



Disclosure &
Barring Service

Annual Report and Accounts

For the period 1 April 2017 to 31 March 2018



Disclosure and Barring Service Annual Report and Accounts

For the period 1 April 2017 to 31 March 2018

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**2017-18
Foreword
by the
Chair and
Chief
Executive**

Disclosure and Barring Service (DBS) is 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.

DBS was formed in December 2012, following the merger of Independent Safeguarding Authority and Criminal Records Bureau. In the last five years we have seen increased demand for our services as disclosures grew from 3.8 million to 4.3 million annually and Barring cases increased by 50%. We have issued over 22 million disclosure certificates and have 1.3 million subscribers to the Update Service. The numbers of people added to our Barred lists has risen from approximately 54,500 in 2012 to 67,000 by April 2018.

Providing a quality service to our customers is paramount to us. Our staff undergo intensive training programmes and our Barring caseworkers are highly trained professionals in their specialised field. We were delighted when we became accredited under the Customer Service Excellence Standard and have since retained that accreditation. We also won the InMoment Customer Commitment Award. It is down to the commitment and hard work of our staff that DBS has achieved such success.

Over the last five years, we have undergone several independent reviews relating to different areas of our business, which we have appreciated and learnt from their recommendations, making changes where appropriate. Our focus for improvement has always been and will always be on the quality of the service that we provide and the importance of the work that we do.

We have worked closely with Home Office (HO) colleagues and value their support in helping us to deliver our services, acknowledging the expectations of ministers and the wider government agenda in relation to safeguarding and in carrying out our responsibilities.

During the year, the board has been further strengthened and we now have a broad range of skills from both executives and non-executives, including specialists in safeguarding to IT, business change and audit experts. Two of our most experienced non-executives came to the end of their terms in November 2017, and their contributions to the board since 2012 have been invaluable.

Our Annual Report and Accounts for 2017-18 sets out details of our operational and financial performance during the year. It has been a challenging year for DBS, particularly in regard to getting new systems up and running, but we have nonetheless managed to deliver improved performance from last year. Delivering and embedding our modernised IT solution, known as Release 1 (R1), to reflect modern ways of working and living has been a significant challenge. We remain committed to delivering our services more quickly and efficiently and to provide digital channels for our services. It will improve the effectiveness of services we already offer and provide the capability for us to deliver new services should the government require us to. The report details progress in this field.

In February 2018, our 2017-2020 Strategic Plan was published and we look forward to delivering the ambitions set out.



Bill Griffiths
Chair



Adele Downey
Chief Executive

The background is a solid teal color with several large, semi-transparent gear shapes of varying sizes and orientations scattered across it. The gears are rendered in a lighter shade of teal, creating a mechanical or industrial aesthetic.

Performance Report

Our vision is to make our services simpler, faster and more accessible.

Our mission is to put safeguarding at the heart of everything we do.

OVERVIEW

The 'Overview' section of the performance report provides a summary of the role, purpose and performance of DBS during 2017-18.

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 activity¹ 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 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 2017-18, the first year of our new 2017-20 Strategic Plan. This strategy set out the following aims for DBS:

Our vision is to make our services simpler, faster and more accessible.

Our mission is to put safeguarding at the heart of everything we do.

The combined strategic ambition of the DBS and government is delivered through five **strategic objectives**. These are:

1. Improve safeguarding through delivery of excellent services and sharing of knowledge
2. Drives good value for money
3. Meets customer needs and exceeds expectations
4. Develops a talented workforce to inspire continuous improvement
5. Is a highly valued public organisation.

Our activities

The statutory duties of the DBS are contained in the Safeguarding Vulnerable Groups Act 2006 and Part V of the Police Act 1997, as amended by Protection of Freedom Act:

Disclosure:

To hold and maintain a register of organisations approved by the DBS to submit applications for criminal records certificates.

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.

To issue three types of criminal record check (listed in table below):

Type of check:	Contains:	Examples of who is eligible:	Cost	Allows subscription to the Update Service
Basic certificate	Unspent convictions	Anyone	£25	✗
Standard certificate	Convictions, cautions, reprimands and warnings (subject to filtering)	Security guards, licensing etc.	£26	✓
Enhanced certificate	Convictions, cautions, reprimands and warnings (subject to filtering) Relevant police intelligence Adults and/or Children's Barred list (optional)	Teachers, careworkers, nurses etc.	£44	✓

DBS also provides a subscription to an online Update Service. Individuals subscribe on a voluntary basis, which allows employers or voluntary organisations to check online whether any new criminality information, such as a new conviction recorded or information recorded that is deemed relevant to their employment sector.

Barring:

To reach considered decisions about whether an individual should be Barred from engaging in regulated activity with children¹ and/or vulnerable adults, and maintaining lists of those Barred from working with children and adults.

DBS will bar any individual who has accepted a caution for or been convicted of an automatic Barring offence (i.e. an offence that does not allow representations).

DBS will 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 the DBS, subject to any representations submitted by the individual – provided the 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 and/or vulnerable adults.

To make decisions as to whether it is appropriate to remove a person from a Barred List either following the expiration of the minimum Barred period under Section 18 of the Safeguarding Vulnerable Groups Act 2006, under the requirements of Article 10-12 of the Protection of Freedom Act 2012 (Commencement No.3) Order 2012, or otherwise under its powers to review a persons inclusion at any time pursuant to section 18A of the Safeguarding Vulnerable Groups Act 2006.

PERFORMANCE SUMMARY

Chief Executive's perspective on performance

This year has been a challenging year for DBS and I consider that DBS has responded well to these challenges, delivering improved performance during 2017-18. We improved against our published service standards, achieving four out of seven of these. This includes exceeding the two new targets covering Basic certificates, which were successfully launched by DBS during the year, as well as improvements in the 56-day disclosure target. Taking into account increasing Barring volumes, the introduction of R1 in Barring, the launch of Basic certificates, and some challenging performance targets, we have achieved a considerable amount this year. However, in the coming year, our focus will be on improving our Barring operational performance and concluding commercial negotiations on the modernisation of our IT system, to ensure we can deliver improvements for our customers.

The performance of our published service standards is summarised in the table below:

Published service standards		2017-18 target	2017-18 actual	2016-17 actual	2015-16 actual
Service standards continuing from 2016-17					
Standard and Enhanced Disclosure certificates	Sample check error rate (Standard and Enhanced certificates) (rolling 12 month period)	≤0.02%	0.01%	0.00%	0.01%
	Percentage of Standard and Enhanced disclosure certificates issued in 21 calendar days	≥ 87%	85.80%	85.80%	86.90%
	Percentage of Standard and Enhanced disclosure certificates issued in 56 calendar days	≥ 96%	98.80%	94.80%	94.80%
Barring cases	Barring cases quality checked that require action prior to closure (measured against rolling 12 month period)	≤0.50%	3.82%	0.78%	0.30%
	Percentage of all Barring cases closed in 3 months (R0 and R1)*	≥ 65%	42.65%	54.51%	66.23%
New service standards introduced during 2017-18 following Basic certificate launch by DBS in year					
Basic Disclosure certificates	Percentage of Basic disclosures issued in 14 calendar days	≥90%	91.83%	N/A	N/A
	Basic Sample Check Error rate (rolling 12 month)	≤0.02%	0.00%	N/A	N/A

Note

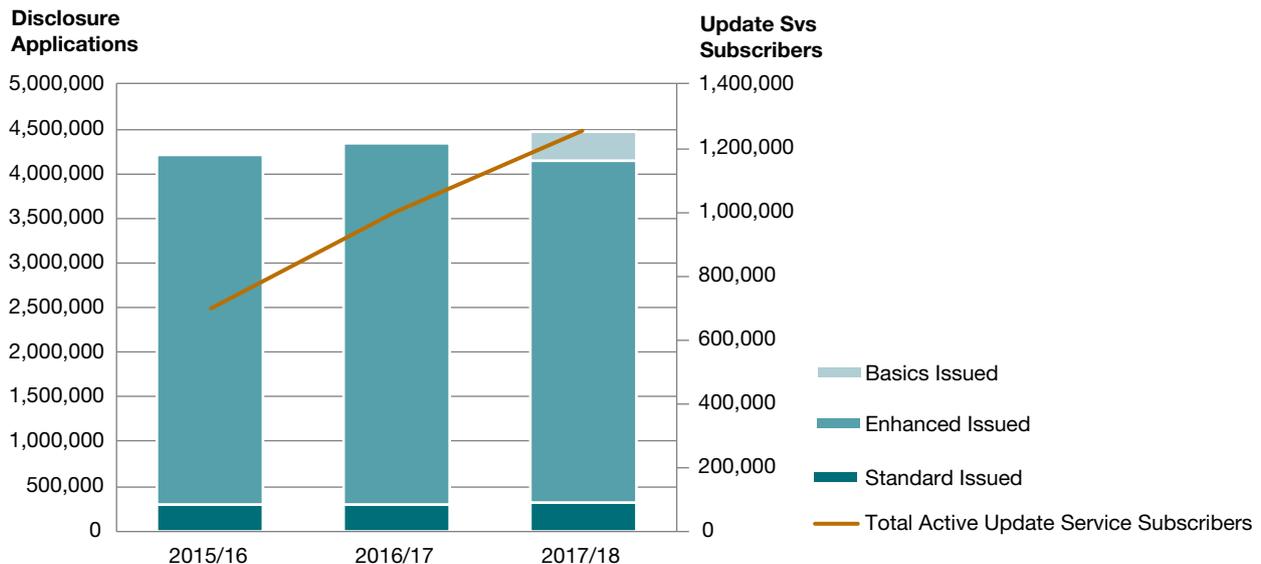
* During 2017-18 DBS transitioned IT systems in its Barring operation, and the new system calculates closure cases differently to the previous system. The end of year figure has been calculated by combining the methodologies from each system. Caution is therefore advised in making a direct comparison with last year's performance. From April 2018 the transition to the new reporting method using R1 will be in place for the full financial year.

The introduction of R1 has presented a number of challenges that impacted on performance during 2017-18. The adverse impact on Barring and Basics productivity from the introduction of the new system was greater than anticipated during 2017-18, with additional manual processes required, and system performance slower than expected. DBS is working with Tata Consultancy Services to identify improvements that will enable performance of the system, and its consequential impact on our key performance indicators, to improve during 2018-19.

DBS CERTIFICATE PERFORMANCE

During the year, DBS started to issue Basic certificates, adding to our existing Disclosure products (Standard and Enhanced) and the Update Service. The chart below shows the growth in DBS certificate applications and Update Service subscribers over the past three years.

Growth in certificates and subscribers



Standard and Enhanced certificates

During 2017-18, we issued 4.14 million certificates, of which 21.1% were issued free of charge to volunteers. The average time taken to issue a DBS certificate was 11.59 calendar days.

For Standard and Enhanced disclosures, we exceeded our timeliness target of issuing 96% of certificates within 56 calendar days, achieving 98.8%, but narrowly missed our target for issuing 87% of DBS certificates within 21 calendar days, maintaining performance at last year's level of 85.80%. We made changes to our processes during the year to improve performance against the 21-day target, which led to increased attainment with 87.3% achieved during the final quarter of the year.

A check of the quality of a sample of these certificates identified just one error.

Basic certificates

In September 2017, DBS launched the issue of Basic disclosure certificates and during 2017-18 issued 328,000 Basic certificates for English and Welsh customers. The average turnaround time for issue was 5.4 days.

We issued 91.8% of these certificates in 14 calendar days, with no errors identified during sample quality checks.

Update Service

At the end of March 2018, the total number of Update Service subscribers exceeded 1.3 million. 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.

During the year, we started research of current and potential Update Service users to enable us to better understand stakeholder views. This research is expected to continue into 2018-19 and will inform any future development of the service.

BARRING PERFORMANCE

During the year, we continued to deliver our key statutory function 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), and introduced our new IT system (R1) into our Barring operation.

We did not meet our target of closing 65% of Barring cases within three months, due to a number of factors. Performance was impacted by the need to balance speed of service with a focus on those cases which can take longer to be decided, and the target was adversely affected by the implementation of our new IT system (R1) which reduced productivity within Barring for several months.

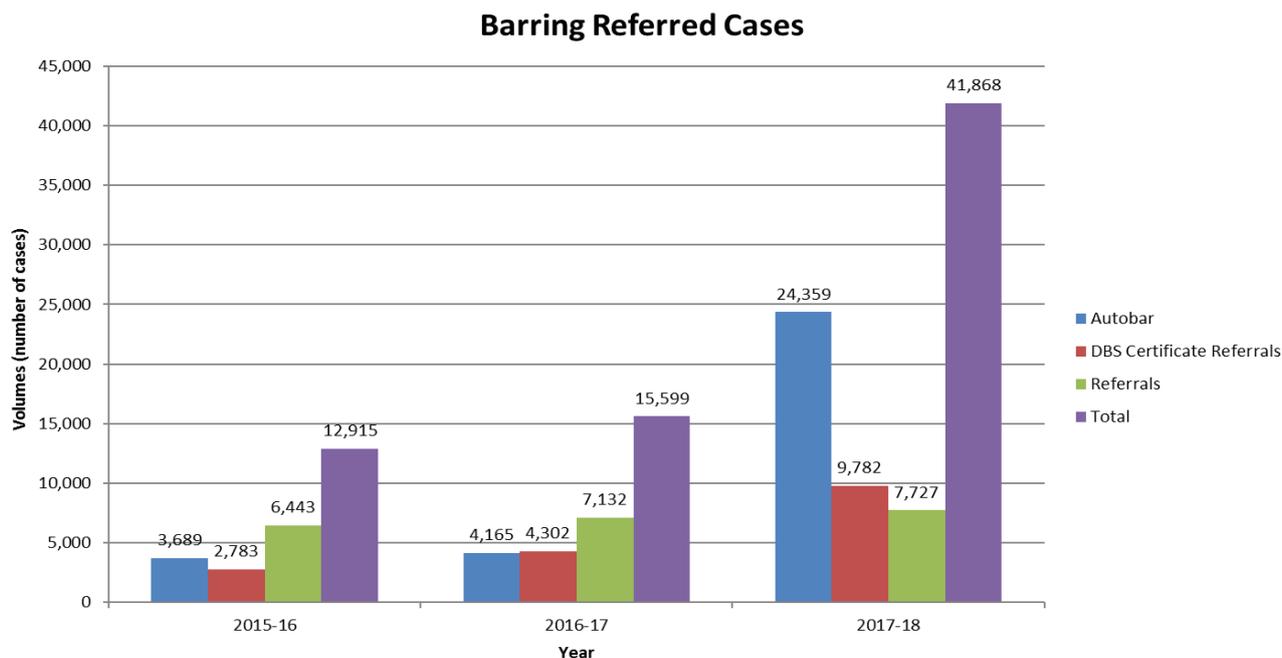
The quality of decision making also missed the target, with the 2017-18 error rate being 3.82% against a challenging target of less than or equal to 0.50%. This means that, of a sample of 838 cases, we carried out further work on 32 cases before the case was concluded. We introduced revised quality assurance arrangements during the year to provide increased opportunities for challenge, debate and learning, demonstrating our commitment to making high quality risk-based decisions, which at times can be finely balanced.

There are three main ways in which individuals are referred to us for Barring consideration:

Referral type	Description
Referring Body referrals	Safeguarding referrals from employers, volunteer managers, professional regulators and local authority safeguarding teams.
Automatic Barring referrals	These are referrals identified from information held on the Police National Computer of people newly cautioned for, or convicted of, certain serious offences specified by law. There are two types of Automatic Bar Referrals: <ul style="list-style-type: none"> • 'Without representations', where the severity of the offence means we are required by law to include the person in the specified Barred list without seeking representations. • 'With representations' where we consider the person for Barring only if they satisfy the Test for Regulated Activity and after considering any representations the person may make as to why they should not be Barred.
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.

The chart below shows the growth in these case types over the past three years.

Barring cases



Note: Autobar and DBS Certificate referral numbers are higher than previous years due to the way our new IT system (R1) counts cases. In our previous system (R0), a number of cases were automatically or manually sifted offline and never added to the system (as they did not meet our legislative criteria for further consideration). Within R1, these cases are now automatically added to the system before subsequently being sifted off with approximately 80% of cases sifted at this early stage. As a result, the volume of cases initially created is significantly greater under R1 than the previous system.

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 by the Risk Improvement Forum (RIF) and Senior Management Team. The risk management process is assured by the Audit and Risk Committee (ARC) to the DBS Board.

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

During 2017-18, we reviewed and updated the DBS Risk Management Framework, reflecting updates to our core controls and the introduction of a risk appetite statement, as follows:

'Recognising our role in protecting the public, DBS seeks to minimise risk. Our approach is based on a desire to balance the ability or control DBS has to mitigate the risk and the cost of doing so compared to the potential impact of the risk.'

The key issues that impacted on the risk profile of DBS 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, which we monitor regularly to assess our overall performance.

Whilst we publish our service standards each month, we also monitor a suite of internal key performance indicators 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.

Disclosure certificate performance

Quality

All three of the Disclosure certificate quality measures exceeded their annual targets for 2017-18.

Deliverable	Measure	Target	Actual
Quality	Standard and Enhanced Disclosure certificate sample check error rate (rolling 12 month period)	≤0.02%	0.01%
	Basic Disclosure certificate sample check error rate (rolling 12 month period)	≤0.02%	0.00%
	Work meets or exceeds quality standards – Disclosure	99.80%	99.96%

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.

Timeliness

Three of the four Disclosure timeliness targets were achieved this year.

Deliverable	Measure	Target	Actual
Timeliness	Percentage of all Standard/Enhanced certificates issued within 21 calendar days	87%	85.8%
	Percentage of all Standard/Enhanced certificates issued within 56 calendar days	96%	98.8%
	Percentage of all Basic certificates issued within 14 calendar days	90%	91.8%
	Average police force workload target (4 week average)	≤ 12 calendar days	7.33 days year average

We exceeded our target of issuing Standard and Enhanced certificates in 56 calendar days this year (improving our performance by 4% in comparison to 2016-17). This was primarily due to a focus on the reduction of end-to-end work in progress and cases at the police forces. Our target to issue 87% of Standard and Enhanced certificates in 21 calendar days, whilst not met, was the same as last year's achievement of 85.8%, with performance increasing incrementally throughout the latter half of the year, reaching an average of 87.3% in the final quarter of the year.

This improvement was reflected in the average police workload target, which improved throughout the year from 8.77 days in March 2017 to 7.33 days in March 2018.

We successfully launched Basic Disclosures in September 2017 and the target to issue 90% within 14 calendar days was exceeded, with year-end performance at 91.8%.

Customer complaints and stakeholders

We achieved our targets for customer service complaints for the year and maintained high scores in relation to customer satisfaction. We also completed a compliance review of our registered body network.

Deliverable	Measure	Target	Actual
Customer complaints and stakeholders	Initial stage complaint response in 10 working days	98.0%	99.3%
	Percentage of planned registered body compliance assessments completed	100%	100%
	Percentage satisfied with the service they received from DBS	89%	88%
	Percentage agreeing that DBS makes a difference to public safety by helping make effective employment decisions	89%	90%

We continued to build on previous years' performance and exceeded our customer service complaints target for the year. During 2017-18 we received 3,022 complaints, which represents a reduction of 59% when compared to an intake of 7,313 in 2016-17.

During the year, we responded to 99.3% of complaints within 10 working days, achieving our key performance indicators. As a result of driving continuous improvement and building on the recommendations of an independent review of complaints, we maintained a high resolution rate with 98.1% of complaints resolved in the first instance.

We continue to have strong levels of customer satisfaction. Our scores during 2017-18 were captured through an annual survey of our customers and were broadly similar to the high levels achieved last year, upon which this year's targets were based.

Barring decision-making performance

Barring quality

During 2017-18 we met one of our two Barring quality targets.

Deliverable	Measure	Target	Actual
Quality	Barring cases quality checked that require action prior to closure (measured against rolling 12 month period)	≤0.5%	3.82%
	Percentage of appealed decisions from which Barring withdrew	≤10%	10%

The percentage of Barring cases quality checked that required action prior to closure (rolling 12 month) stood at 3.82% against a target of ≤0.5%. It is important to note that Barring caseworkers make risk-based judgements that are often finely balanced and a rigorous quality assurance process is in place to monitor this. Where the quality assurance process identifies cases requiring further work before the decision is communicated to the customer, this is progressed at pace.

At the beginning of 2017-18, a revised method of quality assurance was implemented, with increased levels of independent checking by the Quality Assurance team. Peer review was extended and a moderation panel introduced. These developments have provided increased opportunities for challenge, debate and learning. In November 2017, the Quality Assurance team moved to the newly created Safeguarding, Strategy and Quality Directorate.

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. The Barring decision making process is a fundamental part of our quality management system which is certified to the ISO9001 Quality Standard.

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 (based 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 2017-18, six 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 was met). In the same period, 14 Barred people had applications for appeal that were not upheld so the people remained on the relevant Barred List(s).

The percentage of appealed decisions from which DBS withdrew stood at 10% (three cases) against a target of $\leq 10\%$, within the target set for the year.

Barring timeliness

The percentage of all Barring cases closed in three months stood at 42.65% against the 65% target.

Deliverable	Measure	Target	Actual
Timeliness	Percentage of all Barring cases closed in three months (R0 and R1)	65%	42.65%

A combination of factors during 2017-18 made the three-month target unattainable. Barring experienced a 38% increase in volumes of work between 2014-15 and 2016-17, and continued to see strong volumes during 2017-18. Additional caseworkers were recruited in 2017. However, caseworker training is, of necessity, detailed and lengthy, and full productivity is not attained until at least six months after a new member of staff joins the department. We are now beginning to benefit from this recruitment. The time it takes to obtain information from third parties can also have a significant impact on the ability to meet a three-month target. This is compounded by the legal requirement to allow eight weeks for the customer to consider representations in cases where we are minded to bar.

In September 2017, we introduced the R1 solution in our Barring function. This provided a new IT system and new ways of working. This was a major business change for the organisation and its impact on workflow was greater than anticipated, with system performance and productivity levels lower than initially expected. Steps were taken following implementation to improve performance and productivity, and we continue to work with our supplier to improve the system to resolve some of these impacts.

Business plan activities and performance

This year positive progress has been made in relation to key business plan milestones and deliverables against the five strategic objectives set out in our Strategic Plan 2017-20.

A number of actions due to be undertaken during the year were reprioritised to 2018-19 due to 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 our control.

Strategic Objective 1: Improve safeguarding through delivery of excellent services and sharing of knowledge

This objective reflects the activities we undertake in safeguarding the most vulnerable in our society and developing the quality of our services through continued data scrutiny, external review and support.

We have developed a Transformation Programme for our Barring function to enhance the efficiency and effectiveness of our decision making. A new Safeguarding Incident Management System has been piloted and introduced with associated briefing and communications, as well as a revised training regime, which puts trainee caseworkers into production more quickly without compromising on quality.

There are a range of areas where DBS has played a key role in informing policy development and implementation e.g. legitimate interest of Local Authority Designated Officers, sector specific guidance for Welsh Assembly and the NHS as well as engagement with key sports organisations including the FA, The Welsh Sports Association and SAVE (Safeguarding And Victim Engagement through football).

We have developed our approach to enhanced data management capability. This is to facilitate data mining and advanced analytics using a data warehouse and investigative work in executing a small-scale data visualisation pilot.

We have completed an in-depth compliance assessment of the 183 Registered Bodies that submit 80% of applications. Assessments have been fully reviewed and guidance provided to those who required it to improve compliance.

Strategic Objective 2: Driving good value for money

This objective reflects the activities we undertake to continue to improve the efficiency and effectiveness of our products and services over the course of our strategy with the goal of reducing the cost of these.

Our ability to identify and deliver efficiencies did not reach the level targeted this year, with R1 implementation occurring later than planned and not delivering the level of improvements initially anticipated. Additional manual processes have been introduced and system performance has been slower than anticipated. This has meant that expected productivity levels are yet to be achieved. Despite this, we achieved reductions in some of our product costs and remain hopeful of delivering further savings in future years, once other aspects of our processes are modernised and we have benefited from a full year of issuing Basic Disclosures.

Positive progress has been made in a number of areas to set DBS up for greater success in the coming year, including introducing an efficiency framework to enable monitoring and support cultural change and increased accountability.

The financial implications of the delayed R1 implementation, inflationary pressures and increased Barring volumes, have all been absorbed within the prices first set when DBS was created. Fees have remained constant against rising inflation giving a real term reduction in fees over the past five years.

Strategic Objective 3: Meet customer needs and exceed expectations

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

R1 went live in Basics and Barring in September 2017. However, improvements continue to be made which will support performance and productivity enhancements going forward into 2018-19.

We successfully transitioned Basic Disclosures from Disclosure Scotland during the year. The published service standard of 90% of Basic Disclosures issued in 14 calendar days was exceeded by 1.83%.

Police performance has continued to improve resulting in the average police force turnaround times improving significantly to 7.33 days against an SLA of 12 days. Whilst we narrowly missed our 21-day Standard/Enhanced target, 98.8% of customers received their Disclosures within 56 days against a target of 96%, a historic high since DBS started. In addition, all Disclosure quality measures exceeded targets for the full year.

We made progress developing options to inform a revised police operating model, with three successful joint cross working groups looking at information flows to and from forces.

For the first time DBS have engaged with the Institute of Customer Satisfaction survey which has established a very high baseline with DBS coming second only to Her Majesty's Passport Office in their index. In addition DBS won the InMoment Customer Commitment Award at the UK Customer Satisfaction Awards. This has built on findings from the 2017 Ipsos Mori Customer Satisfaction survey, which once again demonstrated we continue to maintain strong levels of customer satisfaction.

Strategic Objective 4: Develop a talented workforce to inspire continuous improvement

This objective reflects the activities we undertake to ensure we adopt efficient and effective ways of working, whilst developing and enhancing the skills, knowledge and capability of our workforce.

Our people strategy contains the core elements of; attract, develop and retain. These are underpinned by continuous improvement and effective use of systems and data.

Progress on our target operating model continues and we successfully launched a Safeguarding, Strategy and Quality Directorate during the year. We also strengthened our senior management capability with newly appointed roles. As a result of these appointments we have changed structures and reporting lines to ensure that we are equipped to focus on performance and drive continuous improvement, creating opportunities for effective ways of working.

Development of our staff has been a key focus and this year we successfully launched our DBS Apprenticeship Programme and are on track to reach our 2.3% Public Sector apprenticeship target. We also progressed work on developing capability in the business, through development centres to identify talent and support succession planning and through internal recruitment and promotion activities.

In terms of attraction we completed the recruitment and induction of 230 people this year. A large portion of this recruitment is due to an introduction of an evening shift that enhances our delivery capacity. Our voluntary attrition (employee-led decision to leave the organisation) rate is low at below 5%.

We are still working towards a target of reducing average working days lost through sick absence to less than 9 working days, achieving 9.4 by the end of March 2018. A new sickness absence policy will be launched in 2018-19 supported by the upskilling of our managers in managing

sickness absence to maintain our focus on supporting wellbeing and reducing absence. This year we have laid the foundations for an engagement and wellbeing strategy such as the introduction of mental health first aiders. In addition, we are working through the implementation of a new employee database, which will provide us with management information to aid our decision making.

Strategic Objective 5: Is a highly valued public organisation

This objective reflects the activities we undertake to strengthen the trust in and awareness of the services we provide to support safeguarding.

The launch of a DBS Stakeholder Engagement Strategy has taken place this year to inform the way that the DBS connects with government departments, National Safeguarding Organisations, Registered Bodies, umbrella organisations and other relevant groups. This will influence and shape future policy development and service delivery.

Quality has been a key feature this year with DBS achieving the ISO 9001:2015 Certification in both Barring and Disclosure operations.

The appointment of new research staff in the new Safeguarding, Strategy and Quality Directorate has resulted in the beginnings of a new DBS research function. The first research focus is customer satisfaction and the Update Service.

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 charged to our Registered Bodies or online customers for Standard (£26) and Enhanced checks (£44) and for the Basic checks from September 2017 (£25). Basic checks were previously issued by Disclosure Scotland on behalf of DBS, under delegated authority from the Secretary of State.

Fees for Standard and Enhanced certificate levels and for 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.

Managing Public Money expects DBS to set its fees at a level that breaks even in the financial year. Effective cost controls and volume forecasting are important elements of our business planning as we can only set budgets on an in-year basis. In recent periods, DBS has made a surplus, due to later than planned R1 deployment (with depreciation charges only starting once the asset was available for use). The transition of Basic certificates from Disclosure Scotland brings additional income and costs that are reflected in our outturn position from September 2017.

Financial summary	2017-18	2016-17	2015-16
Volumes (numbers)			
Certificates issued (Standards and Enhanced)	4,242,449	4,335,385	4,214,541
Basics issued (launched September 2017)	352,148	0	0
Update Service live subscribers	1,321,545	1,002,586	696,883
Income	£'000	£'000	£'000
Total operating income	160,651	156,090	151,355
Expenditure			
Staff costs	32,798	31,029	28,704
Purchase of goods and services	95,341	105,338	91,298
Depreciation and impairment charges	17,248	4,010	5,233
Other operating and finance costs	3,915	793	1,852
Total operating expenditure	149,302	141,170	127,087
Net surplus	11,349	14,920	24,268

Although progressive growth in volumes and income has been reported over the past three years, 2017-18 has seen demand for paid Enhanced volumes fall slightly. However, income from Basic certificate checks from September 2017 has resulted in an overall increase in income.

Goods and service costs have fallen in-year reflecting a contractual reduction in ticket price paid to Tata Consultancy Services. This is offset by a very small increase in funding of police disclosure units.

Although a breakeven budget was originally set for 2017-18 our year-end position of £11.3m surplus is higher than anticipated due to a number of reasons with the key factors including:

- Supplier costs were £11 million lower than budget. This included the impact of reduced volumes from later than planned Basics deployment.
- Revised R1 deployment timings and an extension of the useful economic life of the R1 asset for Basics and Barring led to lower than expected depreciation charges in year by £11.6m.
- Underspends on staff costs of £3.4m.
- The net impact of a range of other variances to budget. Including the adjustment to asset write downs as detailed in notes 4 and 6 of the accounts and other underspends including those arising from later than planned R1 deployment, at an overall net cost of £0.9m.
- As a result of later than expected R1 deployment, we did not commence issuing Basic certificates until September 2017. This resulted in lower than expected income levels by approximately £12.4m. Also, other minor volumes differences totalling £1.3m arose across the range of products, offset against the underspends noted above.

As in previous years, the surplus generated in year has been recognised in general reserves, and the associated cash surplus is held in Government Banking Service accounts.

Managing Public Money requires DBS to set fees to cover the total expected costs incurred in year. Therefore fees are set excluding the impact of any surpluses generated in previous years. Having carried out an annual review of fees to ensure we have taken account of risk and changes in our cost base, the budget set for 2018-19 is set at a break-even position but recognises that there does remain a number of uncertainties and risks to our cost base, influenced by the timing of implementing R1 for our Enhanced and Standard disclosures.

DBS has identified within its 2018-19 Business Plan a need to assess our future fees to take account of anticipated savings from modernisation, including the impacts of the introduction of R1 in Barring and Basics.

SUSTAINABILITY REPORT (AND OTHER MATTERS)

Sustainable Development

Introduction and scope

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.
- Procure from small businesses with the aspiration that 25% of all spend in contracts should be awarded to small and medium enterprises.

Initiatives and areas for improvement

Our initiatives include:

- We have achieved a 7% reduction against the overall waste reduction target, based on the 2014-15 baseline.
- Our landfill rate stands at 44%, 10% less than our target, but we are working closely with our facilities management companies to increase the amount of waste diverted from landfill.
- Recycling rates stand at 53%, our aim is to increase this further and we are working with our facilities management companies to improve these.
- We have installed recycling points in our two buildings: for food waste, cans, paper, plastics and batteries.
- We have upgraded all lighting across DBS. This upgrade includes installation of presence-detection LED lighting which reduced costs, energy and CO₂e.
- We have increased the use of video-conferencing at our Liverpool and Darlington sites to reduce UK and international travel, and increased the use of the online booking facility to generate more accurate usage reports.
- There has been a 1% decrease in the amount of paper purchased since 2014-15. However, with the introduction of the new R1 IT system to enable Barring Referrals to be online we hope to realise a reduction in the next reporting year.

- Shredding and recycling of all paper waste at both sites through approved and accredited suppliers.
- Alignment with HO policy on sustainable procurement.

Stakeholders

Our principal sustainability stakeholders are the public, ministers, our staff and suppliers. Stakeholders 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.

Area	Metrics	2017-2018	2016-2017	2015-2016	2014-2015
Greenhouse gas emissions	Tonnes CO ₂ e	1,313	1,122	1,940	2,305
Building Energy*	Tonnes CO ₂ e	1,313	1,032	1,789	2,217
	kWh	4,082,000	2,918,169	4,721,437	6,003,280
	Expenditure (£)	383,468	283,010	478,131	543,446
Domestic Flights	Number	71	70	65	100
Office Waste*	Tonnes	71	34	47	66
	Expenditure (£)	£7,109	Not available	Not available	Not available
	Percentage recycled by weight	53%	53%	43%	45%
Water*	Cubic meters	6,619	5,554	13,975	7,388
	Expenditure (£)	45,808	35,802	43,929	25,307
Paper (A4 equivalent)	Reams	4,885	4,368	5,570	4,900
	Expenditure	19,902	17,710	13,155	10,743

(*Certain areas of DBS buildings are sub-let to other government bodies. The 2017-18 Building Energy and Waste figures below include tenants' use.)

Data quality

Carbon Smart provides a data-gathering and quality assurance. This carried out by the Estates Cluster Sustainability Team and Building Research Establishment on behalf of Department for Environment Food & Rural Affairs as a verification service for all Greening Government Commitments (GGC) 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. All data is UK-generated only.

Greening Government Commitments

DBS is considered part of the HO for GGC purposes. The data below shows DBS performance for the financial year ending 2017-18 against a 2014-15 baseline, unless otherwise stated. Central government met its 2020 target during this year and will be setting new carbon reduction targets for 2018-20.

Requirement	2017-18 performance	Achievement against target	Explanation where target not achieved
Reduce greenhouse gas (GHG) emissions by 42%	-43%		
Reduce domestic business flights by 30% (baseline 2014-15)	-30%		
Continue to reduce total waste against baseline (2014-15) and continue to improve against 2015-16	-7%		DBS is working closely with our stakeholders to help reduce waste produced.
Landfill waste to be less than 10%	44%		DBS is working closely with our facilities management companies to increase the amount of waste diverted from landfill.
Increasing the proportion which is recycled against 2014-15	53%		
Reduce paper use by 50% (baseline 2014-15)	<1%		DBS is now processing 50% of its basic disclosure checks online, reducing reliance on paper
Continue to reduce total estate water consumption and exceed 2014-15 levels	-10%		



Adele Downey
Chief Executive
5 July 2018



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, who leads a Senior Management Team of directors of relevant functions which are People; Finance and Commercial; Information; Stakeholder, Strategy and Quality; Disclosure Operations (based in Liverpool) and Barring Operations (based in Darlington). The Chief Executive Officer is also the accounting officer.

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 governs and underpins DBS, working with the Department for Education and Department of Health and Social Care.

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 DBS Chief Executive Officer, setting out the terms of financial delegation to spend money received by DBS from statutory fees.

The chair is appointed by the Secretary of State and reports to ministers. The Chief Executive Officer 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 and Chief Executive Officer meet 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 Chief Executive Officer by way of a letter of delegation.

In addition to the above delegation, the Secretary of State had issued a direction to DBS under Schedule 8(14) of the Protection of Freedom Act 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 was extended to January 2018. DBS began issuing Basic Certificates in September 2017.

Parliamentary correspondence

During 2017-18, all pieces of parliamentary correspondence were completed within the 95% target 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 2017-18 the HO ministers with responsibility for DBS were; Sarah Newton, Parliamentary Under-Secretary of State for Vulnerability, and Minister for Safeguarding and Countering Extremism until November 2017, followed by Victoria Atkins, Parliamentary Under Secretary of State for Crime, Safeguarding and Vulnerability.

Details of non-executive and executive board members can be found in the governance statement. A register of interests for board members was kept and updated regularly. This can be requested from DBS Secretariat or found at www.gov.uk/government/publications/dbs-register-of-interests

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 Protection of Freedom Act, 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 Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

- Observe the accounts direction issued by 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 Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.

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

Statement by Adele Downey:

'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.'



Adele Downey
Accounting Officer

5 July 2018

DBS Governance Statement: 1 April 2017 – 31 March 2018

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 nine-month and year-end statements of assurance from directors, have made the following assessment to cover the period of 1 April 2017 to 31 March 2018.

My overall assessment for the year is positive in relation to our financial stability in terms of our ability to manage current financial risk and the quality of operational delivery of Enhanced and Standard Disclosure certificates, with a sustained improvement with police performance. It is however a mixed picture with the delivery of a new IT system (R1), with both Barring and Basics having now gone live. As with any new IT system, some technical issues were anticipated, and the seriousness of these thwarted early progress within both deployments. Whilst some fixes have been implemented, we continue to work closely with our supplier to identify opportunities to further improve performance. Our new product, Basics, has been successfully launched with 352,000 issued this year, and the average turnaround time is exceeding our published service standard.

A number of factors have impacted on our Barring function including increased demand over the last two years and bedding in of the new system which has resulted in Barring Operations not meeting its performance targets. A joint action plan has been put in place with HO Sponsorship Unit and amongst other items includes the Barring transformation programme, which has been developed with a focus on process, quality and people.

Significant challenges remain with the outstanding deployment of the new Disclosure platform, for which commercial negotiations with Tata Consultancy Services are still ongoing.

My Senior Management Team is now complete with new appointments in place, increasing our capability and capacity 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 that apply to 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' 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 2018), its membership is made up of a non-executive chair, five non-executive directors, and three executive directors. The chair invited the HO Director of Public Protection, formerly the HO Director of Safeguarding (until October 2017), to every DBS Board meeting and their office receives copies of board papers. The board met on eight occasions between 1 April 2017 and 31 March 2018, supplemented by teleconferences and out of committee papers. The 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, the existing chair's appointment was extended and a recruitment campaign has been initiated for a new chair. Two existing non-executive directors have been extended for a further period of one year, with two reaching the end of their appointment periods at the end of November 2017.

The board effectively guided DBS through major challenges, such as oversight of the commercial relationship with Tata Consultancy Services and the subsequent re-planning 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 the board. It oversaw operational performance and discussed elements of strategic risks. Other issues that arose during the reporting period were around the challenges DBS faced in relation to the filtering legislation 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 June 2017, each committee presented an annual report of the activities undertaken over the past year as well as a separate effectiveness report. These reports are conducted annually and those covering the full 2017-18 reporting period will be presented early into the next financial year. Non-executive committee chairs and membership are detailed in the annex at the end of this statement.

Audit and Risk Committee (ARC): Provided advice and assurance to the board and Accounting Officer 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 the Finance and Performance Committee and Quality and Standards Committee over specific related issues and oversaw the DBS Assurance Framework. The committee met four times.

Finance and Performance Committee (F&P): 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 (QSC): 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. It scrutinised operational performance on behalf of the board. The committee met six times.

Remuneration and Nominations Committee (R&N): Assisted the board in the discharge of its responsibilities in relation to remuneration, pay and reward. The committee met four 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 Audit and Risk Committee 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 presented to Audit and Risk Committee. Any necessary plans which may be needed to strengthen the framework are developed and implemented.

Board

The board leads on the oversight of strategic risks. It owns the risk management framework and approved a revised Risk Management Framework during the year that defines the overall risk appetite for the organisation. The board also monitors the overall risk profile and undertook a review of new emerging strategic risks aligned with the new strategic plan in June 2017. This was followed by a further review and mid-year refresh in October 2017, which ensured they are linked to the overall strategic objectives. It has discussed strategic risks at each meeting since. Senior Management Team leads on corporate risks.

Audit and Risk Committee

Audit and Risk Committee provides assurance that adequate controls are in place and are being used effectively to manage risks and processes 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

Senior Management Team 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 Risk Improvement Forum. These arrangements are supported by discussions with HO Sponsor Unit to ensure that we adequately manage those strategic risks managed jointly with HO.

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

Each director provided the Accounting Officer 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

Risk Improvement Forum meets bi-monthly. The Director for Finance is accountable for effective operation of Risk Improvement Forum as a delegated function from Senior Management Team. As chair, he is supported by forum members who include representatives from each directorate and the risk manager. Risk Improvement Forum keeps under review the risk maturity of the organisation and provides assurance to Senior Management Team 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 provides an independent and objective audit service, operating to public sector internal audit standards, supported by an agreed audit methodology documented in the guidance 'Public Sector Internal Audit Standards'.

Head of Internal Audit attends Audit and Risk Committee, the R1 Programme Board and periodically attends Senior Management Team.

At the end of the financial year, Government Internal Audit and Assurance provides assurance in respect of DBS's governance, internal control and risk management framework. It also helps to ensure that the Accounting Officer, and Audit and Risk Committee meet the internal audit related requirements of 'Managing Public Money' and the 'Audit Committee Handbook'.

DBS has in place an internal audit programme for 2017-18, which Government Internal Audit and Assurance has delivered, covering both 'business as usual' and programme-related activity. Audit and Risk Committee oversaw this programme of work. The programme received progress reviews at both Senior Management Team and Audit and Risk Committee meetings. In addition, these forums also monitored the organisation's progress in implementing management actions arising from Government Internal Audit and Assurance reports. The Head of Internal Audit has provided a moderate overall opinion, with some improvements identified to enhance the framework of governance, risk management and control. Key observations made include:

- The impact of ongoing challenges in implementing R1, the resulting increase in external scrutiny and the consumption of senior resource to manage the associated operational, reputational and commercial impacts.
- The risks DBS faces from extended use of its existing systems and the effectiveness of how management are managing and mitigating these.

- Performance by DBS against its published service standards, noting improved Disclosure timeliness performance, and that Barring did not meet its monthly timeliness metrics during the year.
- Effectiveness of governance and the recent strengthening of Senior Management Team and changes in other members of the board.
- The findings of an audit in year of risk management, and the good progress made in implementing the actions arising.
- The findings of our audit of key financial controls which provided substantive assurance in two out of three areas, and moderate in the third.
- The reliance DBS places upon processes outsourced to third parties, and whilst no instances were identified of service failures, the need to seek greater assurances over the adequacy of service provision.

Financial management

Processes, controls, risk management and fraud prevention strategies delivered good financial management and appropriate levels of propriety, regularity and value for money.

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 the 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 Senior Management Team each month as part of a wider management information pack and also to every board 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 Tata Consultancy Services, DXC Technology and Home Office Digital Data and Technology. Barring and Basics are now live but technical and commercial challenges have delayed the implementation of Disclosure R1. Whilst this has deferred some of the benefits associated with staffing, substantial benefits related to the contractual ticket price for services are being realised. There remains significant commercial challenges as negotiations with Tata Consultancy Services remain ongoing.

Following allegations of problems with the HO's initial procurement for the new modernised IT platform, and delays to its implementation reported in our previous Annual Reports, the National Audit Office undertook an investigation. This was a factual evaluation concerning the original 2012 business case developed by the HO and the benefits that have been delivered subsequently by DBS. In addition to reporting on the delays in implementation the report comments on the cost increases DBS has faced compared to estimates in the original business case, which principally arise from changes in product volumes and mix, as well as the delays in deployment and its

benefits. Update Service volumes in particular have not met the assumptions in the business case, meaning the expected savings in the business case have not been fully achieved. The report was published in February 2018 and was subject to a hearing of the Public Accounts Committee in March 2018. The PAC recommended that DBS keep the committee updated on the outcome of the commercial discussions with Tata Consultancy Services and ensure any revised contract minimises cost and risk for the taxpayer. It also recommended DBS clarify the value, tracking and measurement of benefits that will be achieved from the contract and for DBS to review its fees to consider how we can provide our products and services at a lower cost to the customer.

Although the delay is disappointing, our primary focus is safeguarding. DBS will only go live with Disclosure when we are absolutely assured that it will meet our customer's needs to ensure a safe transition for what is our primary live service. The DBS digital team continues to develop its expertise with Government Digital Service and successfully launched the Basic Digital Service during the year, enabling individual customers to apply online through the Gov.uk website. This is the first digital service to be launched by the DBS and has been commended by Government Digital Service due to the utilisation of three separate government digital platforms, notably Gov. Verify, Gov.Notify and Gov.Pay.

The Cabinet Office Infrastructure and Projects Authority is being kept informed and continues to review progress.

2. Leadership of Barring function

Senior Management Team continued to manage the lack of capacity and leadership of the Barring function during the year. Following the appointment of a Director in September 2016, a new Chief Operating Officer was appointed during the year with overall responsibility for DBS Operations. An Associate Director appointment further strengthened DBS Operations (Barring). Two substantive Grade 7 vacancies were also filled and the combination of all these appointments has had a significant positive impact.

The cultural change needed and the technical challenges following R1 implementation has required a new approach with the development of a transformation plan. The plan has three main areas – Process, Quality and People supported by work streams in relation to communication, IT and stakeholder engagement. It is now fully established as a formal programme. The delivery lead is seconded from the Barring Directorate Management Team, bringing a combination of experience and knowledge which will be invaluable to this key work. The Barring Transformation Programme is already well established and a number of initiatives are currently underway. These are specifically aimed at reducing Work in Progress, increasing quality and improving productivity.

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

Historically, work in progress within DBS Operations (Barring) increased due to a number of factors. Intake continued to exceed output as more people are being considered for a Bar, which takes longer to process. The volume of referrals to DBS had also increased by 38% (from 2014-15 to 2016-17). Although additional resources were recruited there is a lag until they are deemed to be fully productive.

Technical challenges following the implementation of R1 have exacerbated this and we have taken a number of steps to mitigate this risk. External advice and guidance (including a review by the HO Continuous Improvement Unit) has facilitated a strengthening of internal processes including forecasting, which will be incorporated into the Barring Transformation Programme. In addition, the first iteration of a new Capacity Planning Model was completed in April 2018. This will allow Barring to ascertain an 'optimum' work in progress level, allocate full time equivalent resource in order to meet a range of priorities including key performance indicators/internal targets and forecast how work in progress will reduce between now and 2020.

As mentioned, work in progress levels increased following R1 go-live. However, Barring completed a range of activities aimed at improving caseworker productivity realising the benefits of process automation within R1 (as transitional issues are fixed). As a result, quarter 4 saw significant improvements in case closure volumes together with caseworker productivity. This has seen a decrease in work in progress levels.

The difference in R0 and R1 Management Information has been evident and is a short-term issue that will remain until 31 March 2018, as we transition from R0 to R1 reporting methods.

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 of the Human Rights Act 1998. Ministers are considering their position, pending any further legal action. The HO and Ministry of Justice are jointly defending litigation against the current criminal records disclosure regime. The government's appeal will be heard in the Supreme Court in June 2018.

HO ministers invited the Law Commission to review the specified list of offences (the 'never-filter list') that informs the filtering arrangements. It was identified that certain offences were incorrectly included in the operational list provided to DBS by HO. HO asked DBS to remove the offences from the operational list and to contact affected applicants to make them aware of the process for obtaining a replacement certificate. The revised list was put in place in June 2017. All customers affected by incorrect filtering were contacted between September 2017 and January 2018. For those customers that have subsequently requested redress we are working together with HO to effectively deal with these complaints as quickly as possible.

5. Transition of Basics applications from on-boarded Responsible Organisations may be lower than originally forecasted up to year-end.

Basic checks began transitioning to the DBS from Disclosure Scotland from September 2017 and needed to be completed by June 2018, in accordance with the delegation. The initial on-boarding of Responsible Organisations was slower than initially expected or committed to by the Responsible Organisations within the schedule. This led to lower than anticipated income due to volumes not meeting the original forecast. Mitigating actions were undertaken during this period including proactive marketing and communications plans with the remaining Responsible Organisations to ensure volumes transferred by the end of January 2018. Transition has fully concluded and volumes exceeded the revised forecast to the end of March 2018 and we are tracking to volumes for 2018-19.

Performance review

Operationally DBS continue to focus on timeliness and quality. During the reporting period, we met four out of the seven published performance measures, including the two new Basics targets. We missed the 21-day certificate timeliness target, the percentage of Barring cases closed in three months and our quality target for Barring.

During the year we worked with the police to achieve a sustained improvement in police force performance, which had a positive impact for customers through reducing the number of aged disclosure cases, and improving our performance against the 56-day timeliness target.

Barring timeliness has been affected by a number of issues including increased volumes, an increase in the time for receipt of third party information, more cases reaching minded to Bar status and the time lag between recruitment of new staff and those staff being signed off as competent and independent decision makers.

In April 2018, we introduced a revised system for measuring Barring quality. A much higher proportion of decisions are now checked independently and a moderation panel approach has been introduced. The revised arrangements now provide additional assurance and are already highlighting a higher number of cases to be reworked before the decision is communicated to the customer. This means it is unlikely the quality performance target will be recovered in the coming year.

Data protection

As detailed in last year's statement, an audit was undertaken by the Information Commissioner's Office of the Barring function in August 2016. The audit focused on security of personal data and data sharing processes. The audit report and action plan outlined areas of good practice, broad areas for improvement and a number of individual recommendations. A follow-up audit was conducted in September 2017 and the Information Commissioner's Office reviewed the updated action plan and the evidence submitted in support and they have acknowledged the progress and improvements made.

The General Data Protection Regulations came into force in May 2018 and DBS planned well in advance in order to transition across to the new regime. A General Data Protection Regulation working group was established which includes representation from across the business that are responsible for taking forward the action plan so that delivery of the requirements can be monitored. We had undertaken an impact assessment to identify any changes that may be required to our operational processes, systems, policies and procedures to ensure our compliance by May 2018; in addition we worked closely with our supplier in order to make technical changes where appropriate.

The Data Protection Officer and the Information Governance Officer have delivered the annual Data Protection Update training mandated for all staff which reflected the new requirements.

DBS takes data loss extremely seriously and self-reported to the Information Commissioner's Office a single matter this year which has not yet been concluded. This year's data losses are detailed in the table in the 'Security, Information and Assurance' section below.

Compliance

DBS is established and defined under Schedule 8 of Protection of Freedoms Act. 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 the board has reviewed. 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 and the resulting investigation regarding R1 is referenced above.

We publish board members' expenses on the Gov.uk website under the DBS publication scheme. Any DBS spend over £25,000 follows 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.

Security, information management and assurance

DBS security provides a fully embedded Security Accreditation and Small and Medium Enterprise service to key DBS projects. This resulted in interim accreditation being provided to R1 Barring and Basics Phase 1 go-live and the launch of Public Beta for the in-house Basics Digital Service.

DBS security continues to provide support for the R1 Disclosure programme. In addition, the Security team has introduced and managed the delivery of a supplier assurance framework that is broken down into three key areas.

Operational assurance

This involves auditing Tata Consultancy Service's own Security Operational Assurance Framework against 106 documented Information Security Management System Controls and ensuring that Tata Consultancy Services security has appropriate evidence that the controls are in place and being periodically tested.

The last assurance year (finished November 2017) ended with an overall score of low assurance. Since November 2017 Tata Consultancy Services has been working on a revised assurance framework, comments have been returned and assurance work will resume once the final content has been agreed. This matter has been raised at weekly and monthly Operational Security meetings since December 2017. The number of visits outstanding was seven at the end of the financial year.

Third party site visits

This involves DBS security conducting physical security audits of all sites that house or process DBS data. The team has conducted five of the nine scheduled physical security audits for this year, with the remaining four audits deferred due to supplier availability. As above, this issue has been raised at Operational Security meetings. It is anticipated that the arrangements for the network provider will commence shortly. A DBS-only visit is due to take place to review the Barring off-site storage in April 2018.

Security view assurance

This involves the team carrying out audits of the controls Tata Consultancy Services have put in place to manage the use of live applicant data within test environments. The team has conducted two audits against two security views with the 'non compliances' identified resulting in a minimal assurance rating. The issues identified form an action plan, the completion of which is monitored by the security team and discussed with Tata Consultancy Services.

The team has also drafted and implemented an internal Assurance Framework that checks how DBS internal controls are operating. This was implemented in October 2017 and will be conducted monthly going forward.

Staff facing security policies and procedures have been reviewed and updated during this reporting period, communicated to staff with drop in sessions held to provide staff with the opportunity to discuss the content and raise any questions to aid understanding of their responsibilities.

The Data Management Group chaired by the Chief Information and Digital Officer continues to ensure continued strategic oversight of our data management arrangements.

DBS is fully compliant with Level 1 of the HO group Information Management Maturity Model (One3M) and has achieved Level 2 and 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 and records advisor communities are established across both sites, along with one central asset register. All staff are required to complete the Cabinet Office's 'Responsible for Information' e-learning which is now monitored via the Performance Management process.

Since 1 April 2017 the number of applicants whose Disclosure certificates containing information were sent to an incorrect address has reduced to five out of approximately 4.4 million certificates issued. These are detailed in the table below.

We have one incident of unauthorised disclosure that we self-reported to the Information Commissioners Office which is still currently under investigation.

Date of incident	Nature of incident	Nature of data involved	Number of people potentially affected
February 2018	Address discrepancies leading to Basic certificates being delivered to wrong addresses.	Applicants Names including other names, Date of Birth, Place of Birth 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.	Two applicants with certificates issued containing police information and 16 clear certificates.

Other incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner’s Office but recorded centrally within DBS are:

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	2
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	7
V	Other	0
Total		9

Freedom of Information

The publication scheme includes five comprehensive sets of data which can be viewed on our website.

100% of freedom of information requests handled during the year were responded to within the statutory time limits.

Business continuity planning

As we move towards full implementation of R1, a revised set of business continuity and disaster recovery plans have been written by Tata Consultancy Services. The Business Impacts Assessments have been reviewed and agreed 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. Tata Consultancy Services is contractually obliged to review the business continuity plan every six months, which it has done, and conduct a test not less than once a year with outputs being reviewed by DBS.

People Management

DBS is accredited to recruit via 'civil service jobs' by the Civil Service Commission until 21 June 2019. As such DBS abides by the Civil Service Recruitment Framework. A recent audit by Government Internal Audit and Assurance on DBS recruitment gave an overall assurance rating of 'Moderate' with a total of five recommendations (two high and three general systems improvements). These recommendations will be taken forward in 2018-19 with the development of a recruitment strategy and a full review of the recruitment policy and procedures.

DBS has a Strategic Workforce Planning Forum chaired by the Deputy Chief Executive with director level membership. The forum sits monthly, reports to the Senior Management Team and is responsible for strategic, evidence-based advice and information on DBS's organisational development. It also guides the development of priorities and workforce plans to monitor and evaluate the effectiveness of DBS's workforce management planning framework.

This year saw the development and publication of a three-year People Strategy with five main pillars: Attract; Develop; Retain; Excellence in leadership and Management; A modern DBS workplace. The board will hold the business to account on its delivery through quarterly reporting.

Programme and project management

Programme and project management disciplines have been developed through both recruitment and training initiatives, resulting in a number of significant projects being delivered alongside the R1 programme. A standardisation of project reporting and governance has allowed for a consistent view of activity and progress across the DBS portfolio. A move to adopt the newly released Government Project Delivery Capability Framework has simplified the recruitment process overall.

Delivery of the R1 Basics and Barring platform into production and the Digital Basics C2B product during this period evidences the department's delivery capability. We will build on the success of our digital capability and exploit opportunities for improvement and change. The focus now is to develop the Portfolio function at pace and ensure strong alignment exists between the DBS strategy and the change portfolio.

Overall assessment

I am satisfied that the risk management processes in place are adequate and that the assurance provided by Audit and Risk Committee to the board is effective. Alongside this, the management of corporate risks by the Senior Management Team and Risk Improvement Forum 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 Senior Management Team, Government Internal Audit and Assurance and Audit and Risk Committee 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 Accounting Officer. In addition, the risk management framework continues to be enhanced and the work of the Risk Improvement Forum 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. A new quality assurance framework was approved and is now in the process of being implemented. These arrangements 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.

Our successes during the year in improving police performance and the introduction of our new product Basic checks are balanced against my disappointment with continuing R1 delays, the technical issues with the initial release, and our failure to meet three of our seven published service standards. These matters, which include dependencies 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.



Adele Downey
Accounting Officer
5 July 2018

Board members' attendance (1 April 2017 – 31 March 2018)

Name	Role	Board	ARC	F&P	QSC	R&N
Bill Griffiths	Chair	8				
David Clarke*	Non-executive director ARC chair (until November 2017)	6	3	2		3
Tom Davies*	Non-executive director R&N chair (until November 2017)	6	3		3	3
Catherine Doran	Non-executive director F&P chair (until November 2017) R&N chair (from December 2017)	6		4	5	1
Kath Tunstall	Non-executive director QSC chair	7			6	4
Glenn Houston	Non-executive director	7	4		6	1
Andy Nelson**	Non-executive director R1 Programme Board representative (F&P chair (from December 2017))	6	1	4		
Caroline Anderson	Non-executive director ARC chair (from 1 December 2017)	7	4	3		
Adele Downey	Chief Executive Officer	7				
Ian Johnston	Director for Operations (Disclosure)	7				
Paul Whiting	Deputy Chief Executive and Chief Financial Officer	8		3		

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

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

** D Clarke and T Davies left DBS Board at the end of November 2017.*

*** A Nelson was non-executive representative on the R1 Programme Board, which meets monthly.*

REMUNERATION AND STAFF REPORT (AUDITED)

Remuneration Report – overview

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

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 Chief Executive Officer were appointed by the Secretary of State in accordance with the code of practice for public appointments issued by the commissioner for public appointments. The Secretary of State determined remuneration and allowances for the chair and each of the board members.

Any increase in the Chief Executive Officer'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 Chief Executive Officer's pay is considered, the Chief Executive Officer 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 Nomination 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.civilservicecommission.org.uk

Bill Griffiths, the DBS chair, was appointed on 1 December 2012 for a period of five years. His term was extended for up to a further year in November 2017. Other board members have been appointed for a period of three years. Kath Tunstall and Catherine Doran have been given a one year extension to March 2019.

The Chief Executive Officer, 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 2018 amounted to £41k. Expenses were paid in accordance with the DBS policy.

	Salary (£)		Benefits in kind		Total	
	(£'000)		(to the nearest £100)		(£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Non-executives						
Bill Griffiths, Chair	40-45	40-45	600	1,200	40-45	45-50
David Clarke, Left 30 Nov 2017	5-10 (10-15)	10-15	300	900	5-10	10-15
Tom Davies, Left 30 Nov 2017	5-10 (10-15)	10-15	2,200	2,200	10-15	10-15
Caroline Anderson, started 26 April 2017	10-15	0	1,400	0	10-15	0
Glenn Houston	10-15	0-5 (10-15)	1,700	200	10-15	0-5
Andy Nelson	10-15	0-5 (10-15)	900	300	10-15	0-5
Catherine Doran	10-15	10-15	1,900	3,800	10-15	15-20
Kath Tunstall	10-15	10-15	1,900	2,000	10-15	10-15

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.

	Salary (£'000)		Benefits in kind (to nearest £100)		Bonus payments (£'000)		Pension benefits (£'000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
	Executive directors									
Adele Downey Chief Executive Officer	120-125	120-125 (115-120)	0	0	0	0	9	379	125-130	500-505
Ian Johnston Director for Operations (Disclosure)	85-90	85-90	0	0	5	0	34	34	125-130	120-125
Paul Whiting Deputy Chief Executive and Chief Financial Officer	100-105	100-105	0	0	0	5	40	40	140-145	140-150

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.

Under the terms of the pension scheme arrangements, Adele Downey transitioned to the Alpha scheme part way through 2017-18. The change in scheme, benefit calculation and accrual rate also makes direct comparison of the pension benefit between the two periods difficult.

PENSION BENEFITS

Pension information for 2017-18 is shown in the table below:

Executive directors	Accrued pension at pension age as at 31/03/18 and related lump sum (£'000)	Real increase in pension and related lump sum at pension age (£'000)	CETV at 31/03/18 (£'000)	CETV at 31/03/17 (£'000)	Real increase in CETV (£'000)
Adele Downey <i>Chief Executive Officer</i>	60-65	0-2.5	1,081	1,012	2
Ian Johnston <i>Director for Operations (Disclosure)</i>	5-10	0-2.5	100	71	19
Paul Whiting <i>Deputy Chief Executive and Chief Financial Officer</i>	5-10	0-2.5	103	72	20

Under the terms of the pension scheme arrangements, Adele Downey transitioned to the Alpha scheme part way through 2017-18. The change in scheme, benefit calculation and accrual rate also makes direct comparison of the real increase in CETV between the two periods difficult.

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 4.6% and 8.05% for members of Classic, Premium, Classic Plus, Nuvos and 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 his 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 PCS or Alpha – as appropriate. Where the official has benefits in both the PCS 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 the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer values

A cash equivalent transfer value 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 cash equivalent transfer value 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. Cash equivalent transfer values 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 cash equivalent transfer values 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.

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 director's place of work was classified as dual for both sites.

Bonuses

The terms of appointment for the chair, Chief Executive Officer 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.

Pay multiples	Year ending 31 March 2018 Salary	Year ending 31 March 2017 Salary
Highest paid director's total remuneration	£120,000-£125,000	£115,000-£120,000
Median paid employees total remuneration	£23,622	£23,352
Number of employees paid more than the highest paid director	0	0
Ratio	5.19	5.03
Salary ranges	£10,000-£15,000 to £120,000-£125,000	£10,000-£15,000 to £115,000-£120,000

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

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

Reporting of Civil Service and other compensation schemes – Exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	–	2 (6)	2 (6)
£10,000-£25,000	–	2 (0)	2 (0)
£25,000-£50,000	–	0 (1)	0 (1)
£50,000-£100,000	–	0 (1)	0 (1)
£100,000-£150,000	–	0 (0)	0 (0)
£150,000-£200,000	–	0 (0)	0 (0)
Total number of exit packages	–	4 (8)	4 (8)
Total cost/£'000s	–		42k

Comparative data for 2016-17 in brackets

Exit 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 the full year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not the civil service pension scheme. Ill health retirement costs are met by the compensation scheme and not included in the table.

Workforce

As at the 31 March 2018 we employed 913.86 full time equivalent employees. In total, we have employed 1,184 members of staff, 997 permanent and 187 fixed term contract employees during 2017-18.

Analysis of staff costs

	Staff numbers (headcount throughout the year) 2017-18	Staff costs 2017-18 £000
Directly employed	997	29,964
Fixed term appointment	187	2,146
Agency staff	6	38
Contingent labour in year	6	650
Total	1,196	32,798

Our staff

We have continued to invest in development centres to strengthen our leadership capability; this has helped us to identify our future leaders, learning opportunities and succession planning which has manifested through internal recruitment and promotion activities.

We defined an approach to apprenticeships, and it is on a trajectory to reach our 2.3% public sector apprenticeship target by 2020.

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’re 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 for our actions, understanding the seriousness of the work we do and the 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

Wellbeing and Employee Engagement

Employee engagement and wellbeing is high on our agenda and following on from employee engagement surveys last year we have implemented stress surveys and smaller more directed engagement surveys to ascertain levels of engagement and areas to focus whilst we operate in an ever-changing environment. Through partnership with a national recognised body we have delivered mental health awareness training for over 100 staff.

Our senior management team seek to regularly engage with the workforce through regular town halls, 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.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require certain public sector employers to publish information on facility time used by Trade Union representatives. This document sets out the relevant Trade Union facility time data for the DBS covering the period 1 April 2017 to 31 March 2018.

The information is based on a number of assumptions for Public and Commercial Services union facility time. Although it is known that 1.5 full time equivalent of DBS staff is dedicated to Public and Commercial Services union duties, estimates have been used for the remaining 20 confirmed representatives of Public and Commercial Services union.

1. Number of Trade Union Representatives – Disclosure and Barring Service

This data gives the total number of employees who were Trade Union representatives during the period 1 April 2017 to 31 March 2018.

Number of employees who were Trade Union representatives (DBS)	Number of employees who were Trade Union representatives expressed as a Full Time Equivalent number (DBS)
22	6.2

2. Percentage of time spent on facility time

This data shows how many of the employees who were Trade Union representatives employed during the period 1 April 2017 to 31 March 2018 spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time spent on facility time (DBS)	Number of employees (DBS)
0%	
1-50%	21
51%-99%	
100%	1

3. Percentage of pay bill spent on facility time – Disclosure and Barring Service

This data shows the percentage of the total pay bill spent on Trade Union facility time during the period 1 April 2017 to 31 March 2018.

Total cost of facility time	£0.2m
Total pay bill	£32.8m
Percentage of the total pay bill spent on facility time	0.61%

4. Paid Trade Union activities – Disclosure and Barring Service

This data shows, as a percentage of total paid facility time hours, the number of hours spent by employees who were Trade Union representatives during the period 1 April 2017 to 31 March 2018, on paid trade union activities.

Time spent on paid TU activities as a percentage of total paid facility time hours	DBS do not currently collect the information necessary to report this. We are in the process of introducing measures that will enable DBS to monitor and report this information in future periods
--	--

Equality and Diversity

DBS is committed to embedding considerations of equality and diversity in all that it does. DBS 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.

DBS encourages 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, the DBS has statutory duties placed upon it under the Equality Act 2010 that state it must have due regard of the need to:

- Eliminate discrimination, harassment and victimisation
- Advance equality of opportunity
- Foster good relations

DBS wants its workforce to reflect the diversity of its customers and to develop and use the collective experience of that diverse workforce to deliver a high-quality service. DBS operates the Guaranteed Interview Scheme and have an established team, dedicated to ensuring reasonable adjustments.

Assumptions are not made about an individual's equality characteristics. Staff self define their 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 those staff that has not provided their equality characteristics.

Diversity Data

Gender		Working Pattern	
Female	60.32%	Part Time	38.12%
Male	39.68%	Full Time	61.88%
Age Band		Age Band	
<20 Years	0.94%	45-49 Years	13.98%
20-24 Years	5.44%	50-54 Years	12.76%
25-29 Years	9.10%	55-59 Years	10.60%
30-34 Years	12.01%	60-64 Years	3.28%
35-39 Years	15.95%	65+ Years	1.69%
40-44 Years	14.26%		

Ethnicity		Minority Ethnic	2.48%
		White	97.52%
Surveyed		Prefer not to say	3.47%
		Response Given	94.56%
		Declaration Rate	98.03%
			1.97%
Not Surveyed			
Disability		Disabled	6.94%
		Non-Disabled	93.06%
Surveyed		Prefer not to say	3.47%
		Response Given	94.56%
		Declaration Rate	98.03%
			1.97%
Not Surveyed			
Sexual Orientation		LGBT	2.46%
		Heterosexual / Straight	97.54%
Surveyed		Prefer not to say	2.44%
		Response Given	95.59%
		Declaration Rate	98.03%
			1.97%
Not Surveyed			
Religious Belief		Other Religions	37.97%
		Christian	62.03%
Surveyed		Prefer not to say	7.60%
		Response Given	90.43%
		Declaration Rate	98.03%
			1.97%
Not Surveyed			

The DBS is committed to improving equality of its pay and reward strategy and will look to address any issues in relation to gender. DBS regularly monitors equality within the workforce and has a wider equality and diversity agenda which endeavours to ensure that fair and equitable practices exist. Further to the publication of our 2017 gender pay gap report there is scope to make further improvements and as such DBS will:

- Monitor pay and the distribution of reward throughout the year to ensure that consistency and fairness is maintained
- Carry out a full detailed analysis of options for the DBS pay and reward framework, consider options such as, but not limited to, introduction of spot rates and shortening of pay ranges
- Mandatory diversity and inclusion training for all employees
- Since 31 March 2017 several appointments have been made to senior positions and at the time of reporting there are five men and four women at Senior Civil Service level.
- In addition to the gender pay gap report DBS will also report mid year to monitor the gap.

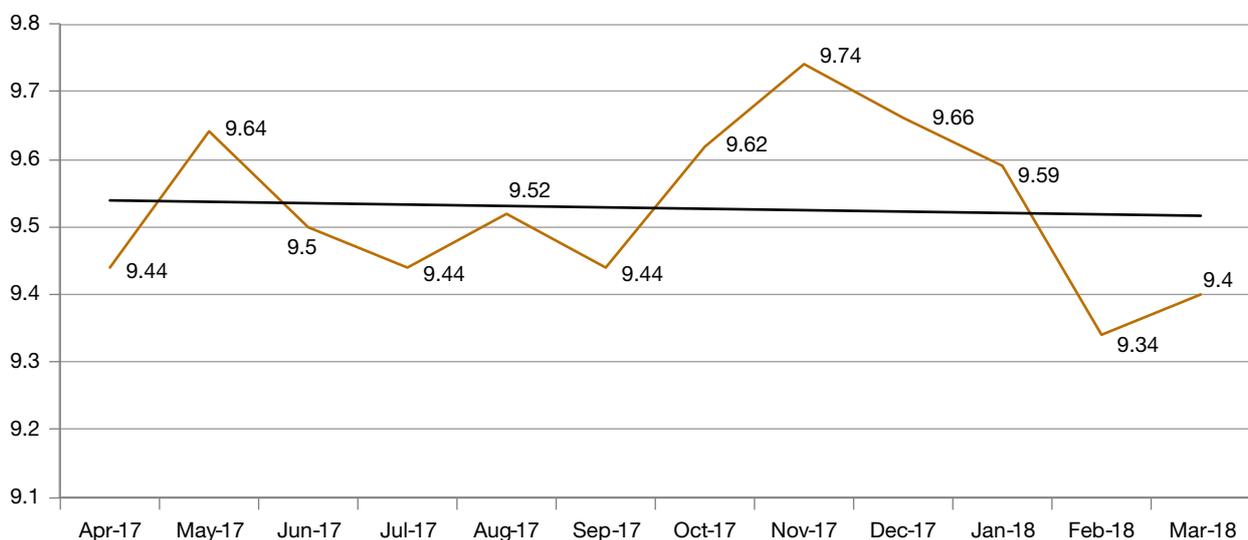
Sickness Absence Levels

In the previous fiscal year 2016-17, the average number of days per person recorded as sickness was 9.34 at the end of March 2017.

The average number of days per person recorded as sickness over the last 12 months was 9.40 as at the end of March 2018. Extensive efforts to reduce the average working days lost per employee continue across DBS.

The health and wellbeing of our workforce is a continuing priority for the management of DBS. Support to individuals and their managers to ensure correct and timely advice is provided has been key.

Rolling Year Average Working Days Lost



Spend on consultancy/temporary staff

During the year there were six off-payroll engagements (contingent labour) totalling £0.65m, with all six contractors being paid more than £245 per day.

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

The table provides the total number of off-payroll engagements as at 31 March 2018 who are earning in excess of £245 per day, and their duration of engagement at the time of reporting.

	Number of appointments
Number of existing engagements as of 31 March 2018	5
Of which:	
Number that have existed for less than one year at time of reporting	3
Number that have existed for between one and two years at time of reporting	2

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 2017 and 31 March 2018, for more than £245 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 2017 and 31 March 2018	4
The number of these engagements which were assessed as caught by IR35	1
The number of these engagements which were assessed as not caught by IR35	3
The number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	0
Of which:	
The number that were reassessed for consistency/assurance purposes during the year whom assurance has been requested but not received	0
The number that saw a change to IR35 status following the consistency review	0

The third table is for any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018.

	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. It 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 fees for Basics (£25), Standard (£26) and Enhanced (£44) criminal records checks. Fees for Standard and Enhanced 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 and 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 four cases of fruitless payments (payments without corresponding receipt of service) as at 31 March 2018 (2016-17: Six cases). The amount paid was £516 (2016-17: £959).

There were 161 cases of ex-gratia payments as at 31 March 2018 (2016-17: 158 cases). The total amount paid was £57,521 (2016-17: £122,000). 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.

Adjustments have been made within the financial statements for the following amounts, which may be considered to be fruitless payments:

- Write down a previous prepayment of £2.7m within Other Operating Expenditure (further details included in Note 4)
- Impairment losses of £6.7m for assets under construction being charged to Total Operating Expenditure (further details included in Note 6).

Audit fees (audited)

These financial statements have been prepared in accordance with Protection of Freedoms Act 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 National Audit Office 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 2018. 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

Activity	2017-18					2016-17
	Income £'000	Costs £'000	Surplus/ (Deficit) £'000	Actual % recovery	Planned % recovery	Surplus/ (Deficit) £'000
Enhanced DBS checks	130,736	(106,062)	24,674	123%	100%	21,482
Standard DBS checks	7,919	(6,807)	1,112	116%	100%	526
DBS Adult First	964	(2,050)	(1,086)	47%	100%	184
Update Service	12,476	(22,343)	(9,867)	56%	100%	(7,284)
Basics	8,365	(12,015)	(3,650)	70%	100%	-
Other*	191	(25)	166	774%	100%	12
Total	160,651	(149,302)	11,349			14,920

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

A description of the key DBS products can be found in the Performance Report 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.

This information is provided for the Fees and Charges requirements of HM Treasury note only and not for International Financial Reporting Interpretations Committee (IFRIC) 8 purposes.

For International Financial Reporting Standards (IFRS) 8 purposes please refer to Note 2 to the accounts, Statement of Operating Costs by Operating Segment.

Notional Cost per paid applications received in 2017-18

	*Costs £'000	Applications 000	Notional Cost £
Enhanced DBS checks	106,062	2,966	35.76
Standard DBS checks	6,807	307	22.18
Update Service Subscriptions	22,343	960	23.28
Basics **	12,015	352	34.12

* Depreciation charges apply to all products whilst the cost of capital is excluded

** The unit cost for processing a Basic check application was significantly above the set fee level of £25 principally due to the fee being set on annual volume levels whilst the product was implemented part way through the year and with a phased transition from the previous service provider.

Notional cost per paid and volunteer applications received in 2017-18

	Costs £'000	Applications 000	Notional Cost £
Enhanced DBS checks ***	106,062	3,824	27.74
Standard DBS checks ***	6,807	325	20.98
Update Service Subscriptions	22,343	1,318	16.95
Basics	12,015	352	34.12

*** Cost of processing a paid DBS check application is based on 21.1% (Update Service 27.2%, Basic 0%) of the figures shown above being free-of-charge. Used for full-cost recovery purposes.



Adele Downey
Accounting Officer
5 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Disclosure and Barring Service (DBS) for the year ended 31 March 2018 under the Protection of Freedoms Act 2012. The financial statements comprise: DSB' Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the information in the Performance and Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of DBS' affairs as at 31 March 2018 and of the DBS's net expenditure; and
- the financial statements have been properly prepared in accordance with the Protection of Freedoms Act 2012 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the DBS in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Protection of Freedoms Act 2012.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the DBS's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the DBS's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am also 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Performance and Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Performance and Accountability Report to be audited have been properly prepared in accordance with Protection of Freedoms Act 2012 and Secretary of State directions made;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 Performance and Accountability Report 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
Comptroller and Auditor General
Certified by the auditor general on 12 July 2018.

National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP



Financial Statement

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

		2017-18	2016-17
	Note	£'000	£'000
Income from sale of goods and services	5	(160,485)	(155,368)
Other operating income		(166)	(722)
Total operating Income		(160,651)	(156,090)
Staff costs	3	32,798	31,029
Purchase of goods and services	4	95,341	105,338
Depreciation and impairment charges		17,248	4,010
Provision expense		602	(68)
Other operating expenditure	4	3,313	641
Total operating expenditure		149,302	140,950
Net operating expenditure		(11,349)	(15,140)
Finance expense		-	220
Net expenditure for the year		(11,349)	(14,920)
Other Comprehensive Net Expenditure		2017-18	2016-17
	Note	£'000	£'000
Items which will not be reclassified to net operating costs:			
Less Net (gain)/loss on revaluation of property plant & equipment		(55)	(19)
Less Net (gain)/loss on revaluation of intangible assets	6	(88)	(196)
Comprehensive net expenditure for the year		(11,492)	(15,135)

The notes on pages 61 to 77 form part of these accounts.

Statement of Financial Position as at 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Non-current assets:			
Property, plant and equipment		1,177	1,320
Intangible assets	6	26,229	40,193
Trade and other receivables	8	–	543
Total non-current assets		27,406	42,056
Current assets:			
Trade and other receivables	8	23,394	25,016
Cash and cash equivalents	9	81,636	59,346
Total current assets		105,030	84,362
Total assets		132,436	126,418
Current liabilities:			
Trade and other payables	10	(43,389)	(48,872)
Provisions		(1,081)	(1,062)
Total current liabilities		(44,470)	(49,934)
Total assets less current liabilities		87,966	76,484
Non-current liabilities:			
Provisions		–	(10)
Total non-current liabilities		–	(10)
Total assets less total liabilities		87,966	76,474
Taxpayers' equity and other reserves:			
General fund		87,650	76,173
Revaluation reserve		316	301
Total equity		87,966	76,474

The financial statements on pages 57 to 60 were approved by DBS Board on 21 June 2018.

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

Signed:



Date: 5 July 2018

The notes on pages 61 to 77 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Cash flows from operating activities			
Retained income for the year		11,349	14,920
Adjustments for non-cash transactions		17,913	3,968
(Increase)/decrease in trade and other receivables	8	2,165	(5,830)
<i>Less movements in receivables not passing through the Statement of Comprehensive Net Expenditure</i>		(65)	6
Increase/(decrease) in trade payables and other payables	10	(5,483)	(2,188)
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(1,614)	5,408
Use of provisions		(592)	(100)
Net cash inflow from operating activities		23,673	16,184
Cash flows from investing activities			
Purchase of property, plant and equipment		(10)	(226)
Purchase of intangible assets		(1,373)	(3,191)
Net cash outflow from investing activities		(1,383)	(3,417)
Cash flows from financing activities			
Capital element of payments in respect of finance leases and on-balance sheet (Statement of Financial Position) PFI contracts		–	(9,490)
Net financing		–	(9,490)
Net increase/(decrease) in cash and cash equivalents in the period		22,290	3,277
Cash and cash equivalents at the beginning of the period	9	59,346	56,069
Cash and cash equivalents at the end of the period	9	81,636	59,346

The notes on pages 61 to 77 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000
Balance at 1 April 2016	61,169	170	61,339
Net Expenditure for the year	14,920	–	14,920
Non-Cash Adjustments:			
<i>Net gain/(loss) on revaluation</i>	–	215	215
Movement in reserves:			
Transfers between reserves	84	(84)	–
Balance at 31 March 2017	76,173	301	76,474
Balance at 1 April 2017	76,173	301	76,474
Net Expenditure for the year	11,349	–	11,349
Non-Cash Adjustments:			
<i>Net gain/(loss) on revaluation</i>	–	143	143
Movement in reserves:			
Transfers between reserves	128	(128)	–
Balance at 31 March 2018	87,650	316	87,966

The notes on pages 61 to 77 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017–18 Government Financial Reporting Manual issued by HM Treasury. The accounting policies contained in the Government Financial Reporting Manual apply IFRS as adapted or interpreted for the public sector context. Where the Government Financial Reporting Manual 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 the DBS for the financial year ended 31 March 2018 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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 2018 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. These are:

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, also reflecting the extended use of existing assets. As a result of this change in estimated life, £4.3m of costs relating to Intangible IT will move into future periods.

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 Statement of Financial Position. DBS consider their current property leases to be operating leases.

Service concession arrangements

DBS is party to a Private Financial Initiative (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. Where appropriate, judgement has been applied to the estimated split of the R1 asset purchase price into its constituent elements. Where the asset continues to be under construction, an estimate is made at the balance sheet date for the percentage completed at that time.

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 £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 as appropriate.

Development expenditure has been recognised as an intangible asset in accordance with International Accounting Standards 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 2018 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 Licenses – 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 Government Financial Reporting Manual, 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 determining 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 it is determined that arrangements are in scope of IFRIC 12, DBS recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under International Accounting Standard 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 risk-free 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 Statement of Comprehensive Net Expenditure.

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. Where payments exceed the value of the asset developed, a prepayment is recognised at the lower of anticipated cost of the asset under development or future economic benefit that it will provide.

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 International Accounting Standard 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 Statement of Financial Position comprises cash at bank and in hand – see note 9.

Cash and cash equivalents in DBS's Statement of Financial Position comprise balances held by the Government Banking Services. Income received in relation to checks is banked daily in certain DBS bank accounts, which are managed by Tata Consultancy Services 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
- Applicants for applications for Basic checks of prescribed criminal record information (from September 2017)
- 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 them with the risks and rewards of ownership of the subscription). This means that revenue is recognised at the same point.

1.9 Pensions

PCSPS and Alpha:

DBS 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 and Alpha of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and Alpha.

Partnership and Stakeholder Schemes:

The employer made a basic contribution of between 8% and 14.75% of pensionable earning (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).

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

1.10 Value Added Tax (VAT) and Corporation Tax

DBS registered for VAT during 2017–18 as invoices raised for recharges of salary costs to other government departments exceeded the VAT threshold. This will mean that VAT will be charged on certain DBS invoices. However, the vast majority of figures in the accounts continue to be stated inclusive of VAT as DBS has little scope to reclaim VAT on costs.

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. The standard was formally adopted by the EU in November 2016 with the same effective date. HM Treasury have confirmed that IFRS 9 will apply as interpreted within the Financial Reporting Manual from 2018–19.

This IFRS is not expected to have a material impact on the DBS financial statements as financial instruments only play a limited role in creating and managing risk than would apply to a non-public sector body.

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 have confirmed that IFRS 15 will apply as interpreted within the Financial Reporting Manual from 2018–19.

Given the nature of DBS income, IFRS 15 is not expected to have a material impact on the financial statements as DBS considers completeness of performance obligations per IFRS aligns with our existing treatment under IAS18, as set out in 1.8

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 issued an Exposure Draft on IFRS 16 in May 2018.

IFRS 16 introduces a new model of accounting for leases that recognises leases on the balance sheet as a “right of use” asset, alongside a corresponding liability. This is expected to impact on how DBS accounts for its building operating leases as disclosed in note 13.

Until the consultation on the Exposure Draft has concluded, the impact on the DBS financial statements can not be fully assessed with any accuracy as DBS will be required to align to the treatment adopted by other government departments.

2. Statement of Operating Costs by Operating Segment

2017-18		Operations Directorates	Information Directorate	People Directorate	Finance & Corporate Support Directorate	Corporate Affairs Directorate	Safeguarding Strategy & Policy Directorate	Total
	£'000	Operations Directorates	Chief Operating Officer Directorate	Chief People Officer	Chief Finance Officer	Corporate Affairs	Safeguarding Strategy & Policy	£'000
Gross Expenditure	71,667	10,849	19,197	7,402	6,621	2,684	1,374	149,302
Income	(160,485)	-	-	(166)	-	-	-	(160,651)
Net Expenditure / (Income)	(88,818)	10,849	19,197	7,236	6,621	2,684	1,374	(11,349)

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 Senior Management Team 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 removing a person from the lists.

Chief Operating Officer Directorate was formed in year, with overall responsibility for the DBS operational areas including Disclosure and Barring. Central operating costs, specifically depreciation and impairment costs are included within this directorate.

The Information Directorate is responsible for Portfolio, Programme and Project Management, Digital Services and IT Service Management, Cyber-Security and Information Management. It plays a vital role in influencing, driving and delivering the DBS strategy – the changes and services delivered by the team enable the DBS vision to “make our services simpler and faster” and mission of putting safeguarding at the heart of everything we do”. They work in partnership with DBS directorates, suppliers and a wide range of external and internal stakeholders.

The People Directorate is responsible for the provision of HR Services to our organisation. These services include: Employee Relations, Learning & Development and Recruitment. Security and Facilities transferred from the People Directorate to the Information Directorate during 2017–18.

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

Corporate Affairs is responsible for providing Corporate Governance for the organisation and encompasses the Office of the Chair and Chief Executive and the Communications.

Safeguarding Strategy and Quality Directorate has accountability for quality management, external relations, stakeholder engagement, research, customer insight, strategy and policy. It plays a vital role in ensuring DBS maximises its contribution to safeguarding, whilst meeting the aspirations of customers and the demands of legislation.

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

3. Related costs

Staff costs comprise:

	2017-18	2016-17
	Total	Total
	£'000	£'000
Wages and salaries	25,663	24,519
Social security costs	2,315	2,082
Other pension costs	4,820	4,428
Sub Total	32,798	31,029

The Staff report within the Accountability section contains a full breakdown of staff costs.

4. Other Operating Costs

	2017-18 £'000	2016-17 £'000
<i>Purchase of goods and services</i>		
PFI (and other service concession arrangement) service charges	23,354	36,163
Police and other data source costs	34,412	34,292
Facilities management and staff services	4,994	4,837
Travel, subsistence and other staff costs	982	1,056
Professional fees	2,872	1,831
Audit fees – External	95	95
IT running and telephone costs	28,632	27,064
Total	95,341	105,338
	2017-18 £'000	2016-17 £'000
<i>Other operating expenditure</i>		
Other	3,313	641

The PFI service charge has reduced significantly in year, in line with contractual provisions and the anticipated efficiencies arising from the R1 system.

Within 'Other' is an adjustment made in March 2018 to write down a previous prepayment of £2.7m, relating to contractual, capital repayments in excess of asset values previously paid to Tata Consultancy Services under the PFI arrangement, recognised at 31 March 2017. This adjustment has been made as the five year contract with Tata Consultancy Services is due to expire on 31 March 2019 and although commercial discussions around contract extension are underway, no formal agreement has been made to date for this extension. It also acknowledges the ongoing delays in delivery of this project, and that there is currently no agreed date for delivery between DBS and TCS for the outstanding elements of the project.

5. Income

	2017–18	2016–17
	£'000	£'000
Enhanced DBS checks	130,736	136,937
Standard DBS checks	7,919	7,200
Update Service	12,476	10,145
Basic DBS checks	8,365	–
Other	989	1,086
Total income from sales of goods and services	160,485	155,368

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

Income from Enhanced disclosures has fallen in year due to paid volumes being 100k less than the previous year. Additionally, the income for 2016–17 was higher as it included the release of deferred income due to work in progress levels falling throughout the year.

In September 2017, DBS started to provide Basic Disclosure certificates for applicants living in England and Wales. This task had historically been delegated to Disclosure Scotland, and was fully transitioned to DBS by the end of the financial year.

6. Intangible assets

	Information Technology £'000	Software Licenses £'000	Assets under Construction £'000	2017-18 Total £'000
Cost or Valuation				
Balance at 1 April 2017	99,007	10,919	33,743	143,669
Additions	1,553	50	1,064	2,667
Disposals	-	-	-	-
Impairment	(546)	-	(6,730)	(7,276)
Transfer	-	-	-	-
Reclassifications	28,077	-	(28,077)	-
Revaluations	202	248	-	450
At 31 March 2018	128,293	11,217	0	139,510
Amortisation				
Balance at 1 April 2017	(97,696)	(5,780)	-	(103,476)
Charged in year	(7,382)	(2,061)	-	(9,443)
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	(187)	(175)	-	(362)
At 31 March 2018	(105,265)	(8,016)	-	(113,281)
Net Book Value at 31 March 2018	23,028	3,201	0	26,229
Net Book Value at 1 April 2017	1,311	5,139	33,743	40,193
Asset financing:				
Owned	7,102	3,201	-	10,303
Finance leased	-	-	-	-
On balance sheet PFI contracts	15,926	-	-	15,926
Net Book Value at 31 March 2018	23,028	3,201	-	26,229

Included within Information Technology is an individual asset with a net book value of £15.9m, which is considered to be material to DBS. This relates to the core R1 PFI that delivers Barring and Basics for DBS and will be amortised for a further 36 months.

Impairment losses of £6.7m for PFI and other assets under construction have been recognised within Total Operating Expenditure (Depreciation and impairment charges) in the Statement of Comprehensive Net Expenditure at 31 March 2018.

This impairment relates to the write down of costs incurred to date for the outstanding elements of the R1 asset and other related assets under construction that have not yet been delivered. The action to impair has been taken on the basis the five year contract with Tata Consultancy Services

is due to expire on 31 March 2019 and although commercial discussions around contract extension are underway, no formal agreement has been made to date for this extension. It also acknowledges the ongoing delays in delivery of this project, and that there is currently no agreed date for delivery between DBS and Tata Consultancy Services for the outstanding elements of the project.

6. Intangible continued

	Information Technology	Software Licenses	Assets under Construction	2016–17 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	99,007	10,919	33,743	143,669
Amortisation				
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
Net Book Value at 1 April 2016	2,130	4,467	30,054	36,651
Asset financing:				
Owned	1,311	5,139	6,725	13,175
Finance leased	–	–	–	–
On balance sheet PFI contracts	–	–	27,018	27,018
Net Book Value at 31 March 2017	1,311	5,139	33,743	40,193

7. Financial Instruments

As the cash requirements of DBS are met through the estimate 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

	2017-18 £'000	2016-17 £'000
Amounts falling due within one year:		
Trade receivables	17,697	14,984
Deposits and advances	5	59
Other receivables	4,488	5,606
Prepayments and accrued income	1,204	4,367
Total	23,394	25,016

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

Other receivables relates a contractual reduction in service costs from Tata Consultancy Services receivable in the next financial year, arising from Disclosure volumes being higher than anticipated during the previous financial year.

Movement in prepayments at 31 March 2018 relates to the write down of £2.7m as highlighted in Note 4.

	2017-18 £'000	2016-17 £'000
Amounts falling due after more than one year:		
Prepayments and accrued income	-	543
Total	-	543

9. Cash and cash equivalents

	2017-18 £'000	2016-17 £'000
Balance at 1 April	59,346	56,069
Net change in cash and cash equivalent balances	22,290	3,277
Balance at 31 March	81,636	59,346

The following balances were held at:

Government Banking Service	81,636	59,346
Balance at 31 March	81,636	59,346

The year end balance of £81.6m includes £7.7m owed to Home Office for invoices and other costs that they have paid on behalf of DBS in March 2018.

10. Trade payables and other current liabilities

	2017-18 £'000	2016-17 £'000
Amounts falling due within one year:		
Trade payables	9,301	20,234
Accruals and deferred income	34,088	28,638
Total	43,389	48,872

Trade payables includes an amount of £7.7m (£18.1m 31 March 2017) owed to Home Office for invoices and other costs that they paid on behalf of DBS in March 2018.

Income is deferred where an application fee has been received but the application is still being processed by DBS.

11. Commitments under PFI contracts

On-balance sheet (Statement of Financial Position): Tata Consultancy Services

A PFI contract was signed with Tata Consultancy Services 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 Tata Consultancy Services stands at £224m, although there will be variances from this amount to reflect actual volumes for Disclosure products to date.

Following a period of transition from the incumbent supplier, live services commenced on 12 March 2014 (service commencement date), and for the contract period up to 31 March 2018 payments of £211m have been made to Tata Consultancy Services 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 Tata Consultancy Services consists of the following items:

The total, original value of the PFI R1 asset was £34.8m, based on the spend set out in the contract above, which consists of £30.0m for the core R1 PFI asset plus two milestone payments totalling £4.8m. The milestone payments were fully capitalised in 2012–13 and 2013–14 and to date costs of £21.0m for the core R1 asset have been recognised as intangible IT within non current assets. For the elements of R1 that have not yet been delivered. An adjustment has been made in year to impair the PFI £6.3m asset under construction, as highlighted in Note 6 and a further adjustment of £2.7m as highlighted in Note 4.

The basis for valuation of the R1 PFI core asset under construction has previously been to recognise expenditure based on the progress made in developing the asset to date. As a result of the delay in completing the project, it has been assessed that the proportion of build completed and in use at 31 March 2018 was 70% of the total R1 asset value, and this is reflected as intangible information technology assets within these accounts. This has been independently reviewed by DBS staff involved in the project.

From 2014 to March 2018 Tata Consultancy Services 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 £6.8m. There were no capital commitments at the year end for assets outside of the PFI arrangement with Tata Consultancy Services.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance sheet PFI or other service concession transactions was £23.4m (2016–17 £36.2m). 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:

11. Commitments under PFI contracts continued

	2017–18 £'000	2016–17 £'000
Minimum lease payments		
Due within one year	18,727	21,053
Due later than one year and not later than five years	–	18,727
Due later than five years	–	–
	18,727	39,780
Less interest element	–	–
Present value	18,727	39,780
	31 March 2018 £'000	31 March 2017 £'000
Service elements due in future periods		
Due within one year	18,727	21,053
Due later than one year and not later than five years	–	18,727
Due later than five years	–	–
Total service elements due in future periods	18,727	39,780
Total Commitments	18,727	39,780

In addition to commitments to Tata Consultancy Services under the PFI arrangement noted above, other Tata Consultancy Services financial commitments have been agreed for change requests to the R1 system totalling £5.2m.

All figures noted above are inclusive of VAT.

12. Related-party transactions

HO is the sponsor department of DBS and is regarded as a related party. For the year ended 31 March 2018, 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 £34.4m for the year ended 31 March 2018 (2016–17: £34.3m) for the work the Forces undertake to complete the disclosure process.

Included within the total expenditure with the police was £1.8m (2016–17: £1.7m) for DBS transactions with HO Technology Live Policing Services (part of the HO) to allow DBS staff access to Police National Computer checks.

DBS had transactions with the Security Industry Authority totalling £3.6m (2016–17: £2.5m) 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 members, key managers or other related parties have undertaken any material transaction with DBS 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.

	2017-18	2016-17
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	1,416	1,104
Later than one year and not later than five years	3,304	3,680
	4,720	4,784

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

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 had no material financial commitments at 31 March 2018.

Financial commitments with Tata Consultancy Services are disclosed in Commitments under PFI contracts.

15. Contingent Liability

DBS continue to be in discussions with Tata Consultancy Services over the financial implications of the changes in timing of deployment of our modernised system, R1. At the balance sheet date, and at the date of the signing of these accounts, these discussions remain ongoing and DBS consider disclosure under International Accounting Standards 37 of any contingent assets or liabilities could seriously prejudice these discussions.

As a result, no further disclosures under International Accounting Standards 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

ARC	Audit and Risk committee
CETV	Cash equivalent transfer value
DBS	Disclosure and Barring Service
F & P	Finance and Performance Committee
HO	Home Office
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
NDPB	Non-departmental public body
PCSPS	Principal Civil Service Pension Scheme
PFI	Private Finance Initiative
QSC	Quality Standards Committee
R1	Release 1 of the DBS's modernised IT system
R & N	Remuneration and Nominations Committee
RIF	Risk Improvement Forum
VAT	Value added Tax

