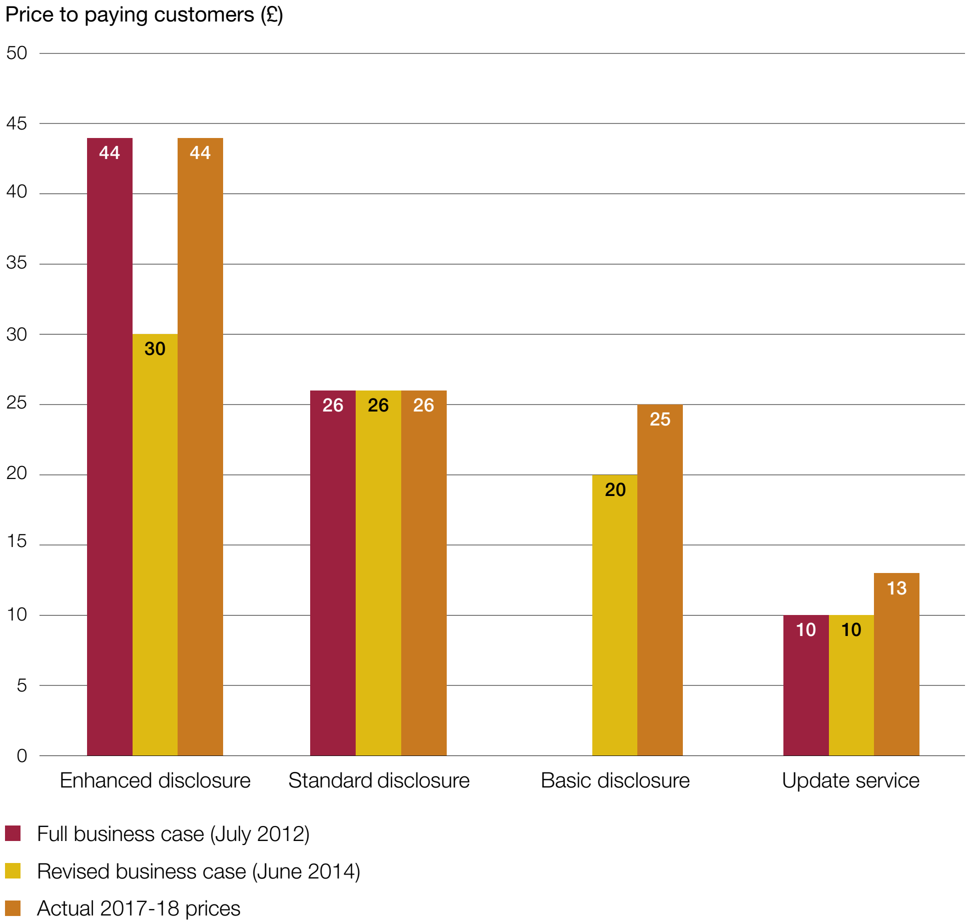
1 Cost of enhanced checks includes £56 (£44 paid to Disclosure and Barring Service (DBS) and £12 to the registered body) every three years.

2 Cost of update service assumes the applicant pays £56 once and also £13 to DBS every year.

Source: National Audit Office analysis

Figure 12
Prices expected and actually charged in 2017-18

Prices of disclosure certificates have been as forecast in 2012 but the update service is more expensive than expected



Source: National Audit Office analysis of Disclosure and Barring Service information

The update service may not meet user needs

4.9 The 2012 business case assumed once users were entered into the update service their information could be automatically updated. The reality is that updated information may need to be assessed for relevance by police forces and this cannot yet be fully automated. Work is under way to unify police data but DBS now considers that it was never realistic to expect this to be completed within the five-year period of the business case.

4.10 The update service may not make disclosures truly portable as intended. The update service is predicated on employers using the information in the update service even when it was generated for a different employer. Anecdotal evidence suggests 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.

Wider benefits of the programme are not being tracked

4.11 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. 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.

4.12 The modernised IT was expected to improve the processing of checks through more efficient matching of applicants against police databases. Although a change in status would require a new certificate be produced this was expected to reduce the administrative burden on employers and together this would improve the overall experience for individuals being checked.

4.13 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 be achieved as expected. The final benefit in the full business case was more proportionate checking. This was to result from use of the update service and also from changes to the scope of the disclosure regime that were made in 2012.

DBS continues to provide a safeguarding service

4.14 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.

4.15 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.

Appendix One

Our investigative approach

Scope

1 We conducted an investigation into the contract between DBS and Tata after receiving correspondence raising concerns about the way Tata had been procured; how well DBS was managing the transition from Capita to Tata and the amount of money paid to both suppliers during this period; and how effectively Tata had been managed. We were also aware from our annual financial audit that the planned modernisation had not been delivered. We investigated:

- what benefits were originally expected when DBS was created;
- how much it was expected to cost;
- when it was expected to be delivered;
- how Tata had been procured to run the service;
- what the total cost was now expected to be;
- when the modernisation was now expected to be delivered; and
- whether the wider benefits were still expected to be delivered.

Methods

2 We interviewed key individuals involved in the procurement and management of the contract at DBS, the Home Office and Tata.

3 We reviewed key documents including:

- key documents from the procurement including the business case, records of the approvals process, original benefits realisation plan, original project plan and budget;
- current forecast of costs and volume prepared by DBS;
- the contract and key subsequent amendments; and
- project documents to establish the reasons for the agreed delay. This included key correspondence between DBS and Tata, project plans and minutes of governance meetings.

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