Disclosure and Barring Service

Annual Report and Accounts

For the period 1 April 2016 to 31 March 2017

HC 178

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Presented to Parliament pursuant to paragraph 12 (5) of Schedule 8 of the Protection of Freedoms Act 2012

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FOREWORD BY THE CHAIR AND CHIEF EXECUTIVE

Disclosure and Barring Service (DBS) is an organisation responsible for delivering government policy on disclosure and barring functions and plays a significant role in helping the government to meet the challenges that the safeguarding environment presents.

We recognise the expectations and have valued the support of Home Office (HO) ministers and officials in helping us to deliver our services this year. We have continued to work closely with HO to assist in policy development, in particular, identifying how we can use the information we have to support the wider safeguarding agenda.

Our Annual Report and Accounts for 2016-17 sets out details of our performance during the year. As we come to the end of our three year 2014–17 Strategic Plan, we have achieved our goals against our strategic objectives. The report also provides an overview of our operational and financial performance.

Overall, during 2016-17 we have performed well, especially in relation to our Disclosure service, which is essential in safeguarding and assisting people into work. We worked constructively with both HO and Metropolitan Police Service (MPS) in particular to overcome the operational challenges they have faced in recent years. In the last few months of the financial year, the Disclosure timeliness targets were exceeded as a result of the positive impact of improvement by MPS. However, because of challenges in the first half of the year, we marginally failed to meet our overall year end targets for Disclosure timeliness. This year, we have also faced challenges in Barring Operations and we have a programme of actions planned for the next year to address these. As well as continuing to focus on improving our operational delivery, this year we have made progress with implementation of our modernised IT systems.

Delivering and embedding our modernised IT solution to reflect modern ways of working and living has proved a significant challenge and we are disappointed with the delays it has faced. It is a priority for the coming year which will enable us to deliver our services more quickly and efficiently and begin to provide digital channels for our services. This year, we have continued to work towards our commitment to providing faster, modernised services in order to help government achieve its objectives. The IT solution will improve the effectiveness of services we already offer and deliver the capability for us to deliver Basic checks and new services should the government require us to.

We have increased the membership of our board, with the recruitment of three new nonexecutive board members who bring experience in the fields of safeguarding, IT and audit. We have also strengthened the senior executive team in a number of important areas.

We are pleased that we are in a position to launch our 2017-20 Strategic Plan, and are confident that over the next three years we will make good progress towards achieving our ambitions.

Bri anjuits

Bill Griffiths Chair

Adele Downey Chief Executive

PERFORMANCE REPORT

OVERVIEW

The 'Overview' section of the performance report provides a summary of the role, purpose and performance of DBS during 2016-17.

About DBS

DBS is responsible for the delivery of disclosure and barring functions on behalf of government.

We provide a service that enables organisations in the public, private and voluntary sectors to make better informed, safer recruitment and other decisions. We do this by providing information to enable them to determine whether individuals are unsuitable or unable to undertake certain work, particularly with occupations involving regular contact with vulnerable groups, including children. The information provided by us should be used in conjunction with other recruitment tools to determine an individual's suitability for a certain position or post. We also determine whether an individual can work in a regulated activity, *i* with children or adults by making decisions about their inclusion in either or both barred lists.

DBS was established under the Protection of Freedoms Act (PoFA) 2012 on 1 December 2012, operating from two sites, Liverpool and Darlington. We operate disclosure functions for England, Wales, Jersey, Guernsey and the Isle of Man, and barring functions for England, Wales and Northern Ireland.

This Annual Report details our performance in 2016-17, our final year of our first strategy covering the period 2014-17. This strategy set out the following aims for DBS:

Our purpose: We protect the public by ensuring that balanced suitability decisions are made on the right information.

Our mission: To be a government centre of excellence for suitability information.

The combined strategic ambition of the DBS and government is delivered through four **strategic objectives**:

- 1. Deliver excellent customer satisfaction
- 2. Retain the confidence of government
- 3. Create a strong performance culture
- 4. Manage public funds efficiently

¹ Section 7 of the Safeguarding Vulnerable Groups Act – Barred Person not to engage in regulated activity and the definition of regulated activity as defined in Schedule 4 of the Safeguarding Vulnerable Groups Act 2006 as amended by the Protection of Freedoms Act 2012.

Our activities

The statutory functions of DBS are those contained within the Safeguarding Vulnerable Groups Act 2006, Part V of the Police Act 1997, the Safeguarding Vulnerable Groups (Northern Ireland) Order 2007 and PoFA. These functions are broadly described as disclosure and barring functions and are:

- to hold and maintain a register of organisations approved by DBS through which applications for DBS certificates can be submitted;
- to issue three levels of certificates of criminal records:
 - Basic certificate. This is available for any position or purpose and will contain details of convictions and conditional cautions that are considered to be unspent under the terms of the Rehabilitation of Offenders Act 1974 (as amended). For applicants residing in or working in England and Wales a Basic certificate is currently issued by Disclosure Scotland on behalf of DBS₂, but is planned to transfer from Disclosure Scotland to DBS.
 - Standard certificate. This is available to those working in roles as specified in the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975. Standard certificates show unspent and spent convictions, cautions, reprimands and warnings (statutory disposals given by a police officer to a young person who admits guilt) held on the Police National Computer (PNC), and subject to filtering.
 - Enhanced certificate. This is the highest level of check available to anyone involved in work with vulnerable groups, and other positions involving a high degree of trust, for example, certain office holders (who are listed in the Police Act 1997 (Criminal Records) Regulations 2002). Enhanced certificates contain the same information as the Standard certificate with the addition of relevant police information held by a police force. Additionally where the role is prescribed in legislation it will include details of whether the individual is included in the list of those barred from working with children and vulnerable groups.
- to operate a system of updating Standard and Enhanced certificates, through the Update Service;
- to reach considered decisions about whether an individual should be barred from engaging in regulated activity with children and/or adults and maintaining the children's and adults' barred lists;
- to bar any individual who has accepted a caution for or been convicted of an automatic barring offence;
- to consider for barring any individual who has accepted a caution for, or been convicted of, an automatic inclusion offence (i.e. an offence that does allow representations) or has been referred to DBS from, for example, an employer or regulatory body, subject to any representations submitted by the individual. This is on condition that DBS also has reason to believe that the person is or has been, or might in the future be, engaged in regulated activity with children or other vulnerable groups; and

² See Delegation of Functions in the Accountability Report

• to make decisions as to whether it is appropriate to remove a person from a barred list.

Chief Executive's perspective on performance

I consider that DBS has performed well during 2016-17. Despite narrowly missing four out of five of our published service standards (PSS), taking into account increasing volumes and some challenging performance targets, we have achieved a considerable amount this year without the need to increase our fees.

PERFORMANCE SUMMARY

In relation to our published service standards:

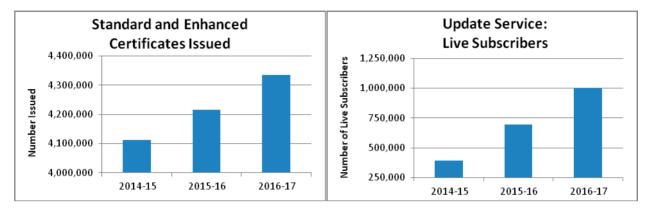
- We met our accuracy measure for DBS certificates.
- We narrowly missed (by 0.2%), our two timeliness targets of issuing 86% of DBS certificates within 21 calendar days (actual result 85.8%) and issuing 95% of DBS certificates within eight weeks (actual result 94.8%). This was due to a small number of police forces that experienced particular difficulties in meeting their turnaround time for Enhanced DBS checks. This caused significant delays in issuing certificates and led to a rise in complaints. The performance of police disclosure units has improved overall during the last six months of the year, supported by additional funding and assistance to the MPS. The improvement in performance included making in-roads to a backlog of aged cases, and although this had a negative impact on our timeliness target, it meant that cases were being cleared, allowing applicants to enter employment.
- We did not meet our target of closing 65% of barring cases within three months due to a number of factors, including increases in referrals, and the statutory requirement to allow for an eight week representation period for cases where we are minded to bar someone.
- In regards to our quality target for barring on six occasions we carried out further work before a barring case could be concluded, which meant we narrowly missed the challenging target of 0.5% (actual result 0.78%).

Published service standards	2016-17 target	2016-17 actual	2015-16 actual	2014-15 actual
Sample check error rate (DBS certificates) (rolling 12 month period)	=0.02%</td <td>0.00%</td> <td>0.01%</td> <td>0.01%</td>	0.00%	0.01%	0.01%
Sample check error rate (Barring decisions) (measured against rolling 12 month period)	=0.50%</td <td>0.78%</td> <td>0.30%</td> <td>Not recorded</td>	0.78%	0.30%	Not recorded
Percentage of all Barring cases closed in 3 months	65%	54.51%	66.23%	66.5%
Percentage of all DBS certificates issued in 21 calendar days	86%	85.80%	86.9%	85.3%
Percentage of all DBS certificates issued in 8 weeks	95%	94.8%	94.8%	95.2%

The performance of our service standards are detailed in the table below:

DBS certificate performance

The bar charts below show the growth in DBS certificate applications and Update Service subscribers over the past three years.



Standard and Enhanced certificates

During 2016-17, we issued 4.3 million certificates, of which 22% were issued free of charge to volunteers. The average time taken to issue a DBS certificate was 15.45 calendar days.

We issued 85.8% of certificates in 21 days, and 94.8% of certificates in eight weeks. A check of the quality of a sample of these certificates identified no errors.

Update Service

We reached an important milestone for the Update Service product during 2016-17, with the total number of subscribers exceeding the 1 million threshold. The Update Service was introduced to encourage portability of certificates, and particularly suits people who require multiple checks (such as volunteers and individuals in peripatetic roles), where the cost of multiple certificates could be prohibitive.

Basic certificates

Disclosure Scotland issues Basic certificates on behalf of DBS. Disclosure Scotland issued 1.5 million Basic certificates for English and Welsh customers during 2016-17. Its average turnaround time for issue was 3.8 days, with 100% of all applications being processed within 14 days (against a target of 90% within 14 days).

Barring performance

One of our key statutory functions is to manage the lists of people barred from working or volunteering in 'regulated activity' with children and/or adults (the children's and adults' barred lists) Regulated activities typically involve regular and close contact with children or vulnerable groups; for example, teachers, childminders, doctors, nurses and carers.

There are three main ways in which individuals are referred to us for barring consideration.

Referring body referrals

These are safeguarding referrals from employers, volunteer managers, professional regulators and local authority safeguarding teams.

During 2016-17 we created 7,132 referring body cases for barring consideration.

Automatic barring referrals

These are referrals identified from information held on the PNC of people newly cautioned for, or convicted of, certain serious offences specified by law.

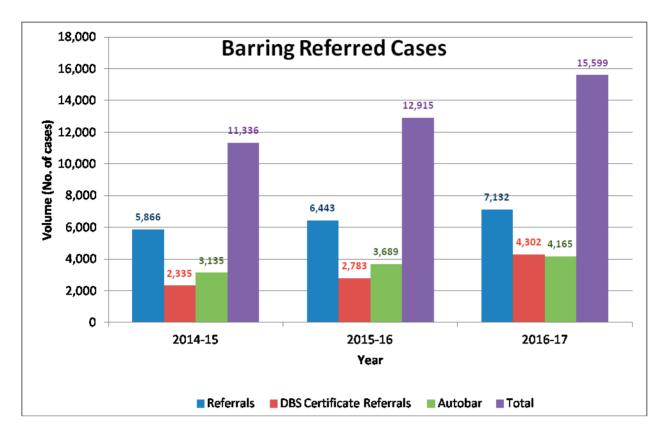
There are two types of automatic bar referrals; with and without representations. Automatic bars without representations relate to the most serious of offences. With these we are required by law to include the person in the specified barred list without seeking representations and without any consideration of whether or not the Test for Regulated Activity (TRA) is satisfied. In automatic bars with representations cases, we can consider the person for barring only if they satisfy the TRA. We must also seek and consider any representations the person may make as to why they should not be barred before making any barring decision.

During 2016-17 we created 1,452 automatic bars without representations cases and 2,713 automatic bars with representations cases.

DBS certificate referrals

If a person applies to us for an Enhanced check, including a check of a barred list in order to work or volunteer with children or vulnerable people, and that person has a significant offending history or there are concerns of a safeguarding nature, we will, if appropriate, consider that person for barring.

During 2016-17, we created 4,302 DBS certificate information cases for barring consideration.



Decision making

The DBS Board is ultimately responsible for the barring decisions made by DBS. The barring decision making process is a fundamental part of our quality management system which is certified to the ISO9001 quality standard.

Barring decisions require a careful balance of making a decision that is both rational and timely, seeking representations and further information as necessary.

Appeals

A barred person (other than those automatically barred without representations offences) has a right to appeal a barring decision but can only do so with the permission of the relevant tribunal and on an error of fact or law. They cannot seek to appeal the barring decision itself solely because they disagree with the decision. Appeals are heard by the Upper Tribunal in England and Wales and the Care Tribunal in Northern Ireland.

During 2016-17 five barred people either had their appeal upheld at the Tribunal or agreed to withdraw their appeal as we had used our review powers to remove them from a barred list(s) (as the statutory criteria were met). In the same period, 18 barred people had applications for appeal that were not upheld so the people remained on the relevant barred list(s).

Key issues and risks

The risks to the delivery of our priorities are identified and captured in the DBS strategic and corporate risk registers, which are managed monthly via the Risk Improvement Forum (RIF) and Senior Management Team (SMT). The risk management process is assured by the Audit and Risk Committee (ARC) to the board.

In applying our risk management policy, we maintain a risk management process, which ensures that risks are identified, assessed, controlled or escalated, and managed or mitigated against.

Our risk management policy can be summarised as follows:

We are here to keep the public safe and to support safeguarding organisations. The risk management culture we have built underpins and supports this:

- Our priority is to reduce risks that impact on public protection, but we will also seek to minimise our financial, operational and reputational risks.
- We will ensure that all our people are aware of and understand the risks that affect the public, our colleagues and our business.
- We will ensure that all our people are competent at managing risk.
- We will ensure that all our activities are controlled using our risk management process and that our people are empowered to tackle risks.

During the year there were a number of key issues that impacted on the risk profile of DBS and these are detailed further in the governance statement.

PERFORMANCE ANALYSIS

PERFORMANCE MEASUREMENT

The published service standards outlined in the performance summary above form part of a suite of key performance indicators (KPIs) which we monitor regularly to assess our overall performance.

Whilst we publish our service standards each month, we also monitor a suite of internal KPIs on a balanced scorecard that is reviewed on a monthly basis. Our performance against quality, timeliness and customer attributes for our Barring and Disclosure services are set out below.

Of our KPIs, 74% achieved or exceeded their annual targets at year-end.

Disclosure certificate performance

Quality

All of the Disclosure certificate quality measures exceeded their annual targets for 2016-17.

Deliverable	Measure	Target	Actual
	Sample check error rate (Disclosure certificates) (rolling 12 month period)	=0.02%</td <td>0.00%</td>	0.00%
Quality	Work meets or exceeds quality standards - Disclosure	99.80%	99.96%
	Disclosure certificates successfully disputed	<0.11%	0.08%
	Complaints escalated to the next tier Police forces achieving good or better quality rating	<2.0%	0.16%
	against the quality assurance framework (QAF)	80%	84.6%

Our quality measures detailed above have been designed to ensure that our data sources are robust and accurately match the data held on these systems against the applicant's details. Quality checks through sampling are undertaken as applications progress through our end-to-end process.

Wherever possible we ensure that complaints are resolved at the first point of contact to the satisfaction of the customer. All of the DBS check quality measures exceeded their annual targets for 2016-17.

Timeliness

The targets to achieve 86% of all disclosure certificates issued in 21 calendar days and 95% of all certificates within eight weeks were narrowly missed.

Deliverable	Measure	Target	Actual
	Percentage of all certificates issued within 21		
	calendar days	86%	85.8%
	Percentage of all certificates issued within 8		
Timeliness	weeks	95%	94.8%
Average police force turneround times (A week	= 12 calendar</td <td>8.77 days</td>	8.77 days	
	Average police force turnaround times (4 week	days	year
average)	average	uays	average

While our performance in issuing certificates in eight weeks matched the result of last year at 94.8%, it was narrowly below the annual target (95%). Despite the performance of MPS improving towards the latter half of the year, if we excluded MPS, we would have exceeded the target, as the average performance of other forces was 98.7%.

Average police force turnaround times improved year-on-year, with the average police force turnaround time decreasing from 13.29 days in March 2016 to 8.77 days in March 2017. This reflected the improvement in the police's, and in particular the MPS's, performance towards the latter half of the year.

Customer service

We achieved all of our targets for customer service complaints and enquiries targets for the year.

Deliverable	Measure	Target	Actual
Customer and	Initial stage complaint response in 10 working days	97.0%	98.5%
stakeholder complaints	Application detail disputes resolved in 10 working days	97.0%	99.3%
	Disputes about certificate information resolved in 15 working days	98.0%	99.6%
	Enquires responded to in 10 working days	98.0%	99.2%
	Calls answered in 20 seconds	95.0%	97.8%
	Percentage of calls abandoned	<5%	0.39%
	Percentage satisfied with the service they received from DBS	85%	89%
	Percentage agreeing that DBS makes a difference to public safety by helping make effective employment decisions		89%

We continued to build on previous years' performance and we achieved all our customer service complaints and enquiries targets for the year. During 2016-17 complaints have averaged 609 per month, which represents a rise of 10.1% (based on total complaints for the year), compared with 2015-16. The main reasons for complaints were as follows:

- DBS applications delayed at the police (predominantly at MPS) these accounted for 60% of complaints. This figure decreased significantly by the end of the year as a result of improvements in performance by the MPS
- General enquiries to the Update Service were the second highest cause of complaint in 2016-17 at 10%. Issues with subscription or renewal accounted for 3.6%.

During the year, we responded to 98.5% of complaints within 10 working days, achieving our KPI.

As a result of driving continuous improvement and building on the recommendations of the independent review of complaints, we maintained a high resolution rate with 98.4% of complaints resolved in the first instance.

Despite the increases in complaints, call centre service performance improved with 0.39% of calls abandoned. This was lower than last year (0.87% in 2015-16). The percentage of calls answered in 20 seconds improved from 91.4% last year to 97.8% against a target of 95%. All customer-focused measures, including responding to complaints and enquiries, improved year on year.

Barring quality

During 2016-17 we met two of the three barring quality targets.

Deliverable	Measure	Target	Actual
	Sample check error rate (barring decisions) measured against rolling 12 month period	=0.50%</td <td>0.78%</td>	0.78%
Quality	Work meets or exceeds quality standards – Barring	94.00%	95.57%
	Barring decisions successfully appealed	<0.60%	0.10%

The rolling 12 month error rate finished the year at 0.78% (the equivalent of six cases). It is important to note that barring caseworkers make risk-based judgements that are often finely balanced, hence the rigorous quality assurance process. Where a decision is considered to be incorrect, the case is reworked before the decision is communicated to the customer.

The quality of our service provision will always remain a key principle in the operation of all of our functions. Our service quality is subject to regular internal audit review. Our performance in terms of decisions successfully appealed helps to demonstrate this robustness.

We do, however recognise that we will in many instances, be reliant on the quality of the data sources that we access or the information we are provided with. This places an additional requirement on us to work closely with providers and organisations that make referrals to us and to ensure that the purpose and use of information are reflected in data management standards and processes.

This year we introduced the first phase of a revised QAF, improving our 'front-end' quality checking processes and involving expert resource in a number of themed events throughout the year. In 2017-18 we will strengthen our QAF further and will carry out more independent quality checks to provide increased levels of scrutiny and assurance of our case decisions.

Barring timeliness

The six month speed of service target was narrowly missed and a combination of factors made the three month target unattainable.

Deliverable	Measure	Target	Actual
Timeliness	Percentage of all Barring cases closed in 3 months	65%	54.51%
	Percentage of all Barring cases closed in 6 months	82%	80.82%

The time taken by stakeholders to deliver the information required for the decision-making process, and the strengthening of quality assurance described above, have affected performance against the target. In addition, we are seeing a higher proportion of cases moving through the 'minded to bar' stage of the decision-making process. Cases that go to this stage have a statutory requirement to allow eight weeks for customer response. The recruitment of additional caseworkers during the last quarter of 2015-16 and the early part of 2016-17 will assist in future target achievement. However, caseworker training is, of necessity, detailed and lengthy, thus improvements cannot be achieved immediately. Such measures will be accompanied by a formal process and procedural review during 2017.

Business plan activities and performance

In addition to monitoring progress against the KPIs, we also monitor progress against milestones set in our annual business plan that are designed to support delivery of our four strategic objectives.

This year positive progress has been made in relation to key business plan milestones and deliverables against all four business plan priorities, which support delivery of our Strategic Plan.

A number of actions due to be undertaken during the year were reprioritised to 2017-18 because of changes in the timing of the implementation of our modernised IT system (R1). In addition, some planned activities have been paused or re-planned as their delivery is outside of our control.

Deliver excellent customer satisfaction

This priority reflects the activities we undertake to understand what our customers value and to improve their level of satisfaction.

Customer satisfaction with DBS further improved during the year, with 89% of customers reporting they are satisfied with the service they receive (an increase from 85% in the previous year). Maintaining the high score from last year, 89% of customers also indicated that DBS makes a difference to public safety by helping them make effective employment decisions. We also maintained our customer service excellence accreditation in 2016, building on the award first achieved in 2015.

As part of our drive to maintain a high quality service, this year, we maintained our ISO9001 accreditation, whilst transitioning towards the new ISO9001 standard which will take place by September 2018.

Delivering and embedding our modernised IT R1 solution to reflect current ways of working and living has proved a significant challenge and we were not able to implement the system in 2016-17 as hoped. As a result, the launch of Basic checks was also deferred and we are working closely with Disclosure Scotland to develop a transition plan that recognises the revised implementation timings for our new IT solution.

While we narrowly missed our key timeliness targets for issuing DBS certificates, police performance has improved over the latter part of the year. MPS has delivered on the recovery plan ahead of schedule, and this has led to a reduction in complaints and related, hardship and aged cases.

Retain the confidence of government

This priority reflects the activities we undertake to support safeguarding and build greater trust in and awareness of the services we provide.

As part of the development of our new Strategic Plan for 2017-20, we also reviewed our mission, vision and objectives during 2016-17 to ensure these remain relevant to changes in safeguarding and our broader environment.

We maintained strong working relationships with HO and we remain ready to work with it to consider how we can best inform government policy and support its delivery.

We completed the Barring Review Implementation Project, which enabled us to act on inputs from independent experts to strengthen our guidance and barring decision making. We have taken positive steps to strengthen and assure our information.

Create a strong performance culture

This priority reflects the activities to put in place the right structures, skills and relationships to enhance our capacity and capability.

In addition to our continued efforts to improve within Disclosure Operations, we introduced a productivity measure in 2016-17, the target for which was was achieved. Looking ahead to 2017-18, we have increased the target to bring about change in the performance culture within the directorate as part of a continual improvement programme to become more efficient.

Sickness absence continues to decrease and our average working days lost (AWDL) stood at 9.34 in March 2017, a reduction from 10.90 in March 2016. Despite this improvement, our focus remains to reduce absence to the target of less than 9.00 AWDL.

Our staff engagement increased from our baseline of 58% to 64% and voluntary attrition (where an employee makes the decision to leave the organisation) remains below 3%.

Innovation in recruitment since January 2016 has seen a reduction in time to appoint staff to roles, the cost per hire, and an increase in ethnic minority applications; this work has led to our being shortlisted for two national awards. Phase 1 of the target operating model continued (with the restructure of human resources and finance completed) and as part of this transformation we have introduced a new business partner model. We will look to move into phase 2 of deployment during 2017-18. In addition, we designed a new performance

development review system and conducted due diligence on a replacement finance and HR system.

We also made a significant investment in our people, by running a number of management development centres to identify our future leaders and increase our resilience.

Manage public funds efficiently

This priority reflects that a key part of our function is to manage public funds with probity and in the public interest in carrying out our statutory safeguarding function. It demonstrates our drive in obtaining value for money from the services we procure, and in delivering value to our customers.

We commenced early work on our value for money programme, and began our benchmarking programme to identify areas where we can improve both our performance and costs.

Our ICT strategy will be developed during 2017-18 and we have agreed to align the reprocurement of our commercial hosting contracts and review our existing business processing outsourcing contract alongside this strategy.

Financial performance

DBS operates on a full cost-recovery basis. We are dependent upon the volumes of applications for certificates and Update Service subscriptions received each year to generate the required level of income, from the fees charged for our services. There are different levels of fee for Standard (£26) and Enhanced checks (£44). Fees for both certificate levels and the Update Service (£13) allow volunteer applications to be processed free of charge. Further information on fees and charges can be found in the Accountability section of this Report.

DBS is expected to make neither a surplus nor a deficit. Effective cost controls and volume forecasting are important elements of our business planning as we can only set budgets on an in-year basis. Our financial position is also impacted by the timing of the R1 deployment (with depreciation charges starting once the asset is available for use), and the transition of Basic certificates from Disclosure Scotland (which will bring additional income and costs).

Financial summary	2016-17	2015-16	2014-15
Volumes (numbers)			
Certificates issued	4,335,385	4,214,541	4,111,856
Update Service live subscribers	1,002,586	696,883	391,158
Income	£'000	£'000	£'000
Total operating income	156,090	151,355	145,464
Expenditure			
Staff costs	31,029	28,704	27,681
Purchase of goods and services	105,338	91,298	96,870
Depreciation and impairment charges	4,010	5,233	9,891
Other operating and finance costs	793	1,852	3,901
Total operating expenditure	141,170	127,087	138,343
Net surplus	14,920	24,268	7,121

The above table shows that progressive growth in volumes over the past three years has meant increased income, offset by the expected higher staffing levels and supplier costs. Goods and services have also increased due to increased funding of police disclosure units, and higher IT costs to support implementation of our new modernised solution.

Although a breakeven budget was originally set for 2016-17, our year end position of \pounds 14.9 million net surplus is higher than anticipated due to a number of reasons, the key factors including:

- revised R1 deployment timings, leading to lower than expected depreciation charges in year by £7 million;
- as a result of later than expected R1 deployment, we did not commence issuing Basic certificates, resulting in lower than expected income levels;
- a contractual reduction in supplier costs arising from differences in contracted volumes for certificates;
- additional costs to support clear certificate applications by MPS, offset by the resulting release of deferred income from a reduction in work in progress;
- under-spends on staff costs of £2 million; and
- a range of other underspends, totalling £3 million, including unspent amounts budgeted for changes in the disclosure regime during 2016-17.

The budget for 2017-18 is set at a break-even position but recognises that there remain a number of uncertainties and risks to our cost base, influenced by the timing of the R1 project and the Basics transition. We regularly review our fees to ensure that we take account of risks and other changes in our cost base.

SUSTAINABILITY REPORT (AND OTHER MATTERS)

Introduction

This report is compiled for DBS by the HO Sustainability Team. DBS is an arm's-length body of the HO and is committed to the UK Government Sustainability Programme.

HO states that sustainability is *"making the necessary decisions now to realise our vision of stimulating economic growth and tackling the deficit, maximising wellbeing and protecting and enhancing our environment, without negatively impacting on the ability of future generations to do the same".* Our priorities and initiatives to assess and take responsibility for the business's effects on the environment are shown in the following paragraphs and tables below.

Priorities

Our priorities are to:

- comply with legal, regulatory and other requirements;
- manage the carbon dioxide equivalent (CO₂e) emissions from its building energy use and official travel;
- manage water use and waste responsibly on its estate;
- purchase goods and services that meet government standards while continuing to ensure value for money;
- actively encourage our suppliers and staff to support these aims;
- strive to make sustainability integral to decision making processes; and
- procure from small businesses with the aspiration that 25% of all spend in contracts should be awarded to small and medium enterprises (SMEs)

Initiatives and areas for improvement

Our initiatives include:

- introducing smarter working, modernising our IT and communications and creating efficient and sustainable workspaces to meet business needs;
- installing recycling points in our two buildings: for food waste, cans, paper, plastics and batteries
- an upgrade of lighting across DBS, including the installation of presence-detection LED lighting which has reduced costs, energy and CO₂ emissions
- increasing the use of video-conferencing at our Liverpool and Darlington sites to reduce UK and international travel, and increasing the use of the on-line booking facility to generate more accurate usage reports;
- shredding and recycling of all paper waste at both sites through approved and accredited suppliers; and
- alignment with HO policy on sustainable procurement.

Governance arrangements

Sustainability activity is undertaken by Interserve Facilities Management working with the DBS facilities teams. Support is available from the Shared Estates Sustainability Operations Team.

Stakeholders

Paper (A4

equivalent)

Our principal sustainability stakeholders are the public, ministers, our staff and suppliers. Stakeholders can play an important part in identifying key priorities and enhancing the value of our activities. Our governance, business planning and reporting arrangements help to ensure staff can input to, and provide feedback on, our activities.

Summary of al	inual progress			
Area	Metric	2016-17*	2015-16	2014-15
Greenhouse gas emissions	Amount (tonnes CO ₂ e)	1,122	1,940	2,305
Building energy	Amount (tonnes CO2e)	1,032	1,789	2,217
	Amount (kWh)	2,918,169	4,721,437	6,003,280
	Expenditure (£)	283,010	478,131	543,446
Travel	Amount (tonnes CO2e)	90	152	88
	Expenditure (£)	199,468	250,290	264,107
Domestic flights	Amount (number)	70	65	100
Office waste	Amount (tonnes)	34	47	66
	Expenditure (£)	Not available	Not available	Not available
	Percentage recycled by weight	53%	43%	45%
Water	Amount (cubic metres)	5,554	13,975	7,388

35,802

4,368

17,710

43,929

5,570

13,155

Summary of annual progress

*2016-17 figures in the table above are estimates

Expenditure (£)

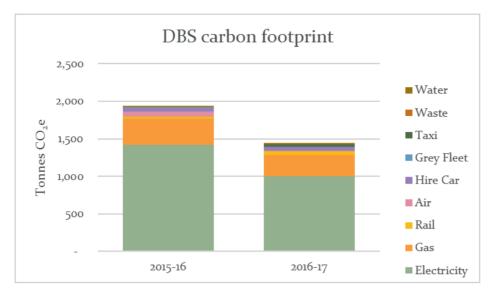
Amount (reams)

Expenditure (£)

25,307

4,900

10,743



Data quality

All data is UK-generated only. Carbon Smart provides a data-gathering and verification service for all greening government commitments and reporting requirements. All arm's-length bodies are represented. The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.³

Sustainable procurement

We work with suppliers to promote sustainable procurement as part of our corporate and social responsibility (CSR). This includes SMEs and the diversity agenda. We promote the mandated Government Buying Standards⁴ and consider CSR factors in investment decisions where they are relevant to the contract. CSR factors are incorporated throughout the procurement cycle from pre-qualification through to contract award to ensure that value for money is optimised.

The information gathered on the supply chain through CAESER (an on-line tool for suppliers to assess their own commitment to sustainability) is reported to us on an annual basis to enable us to obtain an overview of our suppliers' performance in relation to sustainability. This is used to inform contract management discussions and business decisions, manage supply chain risks and drive improved outcomes.

Adele Downey Chief Executive 3 November 2017

³ https://www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses

⁴ http://sd.defra.gov.uk/advice/public/buying

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

The purpose of the DBS's corporate governance process is to ensure that the organisation can evidence clear accountability to our minister and Parliament.

We are keen to ensure that best practice is adopted in the running of our governance structure, complying with relevant codes where appropriate.

Overview

How we work

DBS is led by a board which is responsible for the strategic leadership of the organisation and has collective responsibility for the proper conduct of DBS affairs. This role can be summarised as direction, monitoring and control, assurance and propriety. The board comprises a chair, non-executive and executive members.

The operation of DBS functions is delegated by the board to the Chief Executive Officer (CEO), who leads a Senior Management Team (SMT) of directors of relevant functions. These are People, Finance and Commercial, Information, Disclosure Operations (based in Liverpool) and Barring Operations (based in Darlington). The CEO is also the accounting officer (AO).

Government sponsorship

DBS is classified by the Cabinet Office as a non-departmental public body (NDPB), and operates as an arm's length body, sponsored by HO. HO leads on the policy framework that govens and underpins DBS, working with the Department for Education and Department of Health.

The role of DBS is to deliver government policy.

The relationship between DBS and HO is guided by a framework document. Although this has no statutory basis, under the provisions of HM Treasury's guidance 'Managing Public Money', the government requires departments to have arrangements in place to monitor and understand their NDPBs' strategy, performance and delivery, usually built around a jointly agreed and signed framework document. This is supported by appropriate letters of delegation from HO to the CEO, setting out the terms of financial delegation to spend money received by DBS from statutory fees.

The chair is appointed by and reports to ministers; the CEO reports to the chair and collectively they manage DBS. The chair is responsible for ensuring that operational policies and actions support the government's wider strategic policies and that all DBS affairs are conducted with probity. The chair meets with the responsible minister regularly, or when relevant issues arise.

Delegation of functions

All statutory functions of DBS are held by the board. The board may, however, to such an extent as it may decide, delegate any of its functions to any of its appointed members, a member of its staff or a committee consisting of either or both. Subject to any reserved matters set out in the constitution, the chair (on behalf of the board) has delegated the operation of the statutory functions of DBS to the CEO by way of a letter of delegation.

In addition to the above delegation, the Secretary of State issued a direction to DBS under Schedule 8 (14) of the PoFA that it must utilise the provisions under Schedule 8(6) to delegate the function of the issue of Basic certificates to Disclosure Scotland (acting as Scottish ministers). The direction from the Secretary of State has been extended to 2018, if required.

Parliamentary correspondence

During 2016-17, 1,279 pieces of parliamentary correspondence were completed with 98.5% attainment against the target of 95% in 15 working days.

We work closely with our colleagues in HO to enable any DBS related issues raised directly with HO and ministers, to be investigated and responded to as quickly and consistently as possible.

Directors' report

During 2016-17 the HO ministers with responsibility for DBS were; Karen Bradley, Minister for Preventing Abuse, Exploitation and Crime until 7 July 2016, followed by Sarah Newton, Parliamentary Under-Secretary of State for Vulnerability, and Minister for Safeguarding and Countering Extremism.

At the start of the 2016-17 financial year, Adele Downey had been appointed by the board as Acting Chief Executive pending permanent recruitment. The Secretary of State was consulted on the appointment of Adele Downey as Chief Executive, who was subsequently confirmed in June 2016.

Details of non-executive and executive board members can be found in the governance statement. There were no personal data-related incidents during the year.

A register of interests for board members was kept and updated regularly. This can be requested from DBS Secretariat or found at <u>www.gov.uk/government/publications/dbs-register-of-interests</u>

Where decisions are taken that could reasonably be seen as giving rise to a conflict of interest, board members are required to declare the relevant interests and, where appropriate, withdraw from participating in the decision making process. During the reporting period, no conflicts of interest were declared by DBS board members.

Statement of accounting officer's responsibilities

Under Schedule 8 of PoFA, the Secretary of State has directed DBS 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 DBS and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts, the AO was required to comply with the requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- observe the accounts direction issued by the Secretary of State, 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 FReM have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

Following consultation with the Secretary of State, my appointment was confirmed as CEO and AO of DBS in June 2016. The responsibilities of an AO, including responsibility for the propriety and regularity of the public finances for which the AO is answerable, for keeping proper records and for safeguarding DBS's assets, are set out in 'Managing Public Money', published by HM Treasury.

I understand that there is no relevant audit information of which the auditors are not aware. I have taken all possible steps to apprise myself of any relevant audit information and to establish that the auditors are provided with that information. I take personal responsibility for the Annual Report and Accounts, and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement: 2016-17

As the accounting officer for DBS, I am responsible for maintaining a sound system of internal control that supports achievement of HO policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the HM Treasury guidance 'Managing Public Money'.

The system of governance, internal control and risk management is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only high and not absolute assurance of effectiveness.

I confirm that I have reviewed the system of internal control in operation within my area of responsibility and, along with statements of assurance from directors, have made the following assessment to cover the period of 1 April 2016 to 31 March 2017.

My overall assessment for the year is positive in relation to our financial stability and the quality of operational delivery, with an improving position for police backlogs. It is less positive for the delivery of the new IT system (R1) which has been delayed further, and significant challenges remain. I have re-structured my SMT with six new appointments, increasing our capability to support the DBS transformation agenda.

Governance, internal controls and risk management framework

As an NDPB, DBS is not bound by the terms of the Corporate Governance Code for Central Government Departments. However, our governance arrangements, internal controls and processes, not dissimilar from most NDPBs, aim to reflect and follow the principles of good practice set out in the Code. I consider we have complied with the principles set out in that Code. We continuously review the effectiveness of the DBS's control and risk management framework through our corporate governance structures and key controls.

Main elements of the governance structure

The DBS Board as governance lead

The board operates under a constitution which sets out the governance arrangements for the board and its committees, and in particular details the legislative framework for the board. At the end of the reporting period (31 March 2017), its membership is made up of a non-executive chair, six non-executive directors (one left at the end of November 2016), and three executive directors. The chair invited the HO Director of Safeguarding to every DBS Board meeting and his office receives copies of Board papers. The Board met on 11 occasions between April 2016 and March 2017, supplemented by teleconferences and out of committee papers. Board was satisfied with the quality of the papers, data and risk considerations used to inform recommendations. Attendance at those meetings is outlined in the annex following the governance statement.

During the reporting period, a recruitment campaign was conducted and three new nonexecutive directors were appointed to the DBS Board. Two were appointed and joined us in January 2017, and the third in April 2017. At the beginning of the reporting period, I was Acting Chief Executive and AO until formally appointed as Chief Executive by the Secretary of State in June 2016.

The board effectively guided DBS through major challenges, such as oversight of the commercial relationship with Tata Consultancy Services (TCS) and the subsequent replanning for the implementation of the R1 IT system. This has been a particularly challenging area where the executives have greatly appreciated the support and guidance of board. It oversaw operational performance and discussed elements of strategic risks at every meeting. Other issues that arose during the reporting period, in common with last year remained police performance as well as focus on building capability within the business. The board is subject to an annual effectiveness review, which will take place at the end of the financial year and is detailed in the constitution.

Board Committees

The board is supported by four committees operating under clear terms of reference. The committees oversee the responsibilities of the board for specific areas of DBS, providing advice and assistance where appropriate. At each board meeting, the committee chairs provided feedback to the board raising any relevant concerns or risks. In April, each committee presented an annual report of the activities undertaken over the past year. A further review of each committee's effectiveness was then presented to board in June 2016. These reports are conducted annually and those covering the 2016–17 reporting period will be presented at the end of the financial year. Non-executive committee chairs and membership are detailed in the annex at the end of this statement.

Audit and Risk Committee: Provided advice and assurance to the board and AO on a range of issues including risk management, the internal control framework and environment, and the Annual Report and governance statement. It oversaw the work of internal and external audit. It reviewed the risk management framework and scrutinised specific risks at each meeting. It linked with Finance and Performance Committee and Quality and Standards Committee over specific related issues and oversaw a refresh of the DBS Assurance Framework. The committee met four times.

Finance and Performance Committee: Ensured the overall integrity of the financial strategy, planning, monitoring and reporting framework. The committee scrutinised and validated financial reports in relation to the business plan, measures and targets. It supported the executives in the development of accurate, relevant financial and management performance reports. The committee met four times.

Quality and Standards Committee: Provided advice and assurance to the board as to the quality and standards of operations, and provided advice on complex Barring casework, receiving regular reports on the implementation of the recommendations from the barring review. It scrutinised operational performance on behalf of the board. The committee met five times.

Remuneration and Nominations Committee: Assisted the board in the discharge of its responsibilities in relation to remuneration, pay and reward. The committee met five times.

Main elements of internal controls and risk management

As part of our internal control system we have key internal controls including financial and procurement elements related to segregation of duties, authorisation and approval of expenditure. A report is presented to ARC detailing the assurances around our control environment. This includes the following areas: whistle blowing, health and safety, fraud, computer system security and information management compliance.

The internal control system of DBS has worked effectively; it is designed to manage risk to the set tolerance levels, and maintain regularity and propriety, rather than eliminate all risks of failure. The system is based on an ongoing process designed to:

- · identify and prioritise the risks affecting our business aims and objectives;
- evaluate the likelihood of those risks happening and their likely impact;
- manage those risks efficiently and effectively.

An annual self-assessment against the HO risk maturity model is undertaken and any necessary plans which may be needed to strengthen the framework are developed and implemented.

Board

Board leads oversight of strategic risks. It owns the risk management framework and defines the overall risk appetite for the organisation while monitoring the overall risk profile. Board undertook a review of the risk management framework in July 2016. It reviewed strategic risks and, in October 2016, undertook the annual refresh of the strategic risks to ensure they are linked to strategic objectives and considered the organisation's risk appetite. SMT leads on corporate risks.

Audit and Risk Committee

Audit and Risk Committee provides assurance that adequate processes are in place and are being used effectively to manage risk and controls in the organisation. It receives a report from the risk manager each quarter and scrutinises selected risks in detail. Management information is used to verify that risks are being appropriately escalated and to assess the overall risk and control effectiveness of the environment of the organisation and its performance.

Senior Management Team

SMT meets monthly ahead of board meetings and spends significant time discussing the management and mitigation of risks at each meeting with agendas being largely focused on key areas of risk. Risk management continues to be embedded, evidenced by the ownership of risks at director level and the challenge received at RIF. These arrangements are supported by monthly calls and quarterly meetings (or sooner if required), with the DBS risk manager and HO sponsor unit to ensure that we adequately manage the strategic risks reported within HO.

Risk management reporting to SMT has been strengthened with much closer scrutiny and challenge concerning the alignment of risks with key areas of organisational performance measures and business plan milestone achievement.

Each director provided the AO with both a nine-month and year-end assurance statement outlining their risk, key controls and information management responsibilities under their control during the reporting period.

Risk Improvement Forum (RIF)

RIF meets monthly. The chief financial officer is accountable for effective operation of the monthly RIF as a delegated function from SMT. As chair, he is supported by forum members who include representative heads of service from each directorate and the risk manager. RIF keeps under review the risk maturity of the organisation and provides assurance to SMT that all corporate and directorate risks and issues are managed effectively. Together, they scrutinise the risk environment at a more detailed level and offer challenge to risk evaluations and mitigating actions to ensure active relevant risk management at all levels of the organisation.

Internal audit

Under the terms of the DBS framework document, the Government Internal Audit Agency (GIAA), formerly known as the Home Office Internal Audit (HOIA), provides an independent and objective internal audit service operating to public sector internal audit standards, supported by an agreed audit methodology documented in the HOIA guidance 'Public Sector Internal Audit Standards'.

At the end of the financial year, GIAA provides assurance in respect of DBS's governance, internal control and risk management framework. It also helps to ensure that I, as AO, and ARC meet the internal audit related requirements of 'Managing Public Money' and the 'Audit Committee Handbook'.

We had in place an internal audit programme for 2016–17, which GIAA has delivered, covering both 'business as usual' and programme-related activity. This programme of work was overseen by ARC. The programme received progress reviews at both SMT and ARC meetings. In addition, these forums also monitored the organisation's progress in implementing management actions arising from GIAA reports. The head of internal audit has provided a moderate opinion, with some improvements identified to enhance the framework of governance, risk management and control. Key observations made include; acknowledgement of the strengthening of the DBS Executive Team and the board, to which risk reporting has also strengthened. DBS also continued delivering its 'business as usual' during a period of significant change.

Financial management

Processes, controls, risk management and fraud prevention strategies delivered good financial management and appropriate levels of propriety, regularity and value for money. The capability of the finance team was strengthened during the year, and a new structure implemented that includes a new finance director post and a business partner model.

Fees and budgets were agreed in advance for the financial year, taking into account forecast volumes and business planning objectives. Fees are kept under regular review to monitor changes in forecast income and expenditure and consider uncertainties such as demand fluctuations and the status of the R1 project. The budgets were scrutinised at senior level across DBS in advance of formal approval by board and HO. Delegation and allocation were

effectively managed to ensure that DBS adhered to the principles of HM Treasury's guidance, 'Managing Public Money', through prompt monthly reporting of expenditure against agreed budgets and subsequent forecasts.

Actual financial performance against budget and forecasts was reported to SMT as part of a wider management information pack and also to board on a monthly basis, with key variances, risks and other relevant financial information being highlighted. As part of the review of this information, directors are challenged on financial and operational performance issues.

Profile of major risks and issues

DBS operated in a particularly challenging environment and, as with last year, the most significant risks were largely dependent upon the performance of external suppliers managed by DBS. The current significant issues and risks are detailed below:

1. Failure to fully realise R1 full business case benefits

R1 is a major IT transformation programme which will replace and improve our systems for our customers. It is being delivered with TCS, DXC Technology and Home Office Digital Data and Technology (HODDaT). The delay to R1 has deferred the realisation of the benefits, which remain substantial, and there remain significant commercial challenges as negotiations are ongoing.

Although the delay is disappointing, our primary focus is safeguarding, and we will go live with R1 when we are absolutely assured that it will meet our customers' needs. The DBS project team has worked with suppliers and stabilised the plan to ensure a safe implementation in 2017-18. We have also created a digital team, with HODDaT and Government Digital Service support, to develop in house the way customers interact with the Basics service application, to de-risk delivery. This is progressing at pace, with our customer and user feedback influencing development.

Confidence in the functionality is building and we completed user acceptance testing on 13 March 2017. We are increasing the focus on business change to ensure the business is ready to transition to R1 and realise the benefits. The Cabinet Office Infrastructure and Projects Authority is being kept informed and continues to review progress.

2. Leadership of Barring function

This issue emerged following the departure of the permanent operations director in 2015 and significant periods of absence among the leadership team. This has been exacerbated by a temporary promotion to cover absence which has identified some capability gaps. SMT has continued to actively manage this issue and, in September 2016, a permanent director was recruited. The new director of Barring Operations has articulated clear priorities for attention, including greater focus on operational performance, quality and risk management. Interim leadership team posts have been filled, while permanent recruitment processes are progressing. Further actions are targeting team leader posts to continue to strengthen the management capacity and capability.

3. Failure of DBS Operations to maintain work in progress at an optimum operational level

DBS Operations (Barring) is not maintaining work in progress (WiP) at an optimum operational level. Intake is exceeding output as more people are being considered for a bar which takes longer to process. The volume of referrals to DBS has increased, and, possibly because of improved stakeholder engagement there has been a commensurate improvement in relevance thus a higher proportion of referrals led to a 'minded to bar' decision. SMT is proactively managing this issue with business processes being reviewed to seek appropriate efficiencies and forecasting being reviewed and improved, utilising external expert resource. External advice and guidance, including a recent internal audit, will facilitate a strengthening of the internal forecasting processes. Disclosure Certificate Operations has managed to maintain its WiP. The MPS is the largest police force and receives 11% of the overall referrals, so performance at this force impacts PSS achievement.

4. The legislative framework affecting the disclosure regime

On 3 May 2017 the Court of Appeal handed down its judgment in relation to the cases that challenged the current disclosure rules. The judgment found that the rules were incompatible with the claimants' rights under Article 8. Ministers are considering their position, pending any further legal action. There is a risk that an adverse final judgement could have operational implications for DBS.

HO ministers invited the Law Commission to review the specified list of offences (the 'neverfilter list') that informs the filtering arrangements. The Law Commission report was published on 1 February 2017 and ministers are considering the recommendations.

5. Quality assurance of Barring casework

Some of the decisions made within the Barring function are very finely balanced. There is, therefore, a risk that an incorrect decision may be made by a Barring caseworker, such that an individual who could safely work in regulated activity is barred or, conversely, that an individual who should not undertake such work is not prevented from doing so by the DBS. The absolute imperative to protect the public must be weighed against the rights of individuals who, if they do not present a risk to children and/or vulnerable people, should not be prevented from working in regulated activity. Decisions are made following risk-based judgements, and to assure these, quality checks take place before the outcome of the decision is communicated. The level of quality checking has increased as a consequence of implementing recommendations of the barring review. This allows us to identify any potential errors at the earliest possible opportunity and take corrective action in relation to the decision, the decision maker, and to communicate the learning more widely.

Although board and ARC are fully aware of this, the above risk is currently being managed on the corporate risk register, which is overseen by SMT.

Performance review

Operationally we continue to focus on timeliness and quality. During the reporting period, out of the five measures on which we regularly reported, we met one of our targets, while narrowly missing two certificate timeliness targets and our quality target for Barring. There has been an improvement in police force WiP which has reduced the number of aged cases; a positive impact for customers. The high closure rate of aged cases negatively impacts PSS

achievement, as the majority have already failed upon completion due to their age, resulting in missed PSS targets during the year.

Our Barring timeliness measures have been impacted by increased referrals; more cases have been deemed to be minded to bar which negatively impacts upon these measures. The Barring quality target has been influenced by underperformance in one month in particular (June 2016), when three caseworker decisions were felt to be inappropriate and were overturned prior to issue. Over the course of the year, six decisions have been changed before being issued to the customer, which represents 0.05% of closed cases. While the quality assurance process has been strengthened, we were unable to recover to target given the remaining period of the year.

Our overall 2016-17 performance has been adversely impacted performance of MPS during the first part of the year, but this has improved in the latter part of the year as MPS. Details are given in the section below.

Improvements since last statement

In last year's Governance Statement, I reported against several noteworthy risks and issues that were being managed by DBS at that time. I can confirm that significant progress has been made on the following risks and issues.

1. Metropolitan Police Service (MPS)

DBS funds police forces for the work it requires them to carry out and monitors their performance through a service level agreement (SLA) to which all police forces work. There are a number of reasons why a check can take longer than expected, often depending on the complexity of an application. We do not underestimate the impact that these delays can have upon our customers.

MPS in particular handles a significant proportion of DBS cases nationally, primarily, because it holds the largest amount of policing information in the UK. MPS was experiencing difficulties in meeting its target turnaround times for Enhanced DBS certificates and was operating outside of the SLA. The delays were of great concern to us and our customers and so we supported the MPS wherever possible; this included offering additional funding and resources to progress the MPS action plan and help resolve the issue.

DBS supported MPS in its recovery plan and I am pleased to report that MPS is now delivering against its plan. MPS is expected to reach the terms of the SLA during the end of the first quarter of the new financial year, and we will continue to work with it and monitor this situation closely.

2. Data protection

As detailed in last year's statement, PwC was commissioned by the DBS chair to review our data retention policies. The review which was published in January 2016, identified examples of good practice and highlighted areas for improvement. A two-stage approach to developing the Information Management Strategy has been adopted. Stage 1 addresses the recommendations from the PwC report, while Stage 2 provides a roadmap for developing the information management capabilities to support the organisational 2020 vision. Review of the data retention policy has been completed and re-structured and the Data Protection Office

has completed a high-level impact assessment against the new EU data regulations. This year's data losses are significantly down on those reported last year and are detailed in the table below.

An audit was undertaken by the Information Commissioner's Office (ICO) of the Barring function in August 2016. The audit focused on security of personal data and data sharing processes resulting in a 'limited assurance' rating. The audit report and action plan outline areas of good practice, broad areas for improvement and a number of individual recommendations. DBS had already commenced activities to address the areas highlighted for improvement prior to the audit. For those areas relating to the development of the new IT system, requirements had already been included within the technical designs, and are being developed as part of our transformation project.

The executive summary has since been published with the consent of the DBS on the ICO website. We have also published the full report on our website (subject to redactions) with the action plan. The action plan details the 36 recommended actions, most of which are now complete and seven remain in progress.

Compliance

DBS is established and defined under Schedule 8 of PoFA. It can operate only within the legal parameters defined within the legislative framework and holds no common law powers.

DBS has a specific whistle-blowing policy and procedure of which all staff and Board members are aware, and which has been reviewed by board. We encourage individuals to raise concerns about any alleged workplace fraud, misconduct or wrongdoing so it may be properly investigated. One individual has reported a matter to HO and the National Audit Office (NAO). DBS is positively engaging in respect of this matter.

We publish board members' expenses on the Gov.uk website under the DBS publication scheme. Any DBS spend over £25,000 is dealt with in line with the government's transparency programme and is also published on Gov.uk as part of an HO dataset. We maintain a register of gifts and hospitality offers and acceptances which is available, subject to any Freedom of Information (FOI) exemptions, on request.

Security, information management and assurance

Following completion in the last reporting period of the data assurance work by the Data Management Action Group, a data management group has been established and is chaired by the chief information and digital officer to ensure continued strategic oversight of our data management arrangements.

DBS is fully compliant with Level 2 of the HO group Information Management Maturity Model (One3M) and has achieved Level 3 in some areas. This is a tool for measuring the standards of information management within a business area against the HO information principles. Information asset owner (IAO) and records advisor communities are established across both sites, along with one central asset register. In March 2017, all DBS staff received the annual data protection training, which included a refresh of the requirements of the government secure classification scheme. All staff have also been mandated to complete the Cabinet Office's 'Responsible for Information' e-learning by the end of May 2017. Training has also been provided on the new EU General Data Protection Regulations and we are currently undertaking an impact assessment to identify any changes that may be required to our operational processes, systems, policies or procedure to ensure our compliance by May 2018.

DBS deeply regrets any personal data-related breaches. As reported last year, an increase in data breaches was experienced in 2014. This occurred during the uploading of addresses on hard copy application forms to the Disclosure certificate system. A solution was implemented in May 2015. In June 2015, the incidents were self-reported to the ICO and, in May 2016, a decision notice was received stating that it has decided that no regulatory action is necessary.

Since 1 April 2016, the number of applicants whose certificates containing information were sent to an incorrect address reduced to five out of approximately 4 million certificates issued (0.000125%).

Date of incident	Nature of incident	Nature of data involved	Number of people potentially affected
Certificates issued for the period:	Address discrepancies - leading to certificates	Applicants' names (including other names), address (although may have been incorrect), date of birth, place of birth, gender	Five applicants with certificates issued containing police information
1 April 2016 – 31 March 2017	being delivered to wrong addresses	Police information – police records of convictions, cautions, reprimands and warnings Certificates are issued in an envelope that states only to be opened by addressee and provide return address	

Other incidents that were recorded centrally within DBS are shown in the table below.

Category	Nature of incident	Total
1	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	4*
11	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0
111	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	8
V	Other	2
Total		14

*One of these incidents relates to an element of an incident as in the previous table, but which is deemed non-referable.

Freedom of Information (FOI)

During the reporting period we have enhanced our publication scheme further. It now includes six new items of data focusing on more performance information on our services as we seek to continuously update the scheme with the information of most use to our customers and stakeholders. The scheme includes five comprehensive sets of data which can be viewed on our website. Updates to the existing data are made monthly and follow the FOI approval process. The data is now the main source of reference where statistics are required. A number of FOI requests have also been rejected because of the data being readily available in our publication scheme and, as such, we have seen a 20% reduction in FOI requests. For the FOI requests handled during this period, 99% of DBS performance has been responded to within the statutory time limits.

Business continuity planning

Under the terms of the DBS contract with TCS, TCS is obligated to provide disaster recovery arrangements that enable the DBS to maintain 50% productivity should a business continuity outage occur. TCS is contractually obliged to review the plan every six months, which it has done, and conduct a test not less than once a year with outputs being reviewed by DBS. A terrorist attack scenario exercise was conducted in April 2016 in conjunction with Merseyside Police. Lessons learned from this have been fed into the master business continuity plan or taken forward into the R1 planning, where appropriate. A desktop test of the plans is due by the end of August 2017.

A business impact analysis statement has been developed jointly with each operational business activity to ensure that all key and core roles and activities can continue, albeit at a reduced rate, should the business suffer a critical outage.

As we move towards implementation of R1, a revised set of business continuity and disaster recovery plans are being written by TCS to take account of the new application software, which will bring both DBS sites together onto a shared IT platform.

Programme and project management

Last year, the newly appointed chief information and digital officer was able to implement a series of additional controls aimed at improving the quality and consistency of the services supplied by the programme to each separate project. The outcome of this exercise has been a restructured portfolio board, enabling DBS to have a consistent view across the complete project portfolio.

Additional focus last year has been on growing our digital capability in support of the R1 programme and the DBS digital roadmap. We have continued to strengthen the staffing and capability of our team through the establishment of the roles of head of business analyst, head of IT service management and product and service manager in the digital delivery team. A chief information and digital officer joined DBS in January 2017.

To support the delivery of the R1 programme, we have increased the frequency of joint meetings with our key delivery partners, TCS and DXC Technology, and included SME support from our HO sponsor unit when appropriate.

Overall assessment

I am satisfied that the risk management processes in place are adequate and that the assurance provided by ARC to board is effective. Alongside this, the management of corporate risks by the SMT and RIF is effective, as is our relationship with HO, to manage joint risks. Our system of internal control has strengthened over the reporting period; this is evidenced by the significant amount of positive work that the SMT, GIAA and ARC have jointly invested in with the development of an assurance framework. I believe that there is potential to advance the strengthening of the control environment by using the framework map to develop further internal controls and provide additional assurance to me as AO. In addition, the risk management framework continues to be enhanced and the work of the RIF is embedding good risk management practice throughout the organisation. DBS has also begun a number of initiatives to develop strategic approaches to quality management, workforce planning and

data management. These will further strengthen governance, risk management and control arrangements within the organisation.

Information assurance arrangements are in place and continue to operate effectively as a result of mandatory training for all staff and education on policies and procedures, all of which were assured through compliance activities. The data retention policy has been reviewed against the policies of other organisations to ensure consistency with best practice. Our policy reflects the specific retention requirements for all aspects of our business and has been considered against the approach taken by comparable organisations. Therefore, I am confident that it provides the detail necessary for us to safely manage the range of data for which we are responsible.

My assessment is balanced against my disappointment with continuing R1 delays and the improved police performance which I welcome. These matters, largely dependent on third parties, continue to take up a significant amount of management time. I have strengthened my senior team which will increase capability and provide the capacity to tackle the most pressing issues. I would like to note that we have received support from both HO colleagues and the Cabinet Office in addressing these issues.

Taking these aspects into account, together with the other internal controls and governance outlined in this statement, my assessment is that I am content to provide a moderate level of assurance.

Name	Role	Board	ARC	F&P	QSC	R&N
Bill Griffiths	Chair	9				
David Clarke	Non-executive director ARC chair	9	3	2		5
Tom Davies	Non-executive director R&N chair	11	4		5	5
Bernard Herdan*	Non-executive director R1 Programme Board rep	9		2		
Catherine Doran	Non-executive director F&P chair	10	4	4	4	
Kath Tunstall	Non-executive director QSC chair	9			5	4
Glenn Houston**	Non-executive director	2	1		2	
Andy Nelson**	Non-executive director R1 Programme Board rep	2		2		
Adele Downey	Chief Executive (interim CEO from December 2015, permanently appointed June 2016)	10				
lan Johnston	Director for Operations (Disclosure)	10				
Paul Whiting	Deputy Chief Executive and Chief Financial Officer	11		4		

Board members' attendance (1 April 2016 – 31 March 2017)

NB: Attendance of Board/committee members is shown; attendance of non-members is not included.

During the reporting period: 11 Board meetings took place, four ARC, four F&P, five QSC and five R&N. These meetings were complemented by several teleconferences and, where appropriate, 'out of committee' correspondence.

* B Herdan was non-executive representative on the R1 Programme Board, which meets monthly, and left DBS on 30 November 2016.

**G Houston and A Nelson joined DBS Board in January 2017.

REMUNERATION AND STAFF REPORT (audited)

Remuneration Report - overview

The Remuneration and Nominations Committee is chaired by a non-executive director. It is a committee of DBS Board and as such reports to board. Details of its membership are set out in the governance statement. The Board has delegated to the Remuneration Committee the determination of the remuneration packages and other employment benefits of all employees and senior managers up to the CEO.

In setting remuneration, DBS works within HM Treasury guidelines for public sector pay. Remuneration packages for DBS employees are set using a benchmarking process to define comparable packages for DBS's geographical areas of operation, and to recognise any specialist skills required for each position. The remuneration packages offered by DBS are designed to attract, retain and motivate senior managers and employees.

DBS has a grading structure with salary ranges for each grade. All new positions are graded using job evaluation to ensure that different roles are positioned fairly within the grading structure. An employee's base pay is determined with reference to the relevant salary scale for their role. Pay awards are made annually in line with HM Treasury pay guidance.

This remuneration report provides details of the remuneration policy, service contracts, salary and pension entitlements of DBS executive directors and non-executive board members.

The contents of the remuneration tables are subject to audit.

REMUNERATION POLICY

The DBS chair, non-executive board members, and CEO were appointed by the Secretary of State in accordance with the code of practice for public appointments issued by the commissioner for public appointments. Remuneration and allowances for the chair and each of the board members were determined by the Secretary of State.

Any increase in the CEO's salary will be considered by DBS Remuneration and Nominations Committee, followed by a submission for approval by the DBS sponsor team in the Efficiency and Resources Unit of the HO. At meetings of the committee where the CEO's pay is considered, the CEO will be required to declare whether they have a pecuniary interest and if so, withdraw from the meeting.

The determination of the remuneration packages of other senior officials are also considered by the Remuneration and Nominations Committee and take account of the work and recommendations of the Senior Salaries Review Body.

Service contracts

The Constitution 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 open-ended appointments. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the civil service compensation scheme.

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

Bill Griffiths, the DBS chair, was appointed on 1 December 2012 for a period of five years. Other board members have been appointed for a period of three years.

The CEO, Adele Downey, was formally appointed in June 2016 for a statutory term of five years.

Salaries, emoluments and pension entitlements of the board

The following sections provide details of the remuneration and pension interests of board members.

Board members' total travel and subsistence expenses for year ending 31 March 2017 amounted to £39,000. Expenses were paid in accordance with the DBS policy.

Non-executives	Sala	Salary (£)	Benefits	Benefits in kind	F	Total
),3)	(£.000)	(to the nea	(to the nearest £100)	3)	(£,000)
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Bill Griffiths, Chair	40-45	40-45	1,200	2,000	45-50	45-50
David Clarke	10-15	10-15	006	1,500	10-15	10-15
Tom Davies	10-15	10-15	2,200	3,000	10-15	15-20
Bernard Herdan Left DBS in November 2016	5-10 (10-15)	10-15	2,500	3,400	10-15	15-20
Catherine Doran * Started in Mar 2015	10-15	15-20 (10–15)	3,800	4,300	15-20	20-25
Kath Tunstall * Started in Mar 2015	10-15	15-20 (10-15)	2,000	1,900	10-15	15-20
Andy Nelson Started in Jan 2017	0 - 5 (10–15)	0	00£	0	9-0	0
Glenn Houston Started in Jan 2017	0 - 5 (10-15)	0	200	0	0-5	0

Т

Figures in brackets reflect the full year equivalent of the fees for individuals appointed to roles during the reporting year, or who left during the reporting year.	*Due to the timing of commencement, Catherine Doran's and Kath Tunstall's actual remuneration paid in 2015-16 included payments relating to duties undertaken in 2014-15
Figures in brackets reflect the full yea	*Due to the timing of commencement in 2014-15

2016-172015-162016-172015-162016-172015-162015-172015-162015-16Adele Downey $120-125$ $80-85$ 0 0 0 0 0 379 47 $500-505$ $115-120$ Adele Downey $120-125$ $80-85$ 0 0 0 0 0 379 47 $500-505$ $115-120$ Acting Chief Executive/Chief $(115-120)^6$ $(90-95)$ 0 0 0 0 379 47 $500-505$ $115-120$ Acting Chief Executive $85-90$ $85-90$ 0 0 0 0 34 33 $120-125$ $115-120$ Ian Johnston $85-90$ $85-90$ 0 0 0 0 34 33 $120-125$ $115-120$ Director for Operations $100-105$ $100-105$ $100-105$ 0 0 0 0 0 40 39 $140-150$ Deputy Chief Executive and Chief $100-105$ $100-105$ 0 0 5^7 0 40 39 $140-150$ $140-145$	Benefits in kind (to nearest £100)	Bonus payments (£'000)		Pension benefits (£′000) ⁵	Total (£'000)	Total (£'000)
120-125 80-85 0 0 (115-120) ⁶ (90-95) 0 0 85-90 85-90 0 0 100-105 100-105 0 0	016-17 2015-16	2016–17 2015–	16 2016–17	2015–16	2016–17	2015–16
(115-120) ⁶ (90-95) 85-90 85-90 0 0 100-105 100-105 0 0	0 0	0	379	47	500-505	115–120
B5-90 85-90 0 0 perations 100-105 100-105 0 0 Executive and Chief 100-105 100-105 0 0						
perations 100–105 100–105 0	0	0	34	33	120-125	115–120
Executive and Chief 100–105 100–105 0 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td></t<>						
Deputy Chief Executive and Chief	0	57 0	40	68	140-150	140-150 140–145
Financial Officer						

Figures in brackets reflect the full-year equivalent of the salary for individuals appointed to roles during the reporting year, or who left during the reporting year.

⁵ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. A change in personal circumstances may lead to a negative in-year pension benefit being reported.

⁶ Salary paid to Adele Downey during 2016–17 includes an adjustment outstanding from 2015–16.

⁷ This was a performance-related payment as part of the SCS pay award in July 2016.

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the DBS and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the DBS and treated by HM Revenue and Customs as a taxable emolument.

Executive directors' and the chair's place of work was classified as single site at either Stephenson House in Darlington or Shannon Court in Liverpool. Non-executive directors' place of work was classified as dual for both sites.

Bonuses

The terms of appointment for the chair, CEO and non-executive board members do not include the payment of bonuses.

Fair-pay disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions (CETV).

Pay multiples	Year ending 31 March 2017 Salary	Year ending 31 March 2016 Salary*
Highest paid director's total remuneration	£115,000-£120,000	£110,000-£115,000
Median paid employees total remuneration	£23,352	£24,215
Number of employees paid more than the highest paid director	0	0
Ratio	5.03	4.65
Salary ranges	£10,000-£15,000 to £115,000-£120,000	£10,000-£15,000 to £110,000-£115,000

The ratio has been calculated between the median staff remuneration and the mid point of the banded remuneration of the hightest paid director.

The ratio has increased slightly in comparison with the previous year due to additional recruitment of the number of administrative officers within operations.

* The highest paid salary in 2015-16 relates to Adrienne Kelbie who left DBS in January 2016.

Payments to third parties

During the period of the accounts no payments were made to third parties for the services of board members.

PENSION BENEFITS

Salary, pension and compensation information for 2016-17 is shown in the table below

Executive directors	Accrued pension at pension age as at 31/03/17 and related lump sum (£'000)	Real increase in pension and related lump sum at pension age (£'000)	CETV at 31/03/17 (£'000)	CETV at 31/03/16 (£'000)	Real increase in CETV (£'000)
Adele Downey	60-65	17.5-20	1,012*	667	312
Deputy Chief Executive/ Acting Chief Executive					
lan Johnston	5-10	0–2.5	71	46	18
Director for Operations (Disclosure)					
Paul Whiting	5-10	0–2.5	72	44	19
Deputy Chief Executive and Chief Financial Officer					

*Adele Downey's CETV value has increased in year as the pension is in a final salary scheme. Due to changes to her salary following promotion to CEO, the CETV amount has also increased.

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (Alpha), which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (Classic, Premium or Classic Plus) with a normal pension age of 60; and one providing benefits on a whole career basis Nuvos with a normal pension age of 65.

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, Nuvos and Alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into Alpha at sometime between 1 June 2015 and 1 February 2022. All members who switch to Alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 salary-related and range between 3% and 8.05% of pensionable earnings for members of Classic (and members of Alpha who were members of Classic immediately before joining Alpha) and between 4.6% and 8.05% for members of Premium, Classic Plus, Nuvos and all other members of Alpha. 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 initial 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 credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of Nuvos, and the higher of 65 or state pension age for members of Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the civil service pension arrangements can be found at <u>www.civilservicepensionscheme.org.uk</u>

Cash equivalent transfer values

A 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 in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	6 (0)	6 (0)
£10,000 - £25,000	0	0 (0)	0 (0)
£25,000 - £50,000	0	1 (0)	1 (0)
£50,000 - £100,000	0	1 (0)	1 (0)
£100,000 - £150,000	0	0 (0)	0 (0)
£150,000 - £200,000	0	0 (0)	0 (0)
Total number of exit packages	0	8(0)	8(0)
Total cost £000			97

Reporting of civil service and other compensation schemes – early retirement and loss of office

Comparative data for 2015-16 is shown in brackets

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 department 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.

Analysis of staff costs

	Staff numbers (headcount throughout the year) 2016-17	Staff costs 2016-17 £000
Directly employed	893	28,225
Fixed term appointment	129	1,262
Agency staff	2	5
Contingent labour in year	15	1,537

Staff Report (not audited)

People are the key to the success of DBS. It is through their commitment and dedication that we deliver our corporate strategy and this ensures we contribute to keeping the children and vulnerable people in our communities safe.

We have focused this year on strengthening our leadership capability through the recruitment of senior individuals to key positions. We have invested heavily in development centres for our middle to senior managers. This has allowed us to identify development areas alongside future leaders.

Our characteristics are:

- **Customer focused** We work effectively with each other, our partners and the government to protect the public responding to emerging priorities and exceeding expectations.
- **Professional** We are the best at what we do. Through expert advice, guidance and insight we have earned the confidence of the public, stakeholders and the government.
- Accountable We take ownership of our actions, understanding the seriousness of the work we do and its impact on individuals, employers and the economy.
- **Ambitious** We are performance driven and resilient, embracing new challenges and expanding our services to add value to the government.
- **Trusted** We do the right thing, even in difficult circumstances, using our experience and available intelligence to influence policy and make objective decisions.

Equality and diversity

We are committed to embedding considerations of equality and diversity in all that we do. We have a legal and moral responsibility to ensure that everyone who comes into contact with us is treated fairly, with dignity and with respect for their personal circumstances.

We encourage a diverse workforce and aim to provide a working environment where all staff at all levels are valued and respected, and where discrimination, bullying, promotion of negative stereotyping and harassment are not tolerated. As a public authority, in the course of developing policies and delivering services, we have statutory duties placed upon us under the Equality Act 2010 that state we must have due regard of the need to:

- eliminate discrimination, harassment and victimisation;
- advance equality of opportunity; and
- foster good relations.

DBS has an Equality and Diversity Forum which meets quarterly. It is responsible for ensuring compliance with equality legislation and reviewing performance against the aims of our Equality and Diversity Strategy.

We want our workforce to reflect the diversity of our customers and we want to develop and use the collective experience of that diverse workforce to deliver a high-quality service. We operate the Guaranteed Interview Scheme and have a resourcing team who manage this working directly with applicants to ensure they are appropriately supported throughout the process.

We also operate a 'reasonable adjustments' policy that seeks to ensure disabled persons have the required support to work effectively at DBS. This can range from working hours to equipment supplied and we work closely with our facilities colleagues.

Assumptions are not made about an individual's equality characteristics. Staff define their own equality characteristics and can withhold personal information in diversity monitoring. The statistics used in this report show unknown data where employees have not declared their equality characteristics. The declaration rate excludes staff who have not provided their equality characteristics.

Diversity data

Gender:		Working pattern:	
Female	59.72%	Part time	28.86%
Male	40.28%	Full time	71.14%

Age band		Age band	
20-24	2.47%	45-49	15.43%
25-29	6.01%	50-54	15.43%
30-34	14.02%	55-59	8.72%
35-39	16.02%	60-64	4.12%
40-44	16.25%	65-69	1.53%

	Ethericity (Minority ethnic	2.84%
	Ethnicity	White	97.16%
Ethnicity		Positive response	95.41%
Ethnicity	Surveyed	Prefer not to say	4.36%
		Declaration rate	99.76%
	Not surveyed	Not surveyed	0.24%
	Disability	Disabled	7.50%
	Disability	Non-disabled	92.50%
Disability Surveyed Not surveyed		Positive response	95.76%
	Surveyed	Prefer not to say	4.00%
		Declaration rate	99.76%
	Not surveyed	0.24%	
	Sexual orientation	LGBT	1.92%
	Sexual offentation	Heterosexual	98.08%
Sexual orientation		Positive response	91.99%
Sexual Unertation	Surveyed	Prefer not to say	7.77%
		Declaration rate	99.76%
	Not surveyed	Not surveyed	0.24%
	Religious belief	Other religions	34.20%
	Religious beller	Christian	65.80%
Religious belief		Positive response	90.58%
	Surveyed	Prefer not to say	9.19%
		Declaration rate	99.76%
	Not surveyed	Not surveyed	0.24%

Gender breakdown	Female	Male	Total
Non-executive directors - board members National senior officers banding	2	5	7
Executive directors - board members Pay band 2	1	0	1
Executive directors - board members Pay band 1	0	2	2
SCS directors – non board members Pay band 1	1	2	3
Employees	496	331	827
Total	500	340	840

Employee involvement

We have focused this year on employee engagement and have seen an increase in our score from 58 to 64%.

Our SMT seek to engage regularly with the workforce through regular 'town hall' meetings, open- door sessions and question-time events.

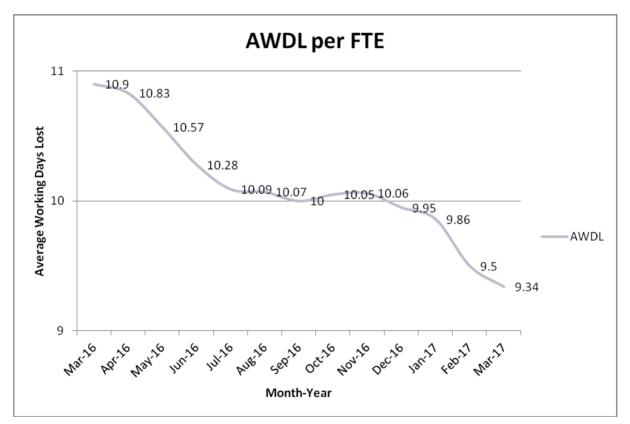
The Joint Consultation and Negotiation Committee continues to provide a forum for DBS and the trade union to meet regularly to discuss business and people related issues of importance and/or concerns. In view of the scale of business change, the meetings currently take place every two months.

Sickness absence levels

During 2015-16, the average number of days per person recorded as sickness was 10.90 at the end of March 2016. We have shown an improvement within the organisation, and at the end of this reporting year we have recorded 9.34 average working days lost.

The health and well-being of our workforce is a continuing priority for the management of DBS. We have focused this year on support to individuals and their managers to ensure the provision of correct and timely advice on the management of sickness.

Extensive efforts to reduce the average working days lost per employee continue across DBS.



Expenditure on 'off-payroll' engagements

During the year there were 15 off-payroll engagements (contingent labour) totalling £1.5million, with all 15 contractors being paid more than £220 per day.

Following the <u>Review of Tax Arrangements of Public Sector Appointees published by</u> the <u>Chief Secretary to the Treasury on 23 May 2012</u>, arm's length bodies must publish information on their high paid and/or senior off-payroll engagements.

The first table below provide the total number of off-payroll engagements as at 31 March 2017, who are earning in excess of £220 per day plus new engagements during the year.

This table shows the number of off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months.

	Number of appointments
Number of existing engagements as of 31 March 2017	5
Of which:	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	1

All existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual concerned is paying the right amount of tax and, where necessary, that assurance has been sought. The second table shows all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

	Number of appointments
Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	4
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	4
Number for whom assurance has been requested	4
Of which:	
Number for whom assurance has been received	4
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received.	0

The third table is for any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017.

	Number of appointments
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Number of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	0

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

Regularity of expenditure (audited)

Overview

DBS is a self-funding NDPB, operating on a full cost-recovery basis, and is dependent upon the volumes of applications for certificates and Update Service subscriptions received each year to generate the required level of income, based on the fee set by the government. There are different levels of fee for Standard (£26) and Enhanced criminal records checks (£44). Fees for both certificate levels and the Update Service (£13) allow volunteer applications to be processed free of charge. The fee income generated from Enhanced certificates also funds the barring functions of DBS.

DBS is expected to make neither a surplus nor a loss. Effective cost controls are important elements of our business planning. We can only set budgets on an in-year basis. Intelligence on service volumes can be very volatile despite our existing mature demand/volume planning function.

Further information on DBS fees and charges is given below and long term expenditure trends are referenced within the Financial Performance section which provides an overall review of the financial position and an explanation of the surplus achieved in-year.

Losses and special payments (audited)

There were six cases of fruitless payments (payments without corresponding receipt of service) as at 31 March 2017 (2015-16: two cases). The total amount paid was \pounds 959 (2015-16: \pounds 242).

There were 158 cases of ex-gratia payments as at 31 March 2017 (2015-16: 176 cases). The total amount paid was £122,000 (2015-16: £106,000). These payments relate to claims from members of the public for loss of earnings as a result of delays in DBS checking service and claims of maladministration. These payments are restricted to delays related solely to DBS processing.

AUDIT FEES (audited)

These financial statements have been prepared in accordance with PoFA 2012 and are subject to audit by the Comptroller and Auditor General. The audit fee for this reporting period for DBS was £95,000. No remuneration was paid to NAO for non-audit work.

GIFTS

No gifts meeting the reporting requirements prescribed in 'Managing Public Money' were made or received by DBS during the reporting period.

Remote contingent liabilities (audited)

There were no remote contingent liabilities as of 31 March 2017. Note 15 to the accounts **provides further disclosures relating to contingent liabilities.**

FEES AND CHARGES (Audited)

DBS has a financial objective to achieve full-cost recovery.

	2016-17					2015-16
	Income	Costs	Surplus/ (Deficit)			
				Actual %	Planned %	Surplus/
Activity	£'000	£'000	£'000	recovery	recovery	(Deficit)
Enhanced DBS checks	136,937	(115,455)	21,482	119%	100%	29,347
Standard DBS checks	7,200	(6,674)	526	108%	100%	201
DBS Adult First	1,053	(869)	184	121%	100%	(96)
Update Service	10,145	(17,429)	(7,284)	58%	100%	(5,226)
Other*	755	(743)	12	102%	100%	42
Total	156,090	(141,170)	14,920			24,268

*Other relates primarily to income (and associated costs) for applications by Registered Bodies and Counter Signatories, USA Embassy checks and rental income.

A description of the key DBS products can be found in the section titled Our Activities within the Annual Report.

Total costs are apportioned to the appropriate income stream based on an estimate of the share of the costs applicable to that product. The costs of barring and corporate running costs have been shared across all products based on volume.

The information is provided for the Fees and Charges requirements of HM Treasury note only and not for IFRS 8 purposes.

For IFRS 8 purposes please refer to Note 2 to the accounts, Statement of Operating Costs by Operating

Notional Cost per paid applications received in 2016-17*

	Costs	Number of Applications	Notional cost
	£000	000	£000
Enhanced DBS checks **	115,455	3,064	37.68
Standard DBS checks**	6,674	276	24.18
Update Service Subscriptions **	17,429	780	22.34

*Cost of processing a paid DBS check application is based on 22.1% (update service 25.6%) of the figures shown above being free-of-charge. Used for full-cost recovery purposes.

**Depreciation charges apply to all products.

Notional Cost per paid and volunteer applications received in 2016-17

	Costs	Number of Applications	Notional cost
	£000	000	£000
Enhanced DBS checks	115,455	3,999	28.87
Standard DBS checks	6,674	293	22.78
Update Service	17,429	1,048	16.63

DBS regularly reviews its fees to consider how the pricing of each of our products supports the princples set out in Managing Public Money.

ADang

Adele Downey Accounting Officer 3 November 2017

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Disclosure and Barring Service for the year ended 31 March 2017 under the Protection of Freedoms Act 2012. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 and Staff Report and the Parliamentary Accountability Disclosures within the Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are 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, certify and report on the financial statements in accordance with the Protection of Freedoms Act 2012. I conducted my audit in accordance with 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 Disclosure and Barring Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Disclosure and Barring Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements In my opinion:

- the financial statements give a true and fair view of the state of the Disclosure and Barring Service's affairs as at 31 March 2017 and of the Disclosure and Barring Service's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Protection of Freedom's Act 2012 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures within the Accountability Report which include information to be audited have been properly prepared in accordance with Secretary of State directions made under the Protection of Freedom's Act 2012; and
- the information given in the Performance Report and Accountability Report 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse Comproller and Auditor General 13 November 2017 National Audit Office 157-197 Buckingham Palace Road Victoria, London, SW1W 9SP

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Nata	2016-17 £'000	2015-16 £'000
	Note	2 000	2000
Income from sale of goods and services	5	(155,368)	(150,882)
Other operating income		(722)	(473)
Total operating Income		(156,090)	(151,355)
Staff costs	3	31,029	28,704
Purchase of goods and services	4	105,338	91,298
Depreciation and impairment charges		4,010	5,233
Provision expense		(68)	95
Other operating expenditure		641	1,265
Total operating expenditure	_	140,950	126,595
Net operating expenditure		(15,140)	(24,760)
Finance expense	_	220	492
Net expenditure for the year		(14,920)	(24,268)

Other Comprehensive Net Expenditure

Items which will not be reclassified to net operating costs:	Note	2016-17 £'000	2015-16 £'000
- Net (gain)/loss on revaluation of property plant & equipment		(19)	(1)
- Net (gain)/loss on revaluation of Intangible assets	6	(196)	-
Comprehensive net expenditure for the year		(15,135)	(24,269)

The notes on pages 62 to 78 form part of these accounts.

Statement of Financial Position

as at 31 March 2017		2016-17 £'000	2015-16 £'000
	Note		
Non-current assets: Property, plant and equipment Intangible assets Trade and other receivables	6 8	1,320 40,193 543	1,190 36,651 -
Total non-current assets		42,056	37,841
Current assets: Trade and other receivables Cash and cash equivalents	8 9	25,016 59,346	19,729 56,069
Total current assets		84,362	75,798
Total assets		126,418	113,639
Current liabilities: Trade and other payables Provisions	10	(48,872) (1,062)	(51,060) (1,164)
Total current liabilities		(49,934)	(52,224)
Total assets less current liabilities		76,484	61,415
Non-current liabilities: Provisions		(10)	(76)
Total non-current liabilities		(10)	(76)
Total assets less total liabilities		76,474	61,339
Taxpayers' equity and other reserves: General fund Revaluation reserve		76,173 301	61,169 170
Total equity		76,474	61,339

The financial statements on pages 58 to 61 were approved by the DBS Board on 22 June 2017

Approved by Adele Downey as Accounting Officer for Disclosure and Barring Service

Signed:

ADang,

Date: 3 November 2017

The notes on pages 62 to 78 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2017

		2016-17 £'000	2015-16 £'000
Cash flows from operating activities	Note		
Retained Income for the Year		14,920	24,268
Adjustments for non-cash transactions		3,968	5,302
(Increase)/decrease in trade and other receivables	8	(5,830)	(5,276)
Less movements in receivables not passing through the Statement of Comprehensive Net Expenditure		6	26
Increase/(decrease) in trade payables and other payables	10	(2,188)	(6,488)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		5,408	4,790
Use of provisions		(100)	(42)
Net cash inflow from operating activities	-	16,184	22,580
Cash flows from investing activities			
Purchase of property, plant and equipment		(226)	(276)
Purchase of intangible assets		(3,191)	(160)
Net cash outflow from investing activities	_	(3,417)	(436)
Cash flows from financing activities			
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts		(9,490)	(10,009)
Net financing	_	(9,490)	(10,009)
Net increase/(decrease) in cash and cash equivalents in the period	-	3,277	12,135
Cash and cash equivalents at the beginning of the period	9	56,069	43,934
Cash and cash equivalents at the end of the period	9 _	59,346	56,069

The notes on pages 62 to 78 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000
Balance at 1 April 2015	36,761	309	37,070
Retained Income for the Year	24,268	-	24,268
Non-Cash Adjustments: Net gain/(loss) on revaluation	-	1	1
Movement in reserves: Transfers between reserves	140	(140)	-
Balance at 31 March 2016	61,169	170	61,339
Balance at 1 April 2016	61,169	170	61,339
Retained Income for the Year	14,920	-	14,920
Non-Cash Adjustments: Net gain/(loss) on revaluation	-	215	215
Movement in reserves: Transfers between reserves	84	(84)	-
Balance at 31 March 2017	76,173	301	76,474

The notes on pages 62 to 78 form part of these accounts

Notes to the NDPB's Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 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 DBS for the purpose of giving a true and fair view has been selected. The particular policies adopted by DBS for the financial year ending 31 March 2017 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

DBS operates in accordance with PoFA. The accounts have been prepared in accordance with the direction given by HO on 2 May 2013 in accordance with PoFA.

1.1 Accounting convention

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

1.2 Going concern

The financial statements have been prepared on a going concern basis.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the year ending 31 March 2017, and for amounts reported for income and expenses during the year.

In the process of applying DBS's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Re-lifing of assets

Due to changes to planned delivery of the R1 project DBS reviewed and revised the estimated remaining life of its non-current assets to reflect the extended use of existing assets. As a result of this change in estimated life, £0.06m of costs relating to Intangible IT will move from this period into the year ending 31 March 2018.

Impairment of assets

DBS assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, if the asset is not held for the purpose of generating cash flows, value in use is assumed to be equal to the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

Leases

DBS is the lessee of property. The classification of such leases as operating or finance lease requires DBS to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the SoFP. DBS considers current property leases to be operating leases.

Service concession arrangements

DBS is party to a PFI arrangement. The classification of such arrangements as service concession arrangements requires DBS to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. This judgement is considered in note 1.6. Judgement continues to be applied to the estimated percentage completion of the R1 asset and hence the valuation in the accounts. On the basis the project was delayed in year, the percentage completion included within the accounts at 31 March 2017 recognises the progress assessed to be made by 31 March 2017, with remaining progress scheduled to be completed in 2017-18.

Development costs

Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed.

There were no key sources of estimation uncertainty.

1.4 Intangible Assets

In line with the capitalisation policy, assets both tangible and intangible are individual items normally costing or valued at or above a threshold of \pounds 5,000, and with an expected life of more than one year.

An annual revaluation exercise has been conducted in accordance with appropriate Office for National Statistics indices and where a material revaluation is deemed necessary this has been taken to the revaluation reserve and/or Statement of Comprehensive Net Expenditure (SoCNE) as appropriate. Development expenditure has been recognised as an intangible asset in accordance with IAS 38 – Intangible Assets. All non-current assets being developed and not in operation at the year end were capitalised as an asset under construction. Until the asset is ready for use, no depreciation is recognised; however, once the asset is available for use, depreciation is charged with the asset being transferred to the relevant 'Non Current Asset' register immediately. DBS did not revalue assets under construction.

A review of assets was undertaken in March 2017 to ensure that the purpose for which the asset was being constructed and its associated valuation was appropriate.

1.5 Amortisation

Assets under construction are not amortised until the asset is available for use and are amortised on a straight-line basis over their estimated useful lives. The useful economic lives of non-current assets are reviewed annually. The current asset lives to be applied are:

• Information Technology – from date of recognition to end of useful economic life (3 to 15 years)

• Software Licences – from date of recognition to end of useful economic life (3 to 15 years)

1.6 Service concessions (PFI)

DBS accounts for PFI transactions on a control approach based on the FReM, which uses IFRIC 12 Service Concession Arrangements to inform its treatment. DBS is considered to control the infrastructure in a public-to-private service concession arrangement if:

• DBS controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price

• DBS controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not in scope of IFRIC 12, DBS assesses such arrangements under IFRIC 4 to determine whether an arrangement contains a lease. Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under International Accounting Standard (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.

In determining the interest rate implicit in the contract, DBS applies the riskfree market rate at the time the contract was signed. The rate is not changed unless the infrastructure element or the whole contract is renegotiated. The risk-free rate is determined by reference to the real rate set by HM Treasury, currently 3.5%. The nominal rate is then calculated by adjusting this real term rate by the UK inflation rate.

DBS 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 SoCNE.

On initial recognition of existing Public Private Partnership arrangements or PFI contracts under IFRS, DBS measures the non-current asset 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 year end, 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.

When the arrangement was set up it was intended the PFI liability would be fully repaid by 31 March 2017, with the asset construction being complete in advance of this date. Under the contract, capital repayments occured during 2016-17 and these have cumulatively exceeded the asset value recognised at 31 March 2017 and as such this has been recorded as a prepayment in the accounts and the PFI liability is included as nil at 31 March 2017.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment, and intangible assets above. Liabilities are measured using the appropriate discount rate. Revenue received under any revenue sharing provision in the service concession arrangement is recognised when all the conditions laid down in IAS 18 Revenue have been satisfied.

PFI note 11 provides details of how DBS accounts for such arrangements and the financial commitments outstanding.

1.7 Cash and Cash Equivalents

Cash in the SoFP comprises cash at bank and in hand - see note 9.

Cash and cash equivalents in DBS's SoFP comprise balances held by the Government Banking Service. Income received in relation to checks is banked daily in certain DBS bank accounts, which are managed by TCS on its behalf.

Due to the use of a Shared Service Centre, HO makes payments on behalf of DBS. HO is then refunded in return on a monthly basis.

1.8 Income & Income Recognition

Income represents fees charged to:

- applicants for applications for Enhanced and Standard checks of prescribed criminal record information
- register corporate bodies and signatories to access the criminal record process
- registered bodies for DBS adult first
- applicants for Update Service subscriptions
- rental income

Recognition of income:

DBS considers the significant risks and rewards of ownership to transfer when a disclosure certificate has been issued by DBS, or for the Update Service, when a subscription is active and available to the customer. For disclosures and Update Service subscriptions, the view is that DBS has only a single performance obligation and it is satisfied at the point the disclosure is issued (as DBS transfer physical possession of the certificate), or for the update service, access to the subscription is granted (as this provides the customer with the risks and rewards of ownership of the subscription). This means that revenue is recognised at the same point.

1.9 Pensions

Principal Civil Service Pension Scheme (PCSPS):

The Department recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Partnership and Stakeholder Schemes:

The employer made a basic contribution of between 8% and 14.75% of pensionable earning from 1 October 2015 (3% and 12.5% of pensionable earnings up to 30 September 2015) depending on the age of the member. This contribution is paid 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 0.5% of pensionable pay from 1 October 2015 (0.8% of pensionable pay to 30 September 2015) to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

Details of the annual pension contribution are provided in note 3 with additional information relating to pensions being included within the Remuneration Report.

1.10 Value Added Tax (VAT) and Corporation Tax

DBS will pay VAT on all expenditure with no reclamation. DBS is not registered for VAT, and all figures in the accounts are inclusive of VAT.

DBS is subject to Corporation Tax on rental income.

1.11 International Financial Reporting Standards (IFRS) and other accounting changes that have been issued but are not yet effective

IFRS 9 Financial Instruments was issued in July 2014, effective for periods beginning on or after 1 January 2018. It is not yet adopted by the EU. HM Treasury is working towards implementing the standard in the FReM from 2018-19.

It is not expected to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, effective for periods beginning on or after 1 January 2018. This was formally adopted by the EU in October 2016 and HM Treasury is working towards implementing the standard in the FReM from 2018-19.

It is not expected to have a material impact on the financial statements.

IFRS 16 Leases was issued in January 2016, effective for periods beginning on or after 1 January 2019. The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 in advance of the effective date.

2. Statement of Operating Costs by Operating Segment

2016-17

	Operations Disclosure £'000		Information Directorate £'000		Finance & Corporate Support	Chief Executive	Safeguarding, Strategy & Quality	Total
Gross Expenditure Income	89,887 (155,368)	10,111 -	25,637	7,926 (722)	5,246 -	643	1,720	141,170 (156,090)
Net Expenditure / (Income)	(65,481)	10,111	25,637	7,204	5,246	643	1,720	(14,920)

A monthly consolidated report is prepared for each of the directorate management teams in order to facilitate collective decisions regarding the overall funding and resource requirements for DBS business areas. A summarised version of this report is prepared for SMT and DBS Board to review on a monthly basis.

Operations (Disclosure) is responsible for ensuring that DBS delivers an effective end-to-end disclosure service for its stakeholders, which include the police, registered bodies and applicants.

Operations (Barring) has a statutory function for England, Wales and Northern Ireland to manage the lists of people barred from working or volunteering in activities that involve regular and close contact with children and/or vulnerable adults (Regulated Activity). The barring function also makes decisions on whether to include a person in one or both barring lists along with decisions on whether to remove a person from the lists.

The Information Directorate is responsible for Portfolio, Programme and Project Management, Digital Services and IT Service Management. It plays a vital role in influencing, driving and delivering the DBS strategy and works in partnership with DBS directorates, suppliers and a wide range of external and internal stakeholders.

People & External Relations Directorate (formerly the Corporate Strategy and People Directorate) is responsible for providing HR and other business support services to the organisation such as internal communications. Security and Facilities costs transferred into this Directorate during 2016-17 and Policy costs have transferred out to a new Safeguarding Strategy & Quality Directorate during 2016-17.

Finance and Corporate Support are responsible for providing financial, commercial, and legal advice, including the preparation of the Annual Report and Accounts and DBS Business Plan.

Office of the Chair & Chief Executive formerly included within People & External Relations Directorate has moved into its own Directorate during 2016-17.

Safeguarding Strategy & Quality is a new Directorate incorporating Policy costs which have transferred from People & External Relations Directorate during 2016-17.

On the basis DBS does not record net assets and liabilities against Directorates, no breakdown is included above in this regard.

3. Staff numbers and related costs

Staff costs comprise:

	2016-17 Total	2015-16 Total
	£'000	£'000
Wages and salaries Social security costs	24,519 2,082	23,232 1,419
Other pension costs	4,428	4,053
Total net costs	31,029	28,704

A detailed breakdown of staff costs is included in the Analysis of Staff Costs section of the Remuneration and Staff Report, within the Annual Report.

4. Other Operating Costs

	2016-17 £'000	2015-16 £'000
Goods and services		
PFI (and other service concession arrangement) service charges	36,163	40,459
Police and other data source costs	34,292	30,428
Facilities management and staff services	4,837	4,904
Travel, subsistence and other staff costs	1,056	660
Professional fees	1,831	1,411
Audit fees - External	95	85
IT running and telephone costs	27,064	13,351
Total	105,338	91,298

The fall in PFI service charge reflects a contractual reduction in ticket price with PFI supplier.

External audit fees for 2016-17 were £95k (2015-16 fee was £95k however, this was offset by a £10k overprovision from earlier financial years).

IT Running Costs have increased due to additional costs to support the delivery of R1.

5. Income

	2016-17 £'000	2015-16 £'000
Enhanced DBS checks Standard DBS checks Update Service Other	136,937 7,200 10,145 1,086	135,218 7,453 7,126 1,085
Total income from sales of goods and services	155,368	150,882

Further details regarding DBS fees and charges can be found within the Parliamentary Accountability section of the Annual Report.

6. Intangible assets

				2016-17
	Information	Software	Assets under	
	Technology	Licences	Construction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2016	100,292	7,571	30,054	137,917
Additions	308	2,891	3,688	6,887
Disposals	(7,516)	-	-	(7,516)
Impairment	-	-	-	-
Transfer	-	-	-	-
Reclassifications	2	-	1	3
Revaluations	5,921	457	-	6,378
At 31 March 2017	99,007	10,919	33,743	143,669
Amortisation	(00,400)	(0.404)		(404,000)
Balance at 1 April 2016	(98,162)	(3,104)	-	(101,266)
Charged in year	(1,323)	(2,219)	-	(3,542)
Disposals	7,514	-	-	7,514
Impairment Transfer	-	-	-	-
Reclassifications	-	-	-	-
	182	(182)	-	-
Revaluations	(5,907)	(275)	-	(6,182)
At 31 March 2017	(97,696)	(5,780)	•	(103,476)
Net Book Value at 31 March 2017	1,311	5,139	33,743	40,193
Not Book Value at 1 April 2016	2,130	4,467	20.054	26 654
Net Book Value at 1 April 2016	2,130	4,407	30,054	36,651
A				
Asset financing:		E 400	0.705	40.475
Owned	1,311	5,139	6,725	13,175
Finance leased On balance sheet PFI contracts	-	-	- 27,018	- 27,018
			27,010	21,010
Net Book Value at 31 March 2017	1,311	5,139	33,743	40,193

As detailed in note 11, Commitments under PFI contract, judgement has been applied around the percentage completed for the core R1 asset.

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6.1 Intangible Assets (continued)

				2015-16
	Information Technology	Software Licences	Assets under Construction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
Balance at 1 April 2015	100,292	7,411	24,932	132,635
Additions	-	160	5,122	5,282
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
	-	-	-	-
At 31 March 2016	100,292	7,571	30,054	137,917
Amortisation				
Balance at 1 April 2015	(94,591)	(1,892)	-	(96,483)
Charged in year	(3,571)	(1,212)	-	(4,783)
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
Reclassifications		-	-	-
Revaluations	-	-	-	-
At 31 March 2016	(98,162)	(3,104)	-	(101,266)
Net Book Value at 31 March 2016	2,130	4,467	30,054	36,651
Net Book Value at 1 April 2015	5,701	5,519	24,932	36,152
·····		-,	,	
Asset financing:				
Owned	889	3,621	5,738	10,248
Finance leased	-	-	-	
On balance sheet PFI contracts	1,241	846	24,316	26,403
Net Book Value at 31 March 2016	2,130	4,467	30,054	36,651

7. Financial Instruments

As the cash requirements of DBS are met through the estimating process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with DBS's expected purchase and usage requirements and DBS is therefore exposed to little credit, liquidity or market risk.

8. Trade receivables and other assets

	2016-17 £'000	2015-16 £'000
Amounts falling due within one year:		
Trade receivables Deposits and advances Other receivables Prepayments and accrued income	14,984 59 5,606 4,367	14,506 5 3,115 2,103
Total	25,016	19,729

Trade receivables relate to balances due to DBS from registered bodies for fees charged.

Other receivables relate to a contractual reduction in service costs from TCS receivable in 2017-18, arising from disclosure volumes being higher than anticipated during the 2016-17 financial year.

Prepayments include an amount of £3.0m which has arisen due to delays in the development of the core R1 asset which has been funded under a PFI arrangement. Under the contract, capital repayments occurred during 2016-17 and these have now cumulatively exceeded the asset value recognised at 31 March 2017.

Amounts falling due after more than one year:

Prepayments and accrued income	543	-
Total	543	-

Included within prepayments is an amount of £0.5m relating to an advanced payment of services due to be released in 2018-19.

9. Cash and cash equivalents

	2016-17 £'000	2015-16 £'000
Balance at 1 April Net change in cash and cash equivalent balances	56,069 3,277	43,934 12,135
Balance at 31 March	59,346	56,069
The following balances were held at:		
Government Banking Service	59,346	56,069
Balance at 31 March	59,346	56,069

The year end balance of £59.3m includes £18.1m owed to HO for invoices and other costs that they have paid on behalf of DBS in March 2017.

10. Trade payables and other current liabilities

	2016-17 £'000	2015-16 £'000
Amounts falling due within one year:		
Trade payables Accruals and deferred income	20,234 28,638	20,549 26,724
Current part of imputed finance lease element of on-balance sheet PFI contracts	-	3,787
Total	48,872	51,060

Trade payables includes an amount of £18.1m owed to Home Office for invoices and other costs that they have paid on behalf of DBS in March 2017.

Amounts for on-balance sheet PFI contracts at 31 March 2017 have been reflected in Trade Receivables. This has arisen as the asset being developed under the PFI arrangement has been delayed. Capital repayments under the PFI contract have continued and have now exceeded the costs incurred to date hence a prepayment has arisen at the year end.

11. Commitments under PFI contracts

On-balance sheet (SoFP): Tata Consultancy Services

A PFI contract was signed with TCS on 4 October 2012, with a total original contract value of £170.1m. Due to a number of contract changes and additional requests for change the overall value of agreed costs with TCS stands at £213m. Following a period of transition from the incumbent supplier, live services commenced on 12 March 2014 (service commencment date), and for the contract period up to 31 March 2017 payments of £181m have been made to TCS for application development and management and Business Process Outsourcing services. The contract is due to run for five years from the service commencement date, with the option to extend for up to a further three years.

Capital spend with TCS consists of the following items:

The total value of the PFI R1 asset is £34.8m, based on the spend set out in the contract above which consists of two milestone payments totalling £4.8m and £30.0m for the core R1 PFI asset. The milestone payments were fully capitalised in 2012-13 and 2013-14 and to date £27.0m of the core R1 asset is reflected as an asset under construction, with an expectation that this will be completed during 2017-18.

The basis for valuation of the R1 PFI core asset under construction has been to recognise expenditure based on the progress made in developing the asset, from information provided by TCS. As a result of the delay in completing the project, it has been assessed that the proportion of build completed at 31 March 2017 was 90% of the total R1 asset value. This has been assessed by DBS programme staff involved in the project based on progress against plans. Once available for use, the asset will become an IT asset and will be amortised over its remaining life.

From 2014 to March 2017 TCS have also developed other assets to support the existing IT system and the R1 development outside of the PFI arrangement with a total value of \pounds 6.8m. Capital commitments at the year end for assets outside of the PFI arrangement with TCS total \pounds 0.2m.

The total amount charged in the SoCNE in respect of the service element of on-balance sheet PFI or other service concession transactions was £36.2m (2015-16 £40.4m). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the following periods:

	2016-17 £'000	2015-16 £'000
Minimum lease payments		
Due within one year	21,053	37,842
Due later than one year and not later than five years Due later than five years	18,727	39,780
	39,780	77,622
Less interest element		(286)
Present value	39,780	77,336

Service elements due in future periods	31 March 2017 £'000	31 March 2016 £'000
Due within one year Due later than one year and not later than five years Due later than five years	21,053 18,727	28,065 39,780
Total service elements due in future periods	39,780	67,845
Total Commitments	39,780	77,336

In addition to commitments to TCS under the PFI arrangement noted above, other TCS financial commitments have been agreed for change requests to the R1 system totalling \pounds 4.2m.

All figures noted above are stated gross.

12. Related-party transactions

HO is the sponsor department of DBS and is regarded as a related party. During the year ended 31 March 2017, DBS had a number of material transactions with HO and also with other entities for which HO is regarded as the parent department, these are listed below:

Police authorities - DBS incurred costs of £34.3m for the year (2015-16: £30.4m) in respect of running and set–up costs.

Included within the total expenditure with the police was £1.7m (2015-16: £1.5m) for DBS transactions with HO Technology Live Policing Services (part of the HO) to allow DBS staff to access PNC checks.

DBS had transactions with the Security Industry Authority to 31 March 2017 of £2.5m (2015-16: £3.0m) relating to income for DBS checks carried out during the year.

In addition, DBS had a small number of material transactions with other government departments and other central government bodies.

No board member, key manager or other related parties have undertaken any material transactions with the NDPB during the year.

13. Commitments under leases

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

	2016-17 £'000	2015-16 £'000
Obligations under operating leases for the following	periods comprise:	
Buildings		
Not later than one year Later than one year and not later than five years	1,104 3,680	883 -

Stephenson House is owned by the Home Office Property Group. DBS have a Memorandum of Terms of Occupation (MOTO) agreement with the Home Office Property Group effective from 1 April 2017 with an expiry date of 1 August 2021.

4,784

883

The lease for Shannon Court is held with Peel Holdings with an expiry date of 1 August 2031 (lease is for 15 years with a 5 year break out clause from August 2021). This lease was effective from 2 August 2016.

14. Other Financial Commitments

DBS has financial commitments of £7.0m over the coming years for services to be delivered by DXC Technology. These services are to provide the hosting environment on which the R1 application provided by TCS will be hosted, via a number of servers. This includes a number of bespoke services such as security and next generation database backups.

Financial commitments with TCS are disclosed in Commitments under PFI contracts.

15. Contingent liability

DBS is in discussion with TCS over the financial implications of the changes in timing of deployment of our modernised system, R1. At the balance sheet date, these discussions remain ongoing and DBS consider disclosure under IAS 37 of any contingent assets or liabilities could seriously prejudice these discussions.

As a result, no further disclosures under IAS 37 have been made.

16. Events after the Reporting Period

The Accounting Officer authorised these statements for issue on the date that the accounts were certified by the Comptroller and Auditor General.

Glossary

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