

Title: Disclosure and Barring Service reduction in fees 2019 IA No: HO0337 RPC Reference No: N/A Lead department or agency: Disclosure and Barring Service Other departments or agencies: The Home Office, HM Treasury	Impact Assessment (IA)		
	Date: 03/07/2019		
	Stage: FINAL		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries:			
Summary: Intervention and Options			RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option (in 2018 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status Qualifying provision
£0.0m	£69m	-£14.9m	

What is the problem under consideration? Why is government intervention necessary?

The Disclosure and Barring Service (DBS) has reported large surpluses over the last four financial years to 2017-18 and it is estimated there will be a further surplus in 2018-19. The guidance on fees set out by HM Treasury in Managing Public Money require fees to be set at a level which means that public bodies recover full costs, with the aim of making sure that the Government neither profits at the expense of consumers or makes a loss which taxpayers must subsidise. Government intervention is required so DBS can lower fees to reduce large surpluses.

What are the policy objectives and the intended effects?

The objective of the policy is to ensure that the DBS is compliant with HM Treasury guidance relating to fees. The fees should be set at a level where they recover full costs but the Government does not profit at the expense of consumers, or rely on taxpayer's subsidies. Therefore, the DBS should take action to reduce fee income so that it will remain self-financing whilst incurring a minimal surplus or deficit.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: is to do nothing. This does not achieve the Government's objectives, as the DBS will still receive a large surplus of income each year.

Option 2: is to decrease the fees of the basic, standard and enhanced DBS check. **This is Government's preferred option** as it meets the objective and reduces the DBS's surplus each year. The fee would decrease: for the basic check from £25 to £23, for the standard check from £26 to £23 and for the enhanced check, would decrease from £44 to £40.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 2020				
Does implementation go beyond minimum EU requirements?		No		
Is this measure likely to impact on trade and investment?		No		
Are any of these organisations in scope?		Micro Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister

.....Victoria Atkins.....

Date:

.....9th July 2019.....

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2018	PV Base Year 2019	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)			
			Low: 0.0	High: 0.0	Best Estimate: 0.0	
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low	0.0	1	13.5		62.5	
High	0.0		16.5		76.5	
Best Estimate	0.0		14.9		69.0	
Description and scale of key monetised costs by 'main affected groups'						
The monetised costs include the familiarisation costs which are estimated to be a maximum of £11,400 for the 2,549 firms which regularly apply for DBS checks. Also, DBS staff will need to familiarise themselves with the new guidelines, a maximum of £400. There is also the cost of the fee decrease to the DBS due to reduced revenue which is estimated to be about £14.9 million per year or £69.0 million (PV) over 5 years.						
Other key non-monetised costs by 'main affected groups'						
There is no other significant costs which fall to either business or the public sector.						
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)	
Low	0.0	1	13.5		62.5	
High	0.0		16.5		76.5	
Best Estimate	0.0		14.9		69.0	
Description and scale of key monetised benefits by 'main affected groups'						
The main monetised benefits are the reduced cost to business due to the decrease in the DBS fees. There are 1,658 registered bodies, 818 umbrella bodies and 73 responsible bodies which regularly initiate DBS checks for their employees. The top 50 registered bodies are responsible for 74 per cent of the total volume of checks. These firms will all benefit, as their expenditure is estimated to decrease by about £14.9 million per year or £69.0 million (PV) over 5 years.						
Other key non-monetised benefits by 'main affected groups'						
There is no other significant benefits which fall to either business or the public sector.						
Key assumptions/sensitivities/risks					Discount rate (%)	3.5
Staff non-wage costs of 18 per cent have been assumed, Eurostat 2018 figures. Assumptions on staff wage costs are taken from the ASHE 2018 survey, and reading comprehension levels assumptions are taken from readingsoft.com. The economic analysis is of a standard form.						

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:				Score for Business Impact Target (qualifying provisions only) £m:	
Costs:	0.0	Benefits:	14.9	Net:	-14.9
					N/A

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

The DBS was established under the Protection of Freedoms Act 2012, assuming the functions of the Independent Safeguarding Authority (ISA) and the Criminal Records Bureau (CRB). The DBS is a Non-Departmental Public Body (NDPB) of the Home Office.

The DBS undertakes functions contained within Part V of the Police Act 1997, functions contained within the Safeguarding Vulnerable Groups Act 2006 and the Safeguarding Vulnerable Groups (Northern Ireland) Order 2007.

The DBS provides a service which enables organisations in the public, private and voluntary sectors to make better informed, safer recruitment decisions. It provides information to enable employers to determine whether candidates are unsuitable or unable to undertake certain work; particularly those occupations involving contact with vulnerable groups, including children. The DBS does this through the issue of criminal records certificates and through barring decisions, where it:

- Issues over 4.2 million criminal record certificates per annum, with 85 per cent of applications made electronically.
- Basics product grown to 1.6 million certificates per year.
- Maintains a list of around 71,000 barred individuals, preventing such individuals from working or volunteering in regulated activity with children or vulnerable adults.
- Has over 1.6 million individuals subscribed to our online Update Service, with a 75 per cent renewal rate, providing portability of criminal record checks for some of the UK's lowest paid workers, particularly in the health and care sectors.

HM Treasury's rules and guidance on fees, levies and charges are set out in Managing Public Money (HM Treasury 2013, amended 2018). This requires fees to be set at a level that enables public bodies to recover the full costs of delivering their responsibilities with no cross subsidies whilst ensuring fairness and value for money.

However, the Home Office and DBS board has agreed that the costs of funding the Barring Service, for which no fee or Grant in Aid funding is received, will be allocated across all products as a corporate overhead, except for Disclosure Information Team (DIT) related referrals which are driven by and allocated to Enhanced Disclosure volumes.

Managing Public Money advises that fees should be reviewed on at least an annual basis. DBS has carried out a review and has concluded that a reduction in the fees charged for disclosure certificates should be implemented. This will ensure that the DBS fulfils its responsibilities as laid out in Managing Public Money not to make a surplus.

Whilst the ability to set a fee for a public service normally requires powers in primary legislation, the ability to set the amount of the actual fee requires secondary legislation.

Police Act 1997 (Criminal Records) Regulations 2002/233 specifies the fees payable for certificates issued under Part 5 Police Act 1997. The following fees are payable:

- Regulation 3A - £25 for a criminal conviction certificate (also known as a basic certificate).
- Regulation 4(a) - £26 for a criminal record certificate (also known as a standard certificate). This figure was substituted for the previous figure of £31 by Regulation 2 of Police Act 1997 (Criminal Records) (Amendment) Regulations 2009/2428.

- Regulation 4(b) - £44 for an enhanced criminal record certificate. This figure was most recently substituted for the previous figure of £36 by Regulation 2 of the Police Act 1997 (Criminal Records) (Amendment) Regulations 2011/719.

The Police Act (Criminal Records) Regulations 2002 Regulation 4 also provides that no fee is payable in relation to an application made by a volunteer. Regulation 2 defines a volunteer as a person engaged in an activity which involves spending time, unpaid (except for travel and other approved out-of-pocket expenses), doing something which aims to benefit some third party other than or in addition to a close relative.

A.2 Groups Affected

An individual cannot apply for an enhanced or standard certificate by themselves. There must be a recruiting organisation who needs the applicant to get the certificate. This is then sent to DBS through a Registered Body (an organization that has registered with the DBS to submit standard and enhanced checks and is entitled by law to ask an individual to reveal their full criminal history).

An enhanced DBS check is the highest level of check available to those involved in work with vulnerable groups, and other positions involving a high degree of trust, which are listed in the Police Act 1997 (Criminal Records) Regulations 2002.

Enhanced certificates contain the same information as the standard certificate with the addition of relevant police information held by the police. Additionally, where the activity is prescribed in legislation as regulated activity, it will include details of whether the individual is included in the lists of those barred from working with children and vulnerable groups.

A standard DBS check is available to those working in activities specified in the Rehabilitation of Offenders Act 1973 (Exceptions) Order 1974. A standard criminal record certificate contains information about all spent and unspent convictions, cautions, final warnings and reprimands recorded against an individual in central records, subject to the filtering rules. For this purpose, central records are those records held on the Police National Computer (PNC).

A basic DBS check contains details of unspent convictions and conditional cautions. An applicant can apply for a basic certificate directly and use it for a wide variety of employment or other purposes, including insurance or certain licensing, such as street trading.

A.3 Consultation

Within Government

A business case for a reduction to fees has been submitted to HM Treasury (HMT) in March 2019 to obtain agreement with the proposals set out. Once agreed with the Minister, the proposal will be sent to the Home Office Affairs Committee and the Reducing Regulation Sub-committee for Collective Approval (under the write round process). The Home Office will notify the devolved administrations (Scotland and Wales) of the proposal at the same time. Similarly, the department will also notify the Northern Ireland Assembly.

Public Consultation

N/A

B. Rationale for intervention.

The aim of the fee reduction is to ensure that the DBS can continue to be self-financing whilst minimising any surplus or deficit and ensuring customers are not overcharged for the certificate.

Managing Public Money is clear on the principle that fee payers should pay for the cost of the service received with no cross subsidies, ensuring fairness and value for money (VfM). This is in line with Government policy to pass on the benefits of improved efficiency in Arm's Length Bodies to users.

C. Policy objective

Managing Public Money chapter 6, (HM Treasury, 2013) requires that fees should meet the full costs of the service and neither produce a surplus or a loss. The policy objective is to ensure that this is the case for the fees charged by DBS for disclosure certificates, effective 1st October 2019.

D. Description of options considered.

Option 1 – ‘do nothing maintaining fees at current levels’ does not meet the requirements stated in Chapter 6 of Managing Public Money, that fees should meet the full costs of the service and neither produce a surplus or a loss. Under this scenario DBS would make a surplus in FY 2019/20 of £28.7 million.

Option 2 – ‘reducing the fee for Enhanced, Standard and Basics Disclosure Fees’

The outlook for 2019/20, with the budget now developed, shows another year of surplus under the current pricing structure. To mitigate these ongoing surpluses, it is proposed to reduce the fees with effect from 1st October 2019 as follows:

- Basic certificate from £25 to £23 (-£2).
- Standard certificate from £26 to £23 (-£3).
- Enhanced certificate from £44 to £40 (-£4).

E. Appraisal.

General Assumptions and Data

A social discount rate of 3.5 per cent is used to obtain present value, see HM Treasury (2018) Green Book. Any estimate quoted (PV) or the Net Present Value (NPV) is discounted using this rate. The appraisal is over a five-year period of 2019-20 to 2023-24.

Staff wage assumptions are taken from the Annual Survey of Hours and Earnings (ASHE) for 2018, Table 14.5a published in 2018 by the Office of National Statistics. Gross hourly wage is calculated from the hourly median wage using the staff non-wage costs of 18 per cent, which is the latest value from the Eurostat non-wage labour cost data¹.

Fee Analysis

Fee analysis has been conducted to calculate the net surplus/deficit in multiple scenarios with different levels of price change. A selection of fee combination is presented in Table 1 (others were considered in detail but are omitted here for brevity). The proposed option (-£2, -£3 and -£4) gives a net surplus of about £12.9 million in 2020-21 and £76.3 million (PV over 4.5 years²), the latter being an average of £16.5 million per year. This was agreed with HM Treasury so that DBS has enough working capital to maintain operations and investment. Should DBS continue to build surpluses beyond this, ministers will review this and may reduce fees further. The Government will

¹ Eurostat (2019) Labour cost levels by NACE Rev. 2 activity, share of non-wage costs, UK, 2018, May 2019. See: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lc_lci_lev&lang=en

² This is because the policy only comes into effect for the last six months of 2019/20.

continue to monitor fees and the surplus/deficit position and officials will provide advice as necessary.

Table 1, Fee analysis on net surplus (2020-21)

Prodct	Paid Volume	Price Change (£)	Revenue (£m)	Other Income (£m)	Expenditure (£m)	Net (£m)
Basic	1,720,000	0	43.0			
Standard	350,000	0	9.1			
Enhanced	2,990,000	0	131.6			
Total			183.7	16.73	171.0	29.4
Basic	1,720,000	-1	41.3			
Standard	350,000	-2	8.4			
Enhanced	2,990,000	-3	122.6			
Total			172.3	16.73	171.0	18.0
Basic	1,720,000	-2	39.6			
Standard	350,000	-3	8.1			
Enhanced	2,990,000	-4	119.6			
Total			167.2	16.73	171.0	12.9
Basic	1,720,000	-3	37.8			
Standard	350,000	-4	7.7			
Enhanced	2,990,000	-5	116.6			
Total			162.2	16.73	171.0	7.9

Note: Home Office, own analysis, central estimate only.

Set-up Costs

There are set-up costs to both the private sector and the public sector in the form of familiarisation costs. These costs apply to all organisations that will need to know what their future fees will be. It is estimated that they occur in year 1 of the 5 year appraisal period. It is assumed that 100 per cent of private sector establishments which use the DBS services will read the guidance, and a range of 1 to 5 members of administrative staff at each firm will need familiarisation. It is also assumed that there is between 950 and 1000 members of the DBS which will also need familiarisation. There is between 300 and 400 words which require reading.

Table 2, Private Sector staff undertaking familiarisation, 2019

Organisation	Volume	Staff		
		Low	Central	High
Registered Bodies	1,658	1,658	4,974	8,290
Umbrella Bodies	818	818	2,454	4,090
Responsible Bodies	73	73	219	365
Total	2,549	2,549	7,647	12,745

Source: Home Office, own analysis, 2019..

Table 3, Public sector staff needing familiarisation:

DBS	Low	Central	High
FTE Staff	950	975	1,000

Table 4, Staff wage costs

Occupation	SOC code	Median hourly wage, 2018	Gross wage, 2018
National government administrative occupations	4112	£12.31	£14.526
Private sector administrative staff	41	£11.40	£13.45

Source: Annual Survey Hours and Earnings (2018) Earnings and hours worked, occupation by four-digit SOC, Table 14.5a. see:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitoc2010ashtable14>

Table 5, Reading speed assumptions used for familiarisation costs:

Scenario	Number of Words	Speed (wpm)	Time (mins)	Comp	Re-read time (mins)	Allowance (mins)	Total time (mins)
High	400	240	1.7	0.5	0.83	1	4
Central	350	400	0.9	0.6	0.35	0.5	2
Low	300	1,000	0.3	0.8	0	0	0

Source: readingsoft.com, Typical reading results. See: <http://www.readingsoft.com/>

The reading times were estimated using standard tables from readingsoft.com (see Table 5). Because of lower comprehension a slow reader may need to re-read the guidance (column 5). An allowance has been made for a person who may be dyslexic or where English is not their first language.

The familiarisation cost is calculated as follows:

Estimated number of staff members x Gross wage, 2018 x time taken to read the guidance

Table 6, Familiarisation costs, 2019, £.

Organisation	Scenario	Cost
DBS Staff	Low	£0
	Central	£472
	High	£968
Private Sector Staff	Low	£0
	Central	£3,429
	High	£11,430
All Staff Total	Low	£0
	Central	£3,901
	High	£12,398

Source: Home Office, own analysis, 2019..

The familiarisation costs for private sector organisations are estimated to be about £0.0 million for the low, central and high scenarios. There are very small familiarisation costs ranging from £0 to about £11,400 and these occur in year 1 only. Similarly, public sector familiarisations costs are estimated to be about £0.0 million for all three scenarios. The public sector familiarisation costs are

also small, with an estimated range of £0 to £1,000. The total familiarisation costs are estimated to be about £0.0 million and only occur in year 1 of the 5-year appraisal period.

Ongoing Costs

There are no monetised ongoing costs which fall to the private sector. The ongoing cost to the DBS is the decreased revenue as a result of lower fees.

The decrease in revenue is calculated as follows:

$$\text{Estimated paid volume for the check} \times \text{price change} \\ (\text{the difference between the current fee and the proposed fee})$$

This is done individually for the basic, standard and enhanced fee as there is a difference between the price change and volumes. This estimates the revenue that is foregone as a result of the change in price. These estimates are totalled to calculate the ongoing cost for each year.

Table 7, Cost of fee change (2020-21).

Product	Paid Volume	Current Fee	Proposed Fee	Change in Fee	Cost (£m)
Basic	1,720,000	£25	£23	-£2	-£3.44
Standard	350,000	£26	£23	-£3	-£1.05
Enhanced	2,990,000	£44	£40	-£4	-£11.96
Total					-£16.45

Note: Home Office, own analysis, central estimate only.

For the year 2020/21, the first full year of operation of the new fees, the total fee reduction is estimated to be £16.5 million. The average ongoing cost per year over the 5-year appraisal period is estimated to be in a range of £13.5 million to £16.5 million, with the central estimate of £14.9 million.

The total cost to the DBS over 5 years in present value terms is approximately £69.0 million.

Ongoing Benefits

There are no monetised ongoing benefits to the public sector or the DBS. The ongoing benefits fall to the 2,549 firms in the private sector which use the DBS services. Since the policy is a change in fee, the ongoing benefits to the private sector will be equal to the ongoing costs to the public sector. This is because it is a transfer and as the guidance set out in HM Treasury Green (2018) Book states this should be excluded from the overall estimate of the Net Present Social Value.

Therefore, the average ongoing benefits per year over the 5-year appraisal period are estimated to be in a range of £13.5 million to £16.5 million, with the central estimate being £14.9 million.

The total benefit to business over 5 years in present value terms is approximately £69.0 million.

Non-monetised Costs and Benefits

There is no non-monetised costs or benefits to either business or the public sector.

NPV, BVPV, EANDCB

The Net Present Value (NPV) is defined as: the total benefit minus the total cost, both of which are discounted over the appraisal period. The NPV is estimated to be £0.0 million over the 5-year appraisal period.

The Business Net Present Value (BNPV) is defined as: the total direct benefit to business minus the total direct cost to business, both of which are discounted over the appraisal period. The BNPV is estimated to be £69.0 million over the 5-year appraisal period.

The Equivalent Annual Net Direct Cost to Business (EANDCB) provides an average estimate of the net direct cost to business in each year of the policy. The EANDCB is the metric used in scoring impacts for the Business Impact Target (BIT). The EANDCB is estimated to be -£14.9 million every year, over a 5-year period.

Small and Micro Sized Business Assessment (SaMBA)

There is no change in the regulatory guidance, only a change in the price for the fees. There is no data on how the change in fee will otherwise impact small and micro-sized businesses.

F. Proportionality.

Fee changes such as the policy here must be reviewed on a yearly basis in order to ensure a minimum surplus / deficit of income by public sector organisations such as the DBS.

G. Risks.

An analytical risk of this analysis is that it is assumed that expenditure will remain flat over the 5-year appraisal period. This is due to uncertainty around supplier costs. Total expenditure of the DBS has risen sharply between 2017-18 and 2018-19 due to changes in suppliers, and the previous growth trend of the total expenditure would not be applicable. Therefore, the total expenditure has been held flat. In the fee analysis, all scenarios of different fees and the income they produce are all used against the same level of expenditure when calculating the surplus / (deficit). It may be the case that the expenditure of the DBS is sensitive to the level of change that is made to the fees.

H. Direct costs and benefits to business calculations

Since the policy is a change in fee, the impact is a transfer. This means the benefit to the private sector is equal to the cost to the public sector.

The cost to the public sector (and therefore the benefit to the private sector) is calculated as follows:

$$\text{Estimated paid volume for the check} \times \text{price change} \\ \text{(the difference between the current fee and the proposed fee)}$$

Table 8, Cost to DBS in FY 2019-20 from implementing the price reduction, £ and £ million.

Product	2019-20 Paid Volumes* (m)	Price Reduction (£)	Income Reduction (£m)
Basic	0.91	2	1.8
Standard	0.19	3	0.6
Enhanced	1.46	4	5.8
Total	2.56		8.2

* 6 months from October 2019 to March 2020

Tables 9, Costs and Benefits 2019-20:

Costs	£m (PV)	Benefits	£m (PV)
Costs to the DBS of reduced income	8.2	Benefits to customers from reduction in fees	8.2
Total Cost	8.2	Total Benefit	8.2
Net Present Value (NPV)	0.0		

Table 10, cost to DBS in FY 2020-21 from implementing the price reduction:

Product	2020-21 Paid Volumes (m)	Price Reduction (£)	Income Reduction (£m)
Basic	1.72	2	3.4
Standard	0.35	3	1.1
Enhanced	2.99	4	12
Total	5.06		16.5

Tables 11, Costs and Benefits 2020-21:

Costs	£m (PV)	Benefits	£m (PV)
Costs to the DBS of reduced income	16.5	Benefits to customers from reduction in fees	16.5
Total Cost	16.5	Total Benefit	16.5
Net Present Value (NPV)	0.0		

The total benefit to business as a result of the fee increase in the first two years is £24.7million. There is also the familiarisation cost which falls to the private sector of around £3,400 in total, which occurs in year 1 of the 5-year appraisal period. Over the five-year period, the total benefit to business is £69.0 million.

I. Wider impacts

N/A

J. Trade Impact.

There is no impact on trade from this measure.

K. Implementation date, monitoring and evaluation (PIR), enforcement principles.

The Government plans to implement the licence fee change on 1st October 2019 (the common commencement date). All applications received before 00.01 on 1st October 2019 will be charged at current prices all applications after that time will be charged at the new prices.

The effectiveness of the new fee structure will be monitored by the DBS Finance team (in year checks of volumes and revenue) and will be used to inform the annual review of fees.