
Criminal Records Bureau

Annual Report and Accounts

2010-11



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Chief Executive's Statement

In last year's statement, I focused significantly on the reviews of the criminal records regime and Vetting and Barring Scheme (VBS). We have come a long way since then, and although it has been a challenging and somewhat uncertain year, we have responded positively to the new Government's agenda, recognising the future opportunities for the organisation.

The commitment that all of our staff have demonstrated this year has been pivotal to our success, and I am fully appreciative of the hard work and dedication that they have given, to ensure that our service is delivered as effectively and efficiently as possible.

In October 2010, the Government announced the terms of reference for the parallel reviews of the criminal records regime and the VBS, and the results were published simultaneously in February 2011. The reviews demonstrated the Government's commitment to continuing to provide proportionate public protection and concluded that criminal record checking is an important part of safeguarding the vulnerable and vetting those in positions of trust.

Following the review of VBS, the requirement for individuals to register and be continuously monitored was removed and it was recommended that regulated activity be scaled back to common sense levels, which will restrict the number of positions requiring checks to just those working closely and regularly with children and vulnerable adults.

As a result of the review of the criminal records regime, a number of recommendations were made in order to make the current process more proportionate and customer centric:

- CRB certificates will be issued to the applicant only, giving them an opportunity to make representations against the information released before they make it available to an employer;
- A method will be developed for filtering out older and minor convictions so they will no longer be revealed on a CRB check;
- Portability of CRB checks will be enhanced, with applicants able to consent to a new process which will continually update their CRB check and allow employers to check the validity of their CRB check online. We will be working with the Home Office to develop this service improvement;
- Improvements will be made to the relevancy test for police intelligence and if released, this will be printed on the CRB certificate;
- The use of additional police information will be abolished; and
- Basic CRB checks will be offered by the CRB.

Additionally, the functions of the CRB and the Independent Safeguarding Authority (ISA) will be brought together to form a new body providing a proportionate barring and criminal records checking service.

The necessary legislative changes will be included in the Protection of Freedoms Bill which is expected to become law by early 2012. We have been working closely with the Home Office to understand the impact of these changes and have developed plans to implement them, which are outlined in our Business Plan for 2011-12 which will be published shortly. It is the Government's intention that the proposed changes be introduced gradually to ensure a seamless transition and we will work with our partners to put necessary plans in place to create a proportionate public protection service that will help to safeguard some of society's most vulnerable people.

In the past year, we have endeavoured to provide an increasingly customer-focused service, which was reinforced by our achievement of Customer Service Excellence standards across the organisation. We have built on this by reorganising our Customer Services function to introduce multi-skilled teams that can provide a customer-dedicated interface throughout the checking process.

I appreciate that there has been a level of uncertainty amongst our customers as they awaited the outcomes of the reviews and now await further detail of our future plans and services. This has resulted in highly unpredictable demand for our services and we have adopted a flexible approach in a time of severe financial constraint. We intend to respond openly to future fluctuations in demand by working closely with our partners and keeping our customers fully informed during this transitional period.

In 2010-11, we processed 4.3 million applications; bringing our total to more than 27 million since our inception. We met several of our targets, including accuracy, timeliness of Standard CRB checks and complaints. We enhanced our processes for Enhanced CRB checks, which enabled us to exceed our target in the last quarter of the year, bringing our overall performance in just below our target of 90% in 28 days and significantly reducing work in progress at police forces. I anticipate that these enhancements will continue to have a positive impact on performance and we will be able to hold our current position moving forward.

We continued to enhance our internal control arrangements by further developing our systems of risk and information management, budgetary control, workforce planning, attendance management and business continuity planning, whilst encouraging initiatives to drive down costs in all areas of the business.

Our current Public Private Partnership (PPP) Agreement with Capita is due to expire in 2012 and we are working in partnership with the Home Office to ensure that arrangements are in place moving forward.

Steve Long
Chief Executive
7 July 2011

Management Commentary

Organisation and Aims

Who we are

The CRB is an Executive Agency of the Home Office and was launched in March 2002. It was established under Part V of the Police Act 1997. The CRB operates the CRB checking service from its offices in Liverpool.

At the end of March 2011, the CRB had issued more than 27 million checks since inception, of which approximately 20% have been issued free-of-charge to volunteers. In 2010-11, we issued 4.3 million CRB checks. The CRB process, from completion of the application form to the production of the final certificate, involves three main parties: the Registered Body; the CRB and, in the case of Enhanced CRB checks, police forces.

What we aim to achieve

The CRB seeks to offer a service which enables organisations in the public, private and voluntary sectors to make better informed, safer recruitment decisions, by providing them with information to enable them to determine whether candidates are unsuitable for certain work, in particular with occupations involving regular contact with children and vulnerable adults. The information provided by CRB should be used by employers in conjunction with other recruitment tools, to determine if an individual is suitable for the position in question.

The CRB aims to maximise accuracy and timeliness of its checks, and most importantly provide protection to the most vulnerable members of society.

How we operate

The CRB works in partnership with its private sector partner, Capita who are responsible for the initial capture of applicant's details and issue of the final certificate to both the applicant and the Registered Body.

Registered Bodies

Registered Bodies are responsible for authenticating the identity of the applicant and for ensuring that the application form is completed correctly before sending to the CRB. Registered Bodies must adhere to the CRB Code of Practice and their Conditions of Registration.

CRB

CRB staff match the applicant's information against corresponding data contained on the Police National Computer (PNC). For Enhanced CRB checks, the CRB transmit the application data to police forces for matching against their local systems and, if requested, will carry out a check of the ISA Barred lists.

Police forces

Police forces are responsible for matching applicant data against information stored on local systems, both conviction data and other intelligence. If the decision is made to disclose any information, it is included on the final CRB certificate.

Governance

The CRB reports to the designated Home Office Minister, currently Parliamentary Under Secretary of State for Equalities and Criminal Information, Lynne Featherstone.

The strategic direction of the CRB is set by the CRB Management Board which includes the Chief Executive, together with the two other operational Directors, the Head of Finance and a senior member of the Home Office. The Management Board is supported by three Non-Executive Directors. The corporate governance

arrangements, including risk management, are set out in more detail in the Statement on Internal Control which appears later in this document with the accounts.

The full details of the 2010-11 Management Board members are set out in the Remuneration Report. A register of interests of all senior staff and Directors is maintained and is subject to annual examination by the Chair of the Audit Committee.

We work collaboratively with the Independent Complaints Monitor (ICM) to learn lessons and respond constructively to any actions that will deliver improvements to our customers.

Risk Management

The risk management process operates under the Home Office Risk Management Policy underpinned by a CRB Risk Management Strategy which was approved by the Executive Team, Management Board and Audit Committee. A set of corporate risks has been defined, each owned by a dedicated Board member with support from senior manager action owners. Further details of the system and in-year developments appear in the Statement on Internal Control.

Our Resources

Funding

The CRB is a self-funding Agency and is dependent on the volumes of checks processed each year to generate the required level of income, together with the level of fee set by the Government. There are different levels of fee for Standard and Enhanced checks and volunteer applications are processed free of charge.

The fee levels throughout 2010-11 were £26 for Standard checks and £36 for Enhanced checks.

2010-11 Expenditure

The expenditure for 2010-11 is split into four main categories as shown in the accounts: in relation to our private sector partner (£47.5m); in relation to police and other data source costs (£35.8m); staff costs (£21.6m) and other costs of administration (£28.5m).

Cash balances

As at 31 March 2011, the CRB's cash balance was £9.6m (2009-10 £17.2m).

Capital expenditure

£4.1m was spent on capital expenditure during the year (2009-10 £11.4m). This relates mainly to expenditure on assets funded by the Home Office for VBS.

Payment performance

Following the original 1998 Act, amended legislation – The Late Payment of Commercial Debts Regulations 2002 – came into force on 7 August 2002, providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No interest has been claimed by CRB creditors under this Act.

The Chancellor announced in the 2010 budget that Government departments should aim to pay their suppliers within five days. From June 2010, the CRB aimed to pay all compliant invoices (other than the most complex) within five days.

Payment performance in 2010-11 against 5 day, 10 day and 30 day targets was as follows:

Five day – 89.3% (2009-10 - not applicable);

10 day – 98.9% (2009-10 - 60.7%);

30 day – 99.9% (2009-10 - 97.4%).

Assets

As at 31 March 2011, the CRB held non-current assets (net book value) of £31m. £30m related to intangible assets, mainly for development of a customer relationship management database through the PPP arrangement.

Staff

During 2010-11, the CRB employed an average of 667 full time equivalent staff, representing a total salary cost of £21.6m. The CRB follows Home Office and Civil Service policies for the fair and open recruitment of staff and is currently observing the Civil Service recruitment freeze which came in to force in 2010.

Performance

Up to the end of March 2011, the CRB had processed more than 27 million checks since inception, of which around 20% have been issued free-of-charge to volunteers. The CRB provides services to approximately 4000 directly-registered organisations and many thousands of others who use those bodies to access CRB checks. Research suggests that CRB checks have prevented at least 130,000 job offers being made for positions working which children and vulnerable adults, and our checks have acted as a deterrent to many more.

Operational performance against our Key Performance Indicators (KPI) for 2010-11 appears in the following table.

| Public Service Standard | Target | Performance (2009-10 in brackets) |
|---|--|--------------------------------------|
| Enhanced CRB Checks | 90% to be issued in 28 days (90%) | 88.0% (85.6%) |
| Enhanced CRB Checks | 50% to be issued in 14 days from date of receipt of application (N/A) | 55.6% (N/A) |
| Standard CRB Checks | 95% issued in 10 days (95%) | 98.4% (98.2%) |
| Disputes with CRB Checks | 90% resolved within 21 days (N/A) | 85.4% (N/A) |
| Certificate Accuracy (our aim is 100% certificates free of error) | To maintain (or reduce) the already low number of Certificate errors each year | 99.996% (99.996%) |
| Customer Satisfaction | 87% based on Annual IPSOS MORI survey results (84%) | No survey in 2010-11 (91%) |
| All Complaints | 95% resolved in 10 days (95%) | 98.1% (95%) |
| Electronic Applications | To issue 500,000 Certificates via the e-application route in 2010-11 (N/A) | 608,592 (N/A) |

The CRB's performance should be considered in the context of a period of unpredictable and fluctuating demand. There was a level of uncertainty over the possible introduction and subsequent reviews of the VBS and criminal records regime, for which customers awaited confirmation and further detail throughout the year.

The overall performance for Enhanced CRB checks came in just below the target of 90% in 28 days, although enhancements to the process were made in 2010 which enabled us to exceed the target in the last four months of the year. As a result of the enhancements made, the work in progress at police forces has reduced considerably and it is anticipated that this will continue to improve in 2011-12, which will have a positive impact on our performance in the year ahead.

The accuracy of CRB checks remains a top priority for the CRB and this year, although we maintained our extremely high level of accuracy at 99.996%, we appreciate that there is always room for improvement in this area. We will always aim to achieve 100% accuracy of our checks and will continue with our commitment to give this a high priority throughout our end-to-end process.

Early in 2010, a piece of work was conducted to resolve a small number of outstanding complex dispute cases, which affected our ability to meet the target for resolving 90% of disputes within 21 days. Through significant improvements and hard work of our staff, the target was exceeded consistently in the last six months of the year, resulting in the overall performance of 85.4%.

The CRB did not conduct any customer satisfaction research in 2010-11 due to austerity measures in place. However, we have continued to address customer concerns, which is highlighted by our performance to resolve 98.1% complaints within 10 days.

Progress and achievements

The changes made to the Enhanced CRB checking process have enhanced the end-to-end process and have worked well to address issues associated with delays. We have witnessed positive results with timeliness for Enhanced checks exceeding targets in the last quarter of the year; work in progress at police forces considerably reduced with projected savings of £7m in 2011-12. In addition, there has been a reduction in customer complaints associated with delay, which we plan to quantify in 2011-12.

The CRB has introduced new services and enhanced the current service provided to customers by centralising all customer services functions to provide a single point of contact for customers, and developing the disputes function to provide a new online option for raising a dispute, with the aim of improving the customer experience. We introduced Customer Service Excellence standards throughout the business and achieved the Standard in April 2010.

A new customer training programme was introduced in 2010 to provide guidance and assistance to all newly registered organisations and countersignatories. The training programme provides useful information on the CRB service and focuses specifically on the features of the new application form, which was successfully introduced in July 2010. In 2010-11, the CRB conducted 180 training courses, training a total of over 3000 countersignatories.

Prior to the recommendations made as part of the criminal records regime review, the CRB started to develop processes to assist customers in submitting eligible applications. These processes are now in place and have been reinforced by the two specific recommendations around eligibility. These include supporting organisations to develop guidance; developing routes for applicants to challenge and suspend applications that they believe to be ineligible; actively monitoring, contacting and challenging bodies that it believes may be submitting ineligible applications and referring cases to the Ministry of Justice where a person believes that the Rehabilitation of Offenders Act has been or may be breached.

The CRB has 35 Registered Bodies who are now accessing the e-bulk service which has enabled the electronic processing of over 600,000 applications. The electronic service has improved the turnaround times for CRB checks, with processing times reduced on average by 19 days.

All CRB online content successfully migrated to three Government websites in 2010-11 in line with the Cabinet Office website convergence initiative. The convergence of all Government websites derived from the Comprehensive Spending Review to reduce costs and provide a central source for Government information. All CRB information is now available on the Home Office, Business Link and Directgov websites and the CRB website will cease operation in 2011-12.

Looking ahead

The activities planned for the year ahead are outlined in the 2011-12 Business Plan, which will be published shortly on the Home Office website www.homeoffice.gov.uk/crb

The CRB has always striven to provide as timely and accurate a service as possible and we will continue with this aim as a priority. In addition, our focus for the forthcoming year will be to develop our plans to implement the recommendations of the recent criminal records and VBS reviews.

We will continue our plans to increase portability of CRB checks as we move forward to develop the Criminal Records Status Check (CRSC), which will enable employers to carry out an online check to establish if any relevant detail has changed since the original certificate was issued. The enhancement to the service will realise the benefits to customers by reducing transactions, costs and bureaucracy.

We will continue to work in partnership with the Home Office to ensure that arrangements are in place moving forward to prepare for the expiration of our PPP agreement with Capita.

Following the VBS Review and the subsequent legislative proposals, the next three years will be a time of considerable change and challenge for the CRB. Currently, the Protection of Freedoms Bill is before Parliament

and proposes the introduction of new disclosure and barring arrangements and the merger of the ISA and the CRB.

The CRB is committed to playing our part in any legislative, policy and operational changes. We will also be working closely with our departmental partners within Government to find ways to better use and integrate our IT systems. This will not only help to support the development of the new organisation, it will also improve operational efficiency and drive cost savings.

We also need to effectively communicate any agreed changes and developments to the people and organisations that work with vulnerable groups and to those who have a keen interest in vetting and safeguarding arrangements.

We will work in collaboration with our partners to help manage the transition to the planned proposals within the Protection of Freedoms Bill, should they be accepted by Parliament. We will also develop our vetting role in line with Coalition Government objectives. In particular, we will:

- Ensure our strategies, policies and plans are consistent with the spirit and content of any new legislation;
- Demonstrate value for money in all our operations; and
- Provide even greater transparency in our operations by publishing more information about what we do and through our reports to Government.

We remain committed to providing a timely, proportionate and consistent vetting service, while demonstrating good value for money.

Other Public Interest information

Health and Safety

The CRB is committed to maintaining the standards required by the Health and Safety at Work Act 1974 and other United Kingdom and international regulations relating to the health and safety of its employees and the public. We continue to raise staff awareness on all aspects of health and safety as required by the 1992 European Commission Health and Safety Directive. The CRB's health and safety arrangements are monitored by the Joint Health and Safety Committee, which meets at least once a quarter and is chaired by a CRB Director.

Sustainable Development

The CRB records data relating to sustainability and our private sector partner holds ISO 14001 Environmental Management accreditation. Looking ahead, the CRB is committed to working with the wider Home Office in contributing towards the Coalition's greening Government operations and procurement initiative announced by the Environment Secretary in February 2011.

Publicity and Advertising

The CRB supports the Government's "Transparency Programme", and CRB Director of Change and Business Integrity, Adele Townsend, is the Transparency Champion for the CRB. The Transparency Programme enables the public to hold politicians and public bodies to account; to reduce the deficit and deliver better value for money in public spending, and to realise significant economic benefits by enabling businesses and non-profit organisations to build innovative applications and websites using public data. We also follow the Government's guidance on release of data in an open non-proprietary standardised format.

Sickness absence levels

The average number of days per person recorded as sickness in 2010-11 was 11.5 (2009-10 11.1). Sickness Absence levels within the CRB have remained stable and extensive efforts have continued to reduce the average working days lost per member of staff. This year, those efforts have included the introduction and robust application of a new Sickness Absence Management Policy aligned to the Home Office; workshops for all managers to ensure their understanding of the policy and build their confidence in managing sickness absence; access to more accurate Management Information from introduction of the Adelphi staff information system and the increased use of compliance checking processes and more effective use of the Occupational Health service.

Disabled Persons

The CRB is committed to a policy of equal opportunity for all staff. Assessment for recruitment, selection, appraisal, training and career progression is based on the individual's ability and suitability for the work and we operate within the guaranteed interview scheme for candidates with disabilities. We are committed to providing all staff with opportunities to maximise their skills and achieve their potential; offering flexible working arrangements wherever possible.

Conflict of Interests

Details of any significant interests held by Management Board members are maintained in a Register of Interests, which can be obtained from the Chief Executive's Office of the CRB. No conflict of interests were declared by Management Board members during 2010-11.

Personal Data Related Incidents

There were no reportable instances of personal data related incidents in 2010-11 or in previous years.

Audit Fees

As required by regulations made under Section 494 of the Companies Act 2006, the auditors have received no remuneration for non-audit work (2009-10 £Nil). The auditors remuneration for 2010-11 was £131,000 (2009-10 £163,500, which included an additional fee of £30,000 for the conversion of the accounts onto an IFRS basis).

Provision of Information to Auditors

There is no relevant information of which the Auditors are unaware. I have taken all necessary steps to make myself aware of any relevant information and to establish that the Auditors are aware of that information.

Steve Long

Chief Executive

Criminal Records Bureau

7 July 2011

Remuneration Report

Remuneration Policy

The remuneration of Senior Civil Servants (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the Government's Departmental Expenditure Limits; and
- The Government's inflation target.

In making recommendations, the Review Body considers any factors that the Government and other witnesses may draw to its attention. In particular it has regard to:

- Differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;
- Changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts;
- The need to maintain broad linkage between the remuneration of the three main remit groups, while allowing sufficient flexibility to take account of the circumstances of each group; and
- The relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

The disclosures within this Remuneration Report are subject to audit.

Remuneration Committees

The Home Office Remuneration Committees determine the salaries paid to SCS within the Home Office. During 2010-11, the committee relevant to CRB's SCS members comprised:

| |
|---|
| Pay Band 1 Remuneration Committee |
| Dame Helen Ghosh (Chair), Kevin White, Helen Kilpatrick, Yasmin Diamond, Charles Farr, Stephen Rimmer, Jonathan Sedgwick, Peter Makeham, and David Seymour. |

The assessment and review of performance for SCS is based on individual performance. Individuals are ranked in four performance groups in each Pay Band;

Group 1 – top 25% of performers

Group 2 – next 40% of performers

Group 3 – next 20-30% of performers

Group 4 – bottom 5-15% of performers

For 2010-11, only Group 1 will be eligible for a non-consolidated performance payment i.e. 25% of the SCS. The Senior Salaries Review Board (SSRB) determines the percentage of SCS pay that can be used for non-consolidated performance payments. Following SSRB recommendations, the Cabinet Office set the guidelines on SCS bonuses for all Government departments. At this point in time, no bonuses have been paid to SCS in the Home Office for the performance year 2010-11. However, given the current climate the Home Office has decided, along with most other Government departments, to limit the amount used for non-consolidated performance payments to under 5% of the SCS pay bill.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Individuals are required to give three months notice of their intention to leave the organisation.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Non-Executive members

Independent non-executive members of the CRB Management Board are recruited through fair and open competition. All non-executive members of the board are appointed by the Permanent Secretary. Non-executive members of the board are appointed for an initial period of three years with an option to extend for a further three years. These appointments can be terminated with one month's notice period.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of senior staff in the CRB:

Remuneration (salary and payments in kind) (Audited)

| Officials | 2010-11 | | | | 2009-10 | | | |
|--|-----------------|----------------------------|--|--|--|----------------------------|--|--|
| | Salary £'000 | Bonus payments £'000 | Total of salary and bonus payments £'000 | Benefits in kind (to nearest £100) | Salary £'000 | Bonus payments £'000 | Total of salary and bonus payments £'000 | Benefits in kind (to nearest £100) |
| Steve Long Chief Executive | 80-85 | 0-5 | 85-90 | - | 80-85 | 5-10 | 90-95 | - |
| Adele Townsend Director of Change and Business Integrity | 65-70 | 0-5 | 65-70 | - | 65-70 | 5-10 | 70-75 | - |
| Sue Quigley Director of Service Delivery | 80-85 | - | 80-85 | - | 80-85 | - | 80-85 | - |
| Mark Reyland Head of Finance | 55-60 | - | 55-60 | - | 10-15 full year equival ent 50-55 | - | 50-55 | - |
| Trevor Carlile Director of Service Delivery (until Jan 2010) | - | - | - | - | 75-80 full year equival ent 90-95 | - | 75-80 | - |

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the CRB and thus recorded in these accounts.

Remuneration of the Non-Executive Directors (Audited)

There were three Non-Executive Directors who served on the Management Board and Audit Committee during 2010-11: Hugh Barrett, Mike Lewis and Charlie Pienkowski. Payments for the services are shown below:

| | 2010-11 | 2009-10 |
|--------------------|---------|---------|
| Hugh Barrett | £9,600 | £9,300 |
| Mike Lewis | £11,200 | £14,200 |
| Charlie Pienkowski | £19,600 | £17,000 |

Non-Executive Directors do not receive any pension benefits. They are appointed initially on a three-year contract which can be mutually curtailed or extended. Non-Executive Directors are paid for the services they provide. Charlie Pienkowski is Chair of the Audit Committee and is also a member of the Home Office Audit Committee.

Benefits in kind (Audited)

The monetary value of benefits in kind covers any benefits provided by the CRB and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind relating to 2010-11.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The appraisal process does not allow enough time to accrue for individual bonuses relating to 2010-11 performance in the 2010-11 financial statements. This remuneration report discloses bonuses based on 2009-10 performance (paid in 2010-11) and comparative bonuses for 2009-10 are based on 2008-09 performance.

Pension Benefits (Audited)

| Officials | Accrued pension at age 60 as at 31/3/11 and related lump sum | Real increase in pension and related lump sum at age 60 | CETV at 31/3/11 | CETV at 31/3/10 ¹ | Real increase in CETV | Employer contribution to partnership pension account |
|--|--|---|-----------------|------------------------------|-----------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | Nearest £'000 |
| Steve Long Chief Executive | 10-15 plus lump sum of 0-5 | 0-2.5 plus lump sum of 0-2.5 | 126 | 105 | 9 | - |
| Adele Townsend Director of Change and Business Integrity | 25-30 plus lump sum of 0-5 | 0-2.5 plus lump sum of 0-2.5 | 327 | 298 | 1 | - |
| Sue Quigley ² Director of Service Delivery | 5-10 plus lump sum of 0-5 | 2.5-5 plus lump sum of 0-2.5 | 91 | 35 | 33 | - |
| Mark Reyland Head of Finance | 20-25 plus lump sum of 60-65 | 0-2.5 plus lump sum of 2.5-5 | 313 | 273 | 16 | - |

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is

¹ The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

² Sue Quigley is a member of the nuvos pension. Pension age for nuvos members is 65

credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

There was no compensation for loss of office for Board members.

Steve Long
Chief Executive
Criminal Records Bureau
7 July 2011

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the CRB to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the CRB and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer for the Home Office has designated the Chief Executive as Accounting Officer of the CRB. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the CRB's assets, are set out in Managing Public Money published by HM Treasury.

Steve Long
Chief Executive
Criminal Records Bureau
7 July 2011

Statement on Internal Control

1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the CRB's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am assisted in meeting this accountability through my relationship with the Home Office. CRB's Strategy and Business Plan, which describes the CRB's approach to risk management, is agreed with the CRB's Sponsor Unit within the Home Office and approved by the Home Office Minister with responsibility for CRB. Each month I provide the Minister with a "Vital Signs" report of the previous month's service performance and an assessment of, and proposed mitigation of, risk to performance in the months ahead. We also meet several times throughout the year to discuss these. Finally, there are standing invitations for a senior member from the Sponsor Unit and the Audit and Assurance Unit to attend CRB's Management Board and Audit Committee meetings.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CRB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively. The system of Internal Control has been in place in CRB for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3. Capacity to Handle Risk

The Agency's Management Board and Audit Committee have endorsed CRB's Risk Management Strategy. The Executive Team reviews and revises corporate risks raised for currency and relevance at each Executive Team meeting after which the Corporate Risk Register is amended to reflect the current situation. The CEO or a Director owns each of the risks on the Corporate Risk Register and along with risk management in general, these are standing agenda items at Executive Team, Management Board and Audit Committee meetings.

A Risk Coordination Manager is in place to facilitate the embedding of the risk management arrangements and monitor and challenge managers' performance in this area. They report regularly to the Audit Committee.

At least twice a year the Executive Team and Management Board meet to thoroughly review the existing risks, in the light of change in the internal and external environment. In 2010-11, the organisation adapted its risk register to take account of the new Government's policies and the results of the associated fundamental reviews of the VBS and the wider criminal records regime.

4. The Risk and Control Framework

Risk is identified against organisational objectives and assessed using the Home Office's central policy and guidance.

Risk appetite is set for each corporate risk by the Board and is replicated at operational level and recorded in risk registers. The appetite is reviewed at both levels monthly. Additionally, mitigation plans have been developed for red and black risks.

Control is exercised through standing agenda items at monthly operational and Executive Team meetings. The Risk Coordinator also convenes a monthly Risk Improvement Forum (RIF) of operational risk managers which helps embed and spread best practice.

The RIF system is supplemented by risk awareness sessions for staff including as part of new entrants' induction. Maturity of our risk management arrangements is measured against the Home Office's Risk Management Maturity Model. We currently meet Level 3 and those parts of Level 4 prescribed by the Home

Office. Level 4 denotes a fully embedded system operating as an integral part of the everyday management process.

The risk which most affects the public is that of unpredictable demand impacting on our speed of service. In response we have established a large representative sample group of 200 Registered Bodies with whom we are closely engaging, in order to anticipate changes in demand in a timely way and to allocate resources accordingly.

The Change Programme and all associated projects are also subject to risk analysis and the maintenance of risk registers.

With regard to the management of Information Risk, I can confirm that Information Asset Owners (IAO) have been appointed, all Cabinet Office mandated training has been completed by IAOs; users have completed the full Cabinet Office Level 1 training and are in the process of refreshing this. IAOs have been issued with terms of reference. I can confirm that throughout the period, they have undertaken quarterly reviews of the assets for which they are responsible, in line with measures contained in the terms, to ensure the accuracy of the data they contain. I can also confirm that the assets are accessed only by authorised staff and, where shared, this has been conducted for a valid business reason, supported by a Data Sharing Agreement agreed by all relevant parties. An assessment of the arrangements in place was conducted against the Cabinet Office Information Assurance Maturity Model by the Home Office in April 2010 and again in February 2011, which confirmed CRB was compliant with, and somewhat ahead of, the required level.

5. Review of Effectiveness

2010-11 was a year of uncertainty for the CRB, particularly as a result of the reviews of the criminal records regime and VBS, the announcement of a merger with the ISA, increased financial constraint and a reducing workforce.

The additional financial constraints we have been operating under have brought a heightened awareness across the organisation of the need to continue to achieve our objectives while maximising value for money. In this context, we have introduced tighter budgetary controls with more robust financial challenge of any significant proposed spend whilst encouraging initiatives that improve internal control and save resources.

The corporate risk profile has remained relatively fluid in terms of the high level risk definitions agreed at the start of the year. A substantive refresh of the profile was undertaken in March 2011 following the publication of the criminal records and VBS reviews. Risks relating to compliance, e-Bulk and business continuity planning reached the appetite set by the Management Board and were removed from the corporate risk register.

Although no significant risks materialised during 2010-11 as a result of this changing environment, additional risks and challenges are possible for the CRB going forward as well as a potential weakening in controls. The capacity and capability to manage a significant change programme from 2011-12 onwards is a key risk but also presents opportunities for the CRB. Retaining our self-funding status will continue to be a key risk, which will require continued effective forecasting of demand for our services as well as ensuring that the improvements in financial controls are implemented in a timely and effective manner.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee as follows:

- Review by the Management Board of significant risks and the controls in place to manage them;
- Quarterly meetings of the Audit Committee at which all assurance activities are reviewed, including internal and external audit, risk management, and other reviews as appropriate;
- The maintenance of detailed risk registers; and
- Work carried out by Internal Audit and approved by the Audit Committee.

At the end of the financial year, the Head of Internal Audit (HIA) produces an annual report which is presented to the Audit Committee. This report summarises the work completed during the year and identifies any significant issues which may impact upon the effectiveness of the CRB's control environment and which should be incorporated into this statement. An opinion on the adequacy and effectiveness of the CRB's systems of

internal control is also provided in this annual report. Further assurance is received from the Chair of the Audit Committee who produces an annual assurance report for the Accounting Officer and Management Board, timed to support the Statement on Internal Control.

The HIA's report included the following statement "CRB has developed credible operational procedures and controls and is strengthening its financial controls. The outcomes of the work we have undertaken during 2010-11 support an opinion of overall consolidation within the organisation's system of risk management and general stability in its systems of internal control and governance. It is in this context that an overall moderate assurance is appropriate for 2010-11. This assurance is supported by the Head of Internal Audit in post from April to December 2010."

6. Significant internal control issues

I fully recognise the need to maintain the momentum in enhancing control in a number of areas and will ensure we do so into the coming year. We will continue work in hand to:

1. Further enhance risk management and management control over financial accounting, particularly in relation to strengthening planning for financial system changes and the application of lower level financial controls. Specific risks currently exist in the technical capability of finance staff, control of non-current assets, capacity to manage risk and controls over journal entry. A finance roadmap (and supporting action plan) has been developed to address these issues;
2. Further strengthen recovery and continuity planning and testing arrangements, specifically focusing on the potential loss of the organisation's main site and scanner contingency; and
3. Further strengthen control over the procurement, control and management of portable IT assets. A small number of unencrypted laptops were unaccounted for during the year. It has since been confirmed that no sensitive or personal data was held on these laptops so there was no data loss risk.

Steve Long
Chief Executive
Criminal Records Bureau
7 July 2011

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Criminal Records Bureau for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and Auditor

As explained more fully in the Statement of the Criminal Records Bureau's and Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Criminal Records Bureau's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Criminal Records Bureau; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on the financial statements

In my opinion:

- The financial statements give a true and fair view, of the state of the Criminal Records Bureau's affairs as at 31 March 2011 and of its net operating costs; and
- The financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- The information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept; or
- The financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

8 July 2011

Criminal Records Bureau Annual Accounts 2010-11

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

| | Note | | | 2010-11 £'000 | 2009-10 £'000 |
|--|------|---------------|----------------|------------------|------------------|
| | | Staff Costs | Other Costs | Income | |
| Administration Costs: | | | | | |
| Operating income | 5 | - | - | (122,858) | (127,278) |
| Release of funds from Government grant reserve for impairment of assets | 5 | - | - | (9,044) | - |
| Cost of sales | 4 | - | 83,300 | - | 82,987 |
| Staff costs | 3 | 21,581 | - | - | 17,979 |
| Other administrative costs | 4 | - | 19,421 | - | 20,021 |
| Impairment | 4 | | 9,044 | - | - |
| Totals | | 21,581 | 111,765 | (131,902) | (6,291) |
| Net Operating Cost | | | | 1,444 | (6,291) |

Other Comprehensive Expenditure

| | 2010-11 £'000 | 2009-10 £'000 |
|---|------------------|------------------|
| Net (gain)/loss on Revaluation of Property Plant and Equipment | 245 | (218) |
| Net (gain)/loss on revaluation of Intangibles | (750) | (213) |
| Total Comprehensive Expenditure for the year ended 31 March 2011 | 939 | (6,722) |

An adjustment (reduction in costs) of £976,000 was made to cost of sales in 2010-11, relating to an over-estimate of costs at the end of 2009-10.

Statement of Financial Position

As at 31 March 2011

| | Note | As at 31 March 2011 £'000 | As at 31 March 2010 £'000 | Restated As at 31 March 2009 £'000 |
|--|------|---------------------------------|---------------------------------|---|
| Non-current assets: | | | | |
| Property, plant and equipment | 6 | 956 | 1,967 | 2,116 |
| Intangible assets | | 29,999 | 43,433 | 39,900 |
| Total non-current assets | | 30,955 | 45,400 | 42,016 |
| Current assets: | | | | |
| Trade receivables | 7 | 35,663 | 40,083 | 33,632 |
| Other current assets | | | | |
| Cash and cash equivalents | 8 | 9,633 | 17,229 | 6,860 |
| Total current assets | | 45,296 | 57,312 | 40,492 |
| Total assets | | 76,251 | 102,712 | 82,508 |
| Current liabilities: | | | | |
| Trade and other payables : amounts falling due within 1 year | 9 | (655) | (4,493) | (2,306) |
| Other payables | 9 | (14,778) | (25,393) | (29,466) |
| Total current liabilities: | | (15,433) | (29,886) | (31,772) |
| Non-current assets plus net current assets | | 60,818 | 72,826 | 50,736 |
| Non-current liabilities | | | | |
| Other payables: amounts falling due after 1 year | 9 | | (4,701) | (7,241) |
| Provisions | 10 | (431) | (95) | (62) |
| Total non-current liabilities: | | (431) | (4,796) | (7,303) |
| Assets less liabilities | | 60,387 | 68,030 | 43,433 |
| Taxpayers' equity: | | | | |
| General fund | | 48,081 | 49,278 | 30,969 |
| Government Grant Reserve | | 11,343 | 18,296 | 12,439 |
| Revaluation Reserve | | 963 | 456 | 25 |
| Total Taxpayers' equity | | 60,387 | 68,030 | 43,433 |

Steve Long

Chief Executive

7 July 2011

Statement of Cash Flows

For the year ended 31 March 2011

| | Note | 2010-11 £'000 | Restated 2009-10 £'000 |
|---|----------|-----------------------|------------------------------|
| Cash flows from operating activities | | | |
| Net operating (cost)/surplus | | (1,444) | 6,291 |
| Adjustments for non-cash transactions | 4 | 19,533 | 8,746 |
| Release of funds from the Government grant reserve | | (9,498) | - |
| (Increase)/decrease in trade and other receivables | 7 | 4,420 | (6,451) |
| Less movements in receivables relating to items not passing through the SOCNE | | - | 5,857 |
| Increase/(decrease) in trade payables | 9 | (19,154) | (4,427) |
| Less movements in payables relating to items not passing through the SOCNE | | 8,948 | 6,375 |
| Net cash (out)/inflow from operating activities | | <u>2,805</u> | <u>16,391</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (10) | (30) |
| Purchase of intangible assets | 6 | (3,646) | (10,147) |
| Net cash outflow from investing activities | | <u>(3,656)</u> | <u>(10,177)</u> |
| Cash flows from financing activities | | | |
| Funding from Home Office | | 2,606 | 16,664 |
| CFER paid (funding returned to Home Office) | | (4,418) | (6,664) |
| Capital element of payments in respect of finance leases and on-balance sheet PFI contracts | | <u>(4,933)</u> | <u>(5,845)</u> |
| Net financing | | <u>(6,745)</u> | <u>4,155</u> |
| Net increase/(decrease) in cash and cash equivalents in period | 8 | (7,596) | 10,369 |
| Cash and cash equivalents at the beginning of the period | 8 | 17,229 | 6,860 |
| Cash and cash equivalents at the end of the period | 8 | 9,633 | 17,229 |

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

| | Note | General Fund | Revaluation Reserve | Government Grant Reserve | Total Reserves |
|--|------|---------------|---------------------|--------------------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2009 | | 30,969 | 25 | 12,439 | 43,433 |
| Changes in taxpayers' equity for 2009-10 (restated) | | | | | |
| Non-cash charges – auditor's remuneration | 4 | 164 | | | 164 |
| Non-cash charges – Home Office Payroll | 4 | 59 | | | 59 |
| Movements in reserves: | | | | | |
| Additions | | | 431 | 5,857 | 6,288 |
| Recognised in Statement of Comprehensive Expenditure | | 6,291 | | | 6,291 |
| Funding from Parent | | 16,664 | | | 16,664 |
| CFERs paid to the Consolidated Fund | | (451) | | | (451) |
| CFERs payable to the Consolidated Fund | | (4,418) | | | (4,418) |
| Balance at 31 March 2010 | | 49,278 | 456 | 18,296 | 68,030 |

| | Note | General Fund | Revaluation Reserve | Government Grant Reserve | Total Reserves |
|---|------|---------------|---------------------|--------------------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Changes in taxpayers' equity for 2010-11 | | | | | |
| Net gain/(loss) on revaluation of tangible assets | | | (245) | | (245) |
| Net gain/(loss) on revaluation of intangible assets | | | 750 | | 750 |
| Movement in reserves | | | 2 | | 2 |
| Comprehensive expenditure for the year | | (1,444) | | | (1,444) |
| Non-cash charges – auditor's remuneration | 4 | 131 | | | 131 |
| Non-cash charges – Home Office Payroll | 4 | 62 | | | 62 |
| Funding from Parent | | 61 | | | 61 |
| Increase to Government Grant Reserve | | | | 2,545 | 2,545 |
| Release from Government Grant Reserve | | | | (9,498) | (9,498) |
| CFERs payable to the Consolidated Fund | | (7) | | | (7) |
| Balance at 31 March 2011 | | 48,081 | 963 | 11,343 | 60,387 |

Notes to the Agency's Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the CRB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the CRB are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

New standards

IFRS9 - Financial Instruments was issued in November 2009 and will become effective from January 2013. This IFRS will replace IAS39. It simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS39, and resulting in one impairment method. The CRB intends to apply the new standard in the accounting year 2013-14. The impact of applying this standard has not yet been quantified.

IAS24 – Related Party Disclosures was amended in November 2009 to become effective from January 2011. The revision of IAS24 simplifies and clarifies the definition of a related party and provided Government-related entities with partial exemption from the disclosure requirements relating to related party transactions and outstanding balances (including commitments). The CRB intends to apply the amended IAS24 in the accounting year 2011-12. The impact of applying this revised standard is expected to be negligible.

1.1. Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant, equipment and intangible assets.

1.2. Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition set out by HM Treasury and interpreted by the Home Office. All of the CRB's expenditure was classified as administration expenditure in 2010-11.

1.3. Funding

The principal activities of the CRB are funded on a net resource basis from Home Office Request for Resources 1 - subhead B.

The CRB relies on the income generated from fees to fund its core activities. The Home Office provides additional cash to fund non-fee funded activities.

1.4. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The CRB recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the CRB recognises the contributions payable for the year.

1.5. Operating income

Operating income from continuing activities represents:

- Fees charged to applicants for applications for Enhanced and Standard checks of prescribed criminal record information; and
- Fees charged to register corporate bodies and signatories to access the criminal record process.

The CRB recognises income on completion of the CRB application process, in line with the requirements of IAS 18 - Revenue. Up until this point, income is only recognised to the extent that costs have been incurred.

Deferred income

Income is deferred where an application fee has been received but where the application processing has not been fully completed.

1.6. Property, plant and equipment

Assets are stated at fair value. Major refurbishment works are capitalised and written off over the remaining length of the lease agreement.

a. Depreciation

Depreciation is provided on all property, plant and equipment in the month that the assets are brought into use. Depreciation is calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

| | |
|------------------------|--|
| Refurbishment | Over the remaining period of the lease |
| Equipment | 2-11 years |
| Fixtures & Fittings | 10 Years |
| Computers and software | 3-10 Years |

b. Revaluation

The CRB's policy is to revalue the cost of all property, plant and equipment assets that are in use, on the basis that the revaluation is material. Each class of property, plant and equipment is revalued using appropriate indices compiled by the Office for National Statistics. Upward revaluations are taken to the revaluation reserve, unless there has been a previous downward revaluation. In this case, an amount equal to the downward revaluation is taken to the Statement of Comprehensive Net Expenditure, the balance being taken to the revaluation reserve.

c. Assets under Construction

All non-current assets being developed and not in operation at year end are capitalised as an asset under construction. Until the asset is brought into use no depreciation is recognised; however, once the asset is brought into use, depreciation is charged with the asset being transferred to the relevant 'Non-Current Asset' register immediately. The CRB does not revalue assets under construction.

An annual review of assets is undertaken to ensure that the purpose for which the asset is being constructed and its associated valuation is appropriate.

d. Capitalisation

CRB's policy is to capitalise assets over £2,000 per item.

1.7. Intangible Assets

a. Development

Development expenditure is recognised as an intangible asset when CRB can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its

ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of development expenditure as an asset, where an active market exists, the asset is subsequently measured at fair value. Where no active market exists, the asset is carried at amortised replacement cost, indexed for relevant price increases, as a proxy for fair value. Development expenditure is recognised when the conditions of IAS 38 – intangible assets - have been satisfied. Expenditure on software development is capitalised as an intangible asset, separately from its hardware where the hardware is able to operate independently of the software. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

b. Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. All intangible assets are currently assessed to have a finite life, however, the amortisation period and the amortisation method are reviewed at least at each financial year end.

Intangible assets are amortised at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives.

c. Revaluation

The CRB's policy is to revalue the cost of all intangible assets that are in use, on the basis that the revaluation is material. Each class of intangible assets is revalued using the Gross Domestic Product (GDP) deflator index published by HM Treasury. Upward revaluations are taken to the revaluation reserve, unless there has been a previous downward revaluation. In this case, an amount equal to the downward revaluation is taken to the Statement of Comprehensive Net Expenditure, the balance being taken to the revaluation reserve.

d. Research

Research costs are expensed to the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

1.8. Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.9. Commitments under leases

Rental payments for land and buildings occupied by the CRB on the basis of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

1.10. Commitments under Public-Private Partnership (PPP) contracts

The CRB accounts for PPP transactions under IFRIC 12 Service Concession Arrangements. The CRB is considered to control the infrastructure in a public-to-private service concession arrangement because:

- The CRB controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- The CRB controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

The CRB recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under IAS 17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement. Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques; this is the approach which the CRB has adopted.

The CRB recognises a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually to the Statement of Comprehensive Net Expenditure.

On initial recognition of existing PPP arrangements under IFRS, the CRB measured the non-current asset at the opening Statement of Financial Position date in the same way as other non-current assets of that generic type. A liability is recognised for the capital value of the contract at its fair value at the date of the Statement of Financial Position, which will normally be the outstanding liability in respect of the property (that is, excluding the interest and service elements), discounted by the interest rate implicit in the contract.

Assets are re-valued in accordance with the revaluation policy for property, plant, equipment and intangible assets (sections 1.6 b and 1.7 c above). Liabilities are measured using the appropriate discount rate.

1.11. Segmental reporting

The CRB undertakes statutory functions on behalf of the Secretary of State under Part V of the Police Act 1997 (as amended).

All the financial resources of the CRB are used towards the furtherance of these statutory functions. The CRB does not, therefore, have separate reporting or operating segments as envisaged by IFRS 8.

1.12. Vetting and Barring Scheme

Grants received from the Home Office for capital expenditure relating to specific VBS assets that meet the criteria of a Government grant set out in IAS 20 are credited to a Government grant reserve. Once the asset is brought into use, each year an amount equal to the amortisation charge on the specific assets acquired is released from the Government grant reserve to the Statement of Comprehensive Net Expenditure over the useful economic life of the asset. Assets to the value of £2.55m (2009-10 £5.86m) were funded by the Home Office during 2010-11 and an equal amount credited to the Government grant reserve.

Following the review of VBS, a full assessment was carried out of the intangible asset built in readiness for VBS and previously categorised as an asset under construction. This identified that elements of the functionality had already been brought into use (and amortisation charges should apply), elements may be used in the future and that there was a significant element of the functionality that would never be used (and should, therefore, be impaired). As a result, during 2010-11, £9.04m was impaired and charged to the Statement of Comprehensive Net Expenditure and an equal amount released from the Government grant reserve. Additionally, £475,000 was charged to the Statement of Comprehensive Net Expenditure and an amount of £454,000 was released from the Government grant reserve.

Those elements of the funding of the VBS programme which are considered not to be capital, are expensed to the Statement of Comprehensive Net Expenditure and matched by an equal amount of grant income. Expenditure of £3.38m was expensed in 2010-11 (2009-10 £1.377m) and matched by an equal amount of grant funding.

1.13. Critical accounting judgements and key sources of estimating uncertainty

The CRB is required, when applying its policies, to make judgements, estimates and assumptions. These judgements and associated assumptions are based on historical experience and other factors that are considered appropriate from external sources.

These judgements are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements that were revised during 2010-11 were:

a. Deferred income

Deferred income has, in the past, been calculated by allocating paper application costs as an approximation for the element of the Enhanced check fee that relates to work carried out by Capita and can be taken as income. However, as the number of applications has significantly increased via the electronic route, the calculation of deferred income has been amended to include this method of receipt. As there is a lower cost to CRB for electronic applications, this revised calculation has had the effect of reducing the value of the deferred income that can be taken to the Statement of Comprehensive Net Expenditure compared to the previous method of calculation. As a result of this change, a reduction in income of £160k was taken to the Statement of Comprehensive Net Expenditure in 2010-11. It is not possible to estimate with any certainty the impact on future years, although this is not expected to have a material impact.

1.14 Provisions

The CRB makes provision to cover its obligations for reinstatement of its leasehold buildings to their original state before its occupation.

The CRB meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early departure scheme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.9% in real terms.

1.15 Reserves

Reserves constitute the following:

- **Government Grant Reserve** – funds received/receivable from the Home Office for assets built in readiness for VBS;
- **Revaluation Reserve** – the upward revaluation amounts of property, plant and equipment and intangible assets;
- **General Fund** – funds accumulated by the usual operation of the business.

2. Changes in accounting policy

Under the Treasury's Clear Line of Sight initiative, a capital charge of 3.5% is no longer required to be included as a charge to the Statement of Comprehensive Net Expenditure. The CRB, however, still includes an estimate of a capital charge when setting fees.

| | |
|--|----------------|
| | £'000 |
| Net operating cost for 2008-09 | (6,219) |
| Removal of capital charge as a result of Clear Line of Sight project | (1,081) |
| Net operating cost for 2008-09 - restated | (7,300) |
| | £'000 |
| Net operating cost for 2009-10 | (4,418) |
| Removal of capital charge as a result of Clear Line of Sight project | (1,873) |
| Net operating cost for 2009-10 - restated | (6,291) |

3. Staff numbers and related costs

Staff costs comprise:

| | 2010-11 | | 2009-10 | |
|---|---------------|----------------------------|--------------|---------------|
| | £'000 | | £'000 | |
| | Total | Permanently employed staff | Others | Total |
| Wages and salaries | 18,337 | 16,757 | 1,580 | 15,098 |
| Social security costs | 996 | 996 | 0 | 932 |
| Other pension costs | 2,516 | 2,516 | 0 | 2410 |
| Sub Total | 21,849 | 20,269 | 1,580 | 18,440 |
| Less recoveries in respect of outward secondments | (268) | (268) | 0 | (461) |
| Total net costs | 21,581 | 20,001 | 1,580 | 17,979 |

In 2010-11, £0 salary costs were capitalised (2009-10 £992,000). This amount is not shown in the analysis above.

The PCSPS is an unfunded multi-employer defined benefit scheme but the CRB is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £2,456,791 are payable to the PCSPS (2009-10 £2,351,006) at one of four rates in the range 16.7% to 24.3% (2009-10: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2009-10 and will remain unchanged until 2012-13. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £19,187 (2009-10 £25,987) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2009-10: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0 - 0%; (2009-10 £1,947 - 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £0 (2009-10 £3,422). Contributions prepaid at that date were £0 (2009-10 £0).

0 persons (2009-10: 0) retired on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0 (2009-10: £1,947).

3.1. Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

| | 2010-11 Number | | 2009-10 number | |
|-------------------|----------------|-----------------|----------------|------------|
| | Total | Permanent staff | Others | Total |
| Directly Employed | 656 | 656 | 0 | 592 |
| Other | 11 | 0 | 11 | 22 |
| Total | 667 | 656 | 11 | 614 |

3.2. Reporting of Civil Service and other compensation schemes

Comparative data for 2009-10 is shown in (brackets)

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|--------------------------------------|-----------------------------------|-----------------------------------|--|
| <£10,000 | - | 67 (1) | 67 (1) |
| £10,000 - £25,000 | - | 31 (0) | 31 (0) |
| £25,000 - £50,000 | - | 11 (0) | 11 (0) |
| £50,000 - £100,000 | - | 4 (0) | 4 (0) |
| £100,000 - £150,000 | - | 0 (0) | 0 (0) |
| £150,000 - £200,000 | - | 0 (0) | 0 (0) |
| Total number of exit packages | - | 113 (1) | 113 (1) |
| Total resource cost/£000's | - | 1,399 (2) | |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Agency has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4. Other Administrative Costs

| | Note | 2010-11 £'000 | Restated 2009-10 £'000 |
|--|----------|------------------|------------------------------|
| Interest charges | | 281 | 392 |
| PFI service charges | | 47,476 | 50,162 |
| Police and other data source costs | | 35,824 | 32,825 |
| Non-cash items | | | |
| <i>Depreciation</i> | 6 | 1,174 | 1,662 |
| <i>Amortisation</i> | 6 | 8,786 | 6,828 |
| <i>Impairment</i> | 6 & 1.12 | 9,044 | - |
| <i>Notional Charges</i> | | 62 | 59 |
| <i>Auditor's remuneration and expenses</i> | | 131 | 164 |
| <i>Provision provided for in year</i> | 10 | 336 | 33 |
| Accommodation | | 2,553 | 2,428 |
| Professional Fees | | 1,706 | 3,298 |
| Other Administrative costs | | 4,392 | 5,157 |
| Total | | 111,765 | 103,008 |

As required by regulations made under Section 494 of the Companies Act 2006, the auditors have received no remuneration for non-audit work (2009-10 £ Nil).

The auditors remuneration for 2009-10 included an additional fee of £30,000 for the conversion of the accounts onto an IFRS basis.

5a. Income

| | Note | 2010-11 £'000 | £'000 |
|--|------|------------------|----------------|
| Fees charged for the provision of the CRB checking service | 18 | 117,898 | 125,883 |
| Revenue grant received in respect of VBS | | 3,387 | 1,377 |
| Release from Government grant reserve - impairment | | 9,044 | - |
| Release from Government Grant reserve - other | | 454 | - |
| Other income | | 1,119 | 18 |
| Total | | 131,902 | 127,278 |

5b. Analysis of Income Payable to the Consolidated Fund

In addition to Appropriations-in-Aid (A-in-A), the following income relates to the Agency and is payable to the Consolidated Fund

| | 2010-11 £'000 | 2009-10 £'000 |
|----------------------------------|------------------|------------------|
| Other income – interest received | 7 | 18 |
| Total | 7 | 18 |

6a. Property, plant and equipment

| | Leasehold Improvements £'000 | Information Technology £'000 | Furniture & Fittings £'000 | Total £'000 |
|--|------------------------------------|------------------------------------|----------------------------------|----------------|
| Cost or Valuation | | | | |
| At 1 April 2010 | 3,780 | 11,206 | 197 | 15,183 |
| Additions | - | 398 | 10 | 408 |
| Revaluations | (228) | (1,294) | - | (1,522) |
| At 31 March 2011 | 3,552 | 10,310 | 207 | 14,069 |
| Depreciation | | | | |
| At 1 April 2010 | 3,631 | 9,520 | 65 | 13,216 |
| Charged in year | 121 | 1,031 | 22 | 1,174 |
| Revaluations | (218) | (1,060) | 1 | (1,277) |
| At 31 March 2011 | 3,534 | 9,491 | 88 | 13,113 |
| Net Book Value at 31 March 2011 | 18 | 819 | 119 | 956 |
| Net Book Value at 31 March 2010 | 149 | 1,686 | 132 | 1,967 |
| Asset financing: | | | | |
| Owned | 18 | - | 119 | 137 |
| Finance leased | - | - | - | - |
| On balance sheet PFI contracts | - | 819 | - | 819 |
| Net book value at 31 March 2011 | 18 | 819 | 119 | 956 |

| | Leasehold Improvements | Information Technology | Furniture & Fittings | Total |
|--|---------------------------|---------------------------|-------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | |
| At 1 April 2009 | 3,743 | 9,255 | 165 | 13,163 |
| Additions | | 1,265 | 30 | 1,295 |
| Revaluations | 37 | 686 | 2 | 725 |
| At 31 March 2009 | 3,780 | 11,206 | 197 | 15,183 |
| Depreciation | | | | |
| At 1 April 2009 | 3,519 | 7,483 | 45 | 11,047 |
| Charged in year | 77 | 1,566 | 19 | 1,662 |
| Revaluations | 35 | 471 | 1 | 507 |
| At 31 March 2009 | 3,631 | 9,520 | 65 | 13,216 |
| Net Book Value at 31 March 2010 | 149 | 1,686 | 132 | 1,967 |
| Net Book Value at 31 March 2009 | 224 | 1,772 | 120 | 2,116 |
| Asset financing: | | | | |
| Owned | 149 | - | 132 | 281 |
| Finance leased | - | - | - | - |
| On balance sheet PFI contracts | - | 1,686 | - | 1,686 |
| Net book value at 31 March 2010 | 149 | 1,686 | 132 | 1,967 |

6b. Intangible assets

| | Information Technology | Assets under Construction | Total |
|--|-----------------------------------|--|---------------|
| | £'000 | £'000 | £'000 |
| Cost or Valuation | | | |
| At 1 April 2010 | 60,773 | 23,978 | 84,751 |
| Additions | 351 | 3,295 | 3,646 |
| Impairment | - | (9,044) | (9,044) |
| Reclassifications | 8,153 | (8,153) | - |
| Revaluations | 2,089 | - | 2,089 |
| At 31 March 2011 | 71,366 | 10,076 | 81,442 |
| Amortisation | | | |
| At 1 April 2010 | 41,318 | - | 41,318 |
| Charged in year | 8,786 | - | 8,786 |
| Revaluations | 1,339 | - | 1,339 |
| At 31 March 2011 | 51,443 | - | 51,443 |
| Net Book Value at 31 March 2011 | 19,923 | 10,076 | 29,999 |
| Net Book Value at 31 March 2010 | 19,455 | 23,978 | 43,433 |
| Asset financing: | | | |
| Owned | - | - | - |
| Finance leased | 19,923 | 10,076 | 29,999 |
| On balance sheet PFI contracts | - | - | - |
| Net book value at 31 March 2011 | 19,923 | 10,076 | 29,999 |

| | Information Technology £'000 | Assets Under Construction £'000 | Total £'000 |
|--|---|--|------------------------|
| Cost or Valuation | | | |
| At 1 April 2009 | 55,291 | 18,824 | 74,115 |
| Additions | 1,835 | 8,312 | 10,147 |
| Transfers | 3,158 | (3,158) | - |
| Revaluations | 489 | - | 489 |
| At 31 March 2010 | 60,773 | 23,978 | 84,751 |
| Amortisation | | | |
| At 1 April 2009 | 34,215 | - | 34,215 |
| Charged in year | 6,828 | - | 6,828 |
| Revaluations | 275 | - | 275 |
| At 31 March 2009 | 41,318 | - | 41,318 |
| Net Book Value at 31 March 2010 | 19,455 | 23,978 | 43,433 |
| Net Book Value at 31 March 2009 | 21,076 | 18,824 | 39,900 |
| Asset financing: | | | |
| Owned | - | - | - |
| Finance leased | - | - | - |
| On balance sheet PFI contracts | 19,455 | 23,978 | 43,433 |
| Net book value at 31 March 2010 | 19,455 | 23,978 | 43,433 |

7. Trade receivables and other current assets

| | 31 March 2011 | 31 March 2010 | 31 March 2009 Restated |
|---|------------------|------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | |
| Trade receivables | 11,522 | 12,884 | 11,068 |
| VAT receivables net of payables | 5,476 | 4,259 | 3,138 |
| Staff receivables | 49 | 104 | 68 |
| Receivables - Government departments | 6,131 | 10,412 | 7,478 |
| Prepayments and accrued income | 12,485 | 12,424 | 11,880 |
| Total | 35,663 | 40,083 | 33,632 |

7.1 Intra-Government balances

| | | | |
|---|---------------|---------------|---------------|
| Amounts falling due within one year | | | |
| Balances with other central Government bodies | 11,905 | 14,926 | 10,863 |
| Balances with local authorities | 3,949 | 3,962 | 3,730 |
| Balances with NHS trusts | 1,049 | 1,435 | 1,440 |
| Intra-Government balances | 16,903 | 20,323 | 16,033 |
| Balances with bodies external to Government | 18,760 | 19,760 | 17,599 |
| Total | 35,663 | 40,083 | 33,632 |

8. Cash and cash equivalents

| | 31 March 2011 | 31 March 2010 | 31 March 2009 Restated |
|---|------------------|------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Balance at 1 April | 17,229 | 6,860 | 614 |
| Net change in cash and cash equivalent balances | (7,596) | 10,369 | 6,246 |
| Balance at 31 March | 9,633 | 17,229 | 6,860 |

The following balances at 31 March were held at:

| | | | |
|------------------------------------|--------------|---------------|--------------|
| Government Banking Service | 9,633 | 14,508 | 86 |
| Commercial: banks and cash in hand | | 2,721 | 6,774 |
| Balance at 31 March | 9,633 | 17,229 | 6,860 |

9. Trade payables and other current liabilities

| | 31 March 2011 | Restated 31 March 2010 | Restated 31 March 2009 |
|---|------------------|------------------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | |
| Trade payables | 655 | 4,493 | 2,306 |
| Accruals and deferred income | 10,116 | 16,484 | 16,717 |
| CFER | 7 | 4,418 | 6,219 |
| Current part of imputed finance lease element of on balance sheet PFI contracts | 4,655 | 4,491 | 6,530 |
| Total | 15,433 | 29,886 | 31,772 |
| Amounts falling due after more than one year: | | | |
| Other payables, accruals and deferred income | - | - | 6 |
| Imputed finance lease element of on balance sheet PFI contracts | - | 4,701 | 7,235 |
| Total | - | 4,701 | 7,241 |

9.1 Intra-Government balances

| | | | |
|--|---------------|---------------|---------------|
| Amounts falling due within one year | | | |
| Balances with other central Government bodies | 3,518 | 4,438 | 6,218 |
| Balances with local authorities | 6,000 | 8,064 | 9,937 |
| Intra-Government balances | 9,518 | 12,502 | 16,155 |
| Balances with bodies external to Government | 5,915 | 17,384 | 15,617 |
| Total | 15,433 | 29,886 | 31,772 |
| Amounts falling due after more than one year | | | |
| Balances with other central Government bodies | - | - | 6 |
| Intra Government balances | - | - | 6 |
| Balances with bodies external to Government | - | 4,701 | 7,235 |
| Total | - | 4,701 | 7,241 |

The ten-year contract awarded under the PPP initiative is due to come to an end at the end of 2011-12. As such, no amounts falling due after more than one year are applicable.

10. Provisions for liabilities and charges

| | Early departure costs £'000 | Dilapidations £'000 | Total £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---------------------------------|--------------------------------------|------------------------|----------------|------------------------------|------------------------------|
| Balance at 1 April 2010 | - | 95 | 95 | 62 | 55 |
| Provided in the year | 319 | 17 | 336 | 33 | 7 |
| Provisions utilised in the year | - | - | - | - | - |
| Balance at 31 March 2011 | 319 | 112 | 431 | 95 | 62 |

Analysis of expected timing of discounted flows

| | Early departure costs £'000 | Dilapidations £'000 | Total |
|---|--------------------------------------|------------------------|------------|
| Not later than one year | 70 | - | 70 |
| Later than one year and not later than five years | 172 | 112 | 284 |
| Later than five years | 77 | - | 77 |
| Balance at 31 March 2011 | 319 | 112 | 431 |

11. Contingent liabilities

There were no contingent liabilities at 31 March 2011 (2009-10 £50,000).

12. Capital commitments

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---------------------------|---------------------------|---------------------------|
| Contracted capital commitments at 31 March not otherwise included in these financial statements | - | - | - |
| Intangible assets | 0 | 3,110 | 1,855 |

Capital commitments at 31 March 2010 and 31 March 2009 related to work being undertaken in preparation for VBS.

13. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

| | 31 March 2011 | 31 March 2010 | 31 March 2009 Restated |
|---|------------------|------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Obligations under operating leases for the following periods comprise: | | | |
| Buildings | | | |
| Not later than one year | 2,053 | 2,000 | 1,851 |
| Later than one year and not later than five years | - | 2,421 | 3,982 |
| Later than five years | - | - | - |
| | <u>2,053</u> | <u>4,421</u> | <u>5,833</u> |

14. Commitments under PFI contracts

On-balance sheet (SoFP):

2010-11 was the ninth year of a ten year contract awarded under the PPP initiative to provide the CRB checking service. Under IFRIC 12, assets are treated as assets of the CRB. The substance of the contract is that the CRB has a finance lease and that payments comprise two elements – imputed finance lease charges and service charges.

| | 31 March 2011 | 31 March 2010 | 31 March 2009 Restated |
|---|------------------|------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Total obligations under on-balance sheet (SoFP) service concession arrangements for the following periods comprises: | | | |
| Not later than one year | 5,578 | 5,372 | 4,909 |
| Later than one year and not later than five years | - | 5,021 | 9,177 |
| Later than five years | - | - | - |
| | <u>(923)</u> | <u>(1,202)</u> | <u>(321)</u> |
| Less interest element | | | |
| Total | <u>4,655</u> | <u>9,191</u> | <u>13,765</u> |

Present value of obligations under on-balance sheet service concession arrangements for the following periods comprises:

| | | | |
|---|--------------|--------------|---------------|
| Not later than one year | 4,655 | 5,372 | 4,909 |
| Later than one year and not later than five years | - | 3,819 | 8,856 |
| Later than five years | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Less interest element | | | |
| Total | <u>4,655</u> | <u>9,191</u> | <u>13,765</u> |

15. Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance sheet PPP transactions was £47,476,000 (2009-10 £50,162,000); and the payments to which the CRB is committed is as follows:

| | 31 March 2011 £'000 | 31 March 2010 £'000 | 31 March 2009 Restated £'000 |
|--|---------------------------|---------------------------|---------------------------------------|
| Not later than one year | 48,000 | - | - |
| Later than one year and no later than five years | - | 46,879 | 50,778 |
| Later than five years | - | - | - |
| | 48,000 | 46,879 | 50,778 |

16. Financial Instruments

IFRS7 requires disclosure in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments, and how they are managed.

Because of the largely non-trading nature of its activities, and the way in which Government Agencies are financed, the CRB is not exposed to the degree of financial risk faced by business entities.

The CRB has no powers to borrow, invest surplus funds or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

The CRB has no borrowings, relies primarily on the Home Office for cash requirements and is therefore not exposed to liquidity risks. The CRB also has no material deposits and all material assets and liabilities are denominated in Sterling, so it is not exposed to interest rate or currency risk. The fair value of cash is the same as the book value.

The maximum exposure to the CRB is the value of the creditors.

Financial assets

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Agency will not be able to recover the balances in full. Balances are written off when the probability of recovery is assessed to be remote.

Financial liabilities

Trade and other payables are recognised at cost, which is deemed to be materially the same as fair value. Where the time value of money is material, payables are subsequently measured at amortised cost. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

17. Related-party transactions

The CRB has been an Executive Agency of the Home Office since 1 September 2003.

The Home Office is regarded as a related party. Material transactions between the Home Office and the CRB that occurred during the year ended 31 March 2011 are as follows:

- a. The Home Office provided capital grant funding of £2.545 million (2009-10 £5.857 million as a notional capital grant) for VBS related assets. In addition, there have been additional transactions with the Home Office amounting to £3.686 million (2009-10 £3.7 million) for recharging purposes, mainly related to VBS activity carried out on behalf of the Home Office;
- b. £4.418 million was repaid to the Home Office during 2010-11 relating to the previous year's surplus (£6.664 million in 2009-10). £61,000 was drawn down from the Home Office during 2010-11 (2009-10 £16.664 million).

Police authorities are regarded as related parties. The CRB incurred costs during the year of £35.8 million (2009-10 £32.8 million) with police authorities in respect of running and set up costs.

In addition, the CRB has had a number of transactions in the normal course of business with other Government Departments and other Government bodies, including the Department for Work and Pensions, the Ministry of Justice and Treasury Solicitors.

During the year ended 31 March 2011 (2009-10 nil), none of the Management Board members, key management staff or other related parties had undertaken any transactions with the CRB.

18. Fees and charges for the year ended 31 March 2011

The CRB has a financial objective to achieve full-cost recovery.

| Activity | 31 March 2011 | | | Restated Income £'000 | 31 March 2010 | |
|---------------------|-----------------|------------------|-----------------------|-----------------------------|------------------|-----------------------|
| | Income £'000 | Costs £'000 | Surplus/ (Deficit) | | Costs £'000 | Surplus/ (Deficit) |
| Enhanced CRB checks | 111,756 | (114,236) | (2,480) | 116,243 | (112,584) | 3,659 |
| Standard CRB checks | 4,722 | (3,693) | 1,029 | 7,903 | (5,776) | 2,127 |
| ISA AdultFirst | 1,420 | (1,157) | 263 | 1,685 | (1,102) | 583 |
| Other | 1,119 | (137) | 982 | 70 | (148) | (78) |
| Total | 119,017 | (119,223) | (206) | 125,901 | (119,610) | 6,291 |

'Home Office funded activities' relates to a delegation from the Home Office for funding for two voluntary early release schemes. The CRB accrued for these costs in 2010-11 and will draw down the funding in future years as the cash is required.

'Other' relates primarily to income (and associated costs) for applications by Registered Bodies and Countersignatories.

Notional Cost per paid Application (£) in 2010-11 *

| | Cost (£'000) | Applications ('000) | Notional Cost (£) |
|---------------------|-----------------|------------------------|----------------------|
| Enhanced CRB checks | 114,236 | 3,935 | 29.03 |
| Standard CRB checks | 3,692 | 182 | 20.24 |

* Cost of processing a paid CRB check application based on 22.2% of the application figure shown above being free-of-charge. Used for full-cost recovery purposes.

19. Losses and Special Payments

Losses: The impairment of £9.044m relating to VBS assets is deemed to be a constructive loss as set out in Managing Public Money (2009-10 nil).

Special payments: There were 255 cases of ex-gratia payments during 2010-11 (294 during 2009-10). The total amount paid was £558,000 (2009-10 £426,000). These payments relate to claims from members of the public for loss of earnings as a result of delays in the CRB checking service and claims of maladministration.

Impairment: Following the Government's decision to review VBS - a full assessment was carried out of the intangible asset built in readiness for VBS and previously categorised as an intangible asset under construction. It was found that there were elements of what had been built that would never be utilised in the future and therefore the value of these assets (£9.044m) that would never be used was charged to the Statement of Comprehensive Net Expenditure and an equal amount released from the Government Grant reserve.

20. Subsequent events

Following the review of the VBS and criminal records regimes, the Government has made the decision to alter current safeguarding arrangements to ensure that arrangements are appropriately balanced with the need to protect and respect individual's freedoms. To fund these changes without placing an additional burden on the general tax payer, the cost of obtaining an Enhanced CRB disclosure has risen by £8 to £44 on 6 April 2011. This includes the eventual introduction of fully portable criminal records checks, an online verification system for employers and changes in police processes to make the system more efficient and more proportionate.

The fee will be collected by the CRB on behalf of the Home Office.

The current proposals before Parliament in the Protection of Freedoms Bill will, if passed, pave the way for the merger of the CRB and the ISA into a single, new organisation.

The Bill was presented to Parliament on 11 February 2011. The Bill had its second reading debate on 1 March 2011. Subsequent to 31 March 2011, the Protection of Freedoms Bill Committee's consideration of the Bill finished. The Bill will progress to the report stage on the floor of the House and, subject to the will of Parliament, then progress to the House of Lords.

These accounts were authorised for issue on 8 July 2011, the date that the accounts were certified by the Comptroller & Auditor General.

Glossary

| | |
|--------|--|
| CETV | Cash Equivalent Transfer Value |
| CFER | Consolidated fund extra receipts |
| CRB | Criminal Records Bureau |
| CRSC | Criminal Records Status Check |
| e-Bulk | Multiple electronic applications and results |
| FReM | Financial Reporting Manual |
| GDP | Gross Domestic Product |
| HIA | Head of Internal Audit |
| IAO | Information Asset Owners |
| ICM | Independent Complaints Monitor |
| IFRS | International Financial Reporting Standards |
| ISA | Independent Safeguarding Authority |
| KPI | Key Performance Indicator |
| PCSPS | Principal Civil Service Pension Scheme |
| PNC | Police National Computer |
| PPP | Public-Private Partnership |
| RIF | Risk Improvement Forum |
| SCS | Senior Civil Servants |
| SOCNE | Statement of Comprehensive Net Expenditure |
| SoFP | Statement of Financial Position |
| SSRB | Senior Salaries Review Board/Body |
| VBS | Vetting and Barring Scheme |



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