



House of Commons
Committee of Public Accounts

Criminal Records Bureau: delivering safer recruitment?

**Forty–fifth Report of
Session 2003–04**

*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

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Summary

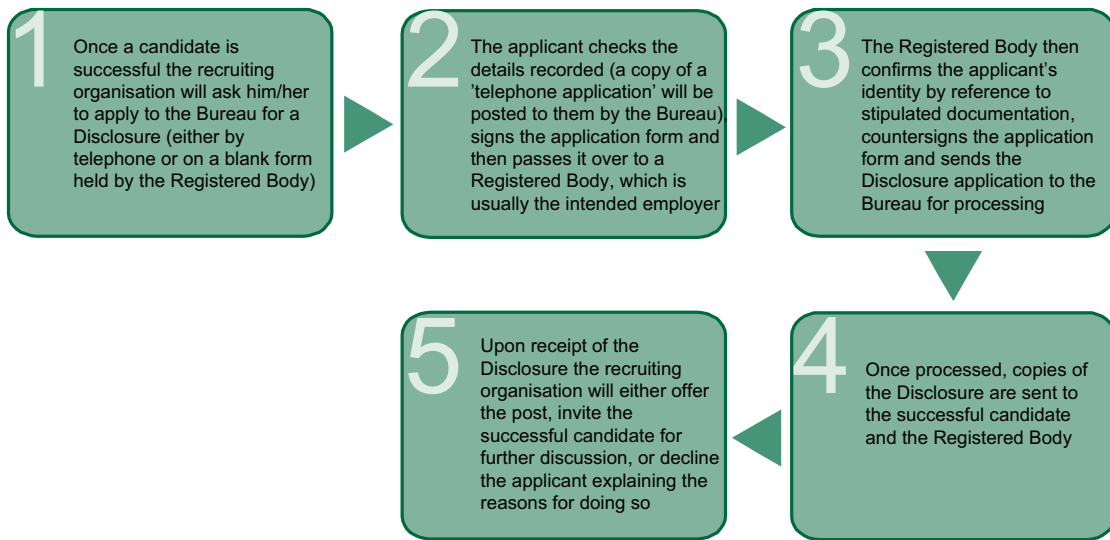
Introduction

The Criminal Records Bureau (the Bureau) was initiated in 1999 to improve protection of children and vulnerable adults by widening access to criminal records, so that employers and voluntary organisations could make better informed recruitment decisions. It was set up as a public private partnership, initially between the Passports and Records Agency, an Executive Agency of the Home Office (the Department) and Capita plc (Capita), although the Bureau is now a separate Agency in its own right. Two types of Disclosure of criminal records are available. A Standard Disclosure is based on checks of unspent and spent convictions and of cautions, reprimands or warnings held on the Police National Computer. Checks may also be made to lists held by the Department for Education and Skills. An Enhanced Disclosure is similar to a Standard Disclosure but also includes checks on any relevant intelligence held by local police forces in whose areas the applicant has lived in the previous five years.

The Bureau went live from March 2002, some seven months later than planned, and the computer system encountered serious problems straightaway. Backlogs in processing applications for Disclosures of criminal records soon built up, peaking at nearly 300,000 by October 2002. The Agency and Capita were not sufficiently effective in working together to address the problems which had started early on with ambitious and overly optimistic timings for development and implementation. Stakeholders' concerns about proposed processes were not adequately researched and acted on; and software development was delayed. An effective partnership between the Agency and Capita was not established until the crisis was underway.

The Disclosure plays a key part in the recruitment process for those seeking to work with vulnerable adults and children (**Figure 1**) and the consequences of the Bureau's problems were far-reaching. Employers could not recruit, voluntary organisations lost potential volunteers and delays occurred for those applying to adopt or foster. The Bureau and Capita took steps to address these problems but even now, more than two years after being set up, the Bureau is not yet providing the standard or range of service originally envisaged. The expected cost to the taxpayer over the ten year life of the contract has increased significantly from £250 million to £395 million. These higher costs, coupled with reduced volumes and the delayed start, have meant that the Bureau will not break even until 2005–06, a year later than planned.

Figure 1: Completing an application for Disclosure



Source: *Criminal Records Bureau*

On the basis of a Report by the Comptroller and Auditor General,¹ we examined the Home Office, the Bureau and Capita plc on whether best practice was followed during contract procurement and implementation, and whether the Bureau has improved the protection of vulnerable children and adults.

1 C&AG's Report, *Criminal Records Bureau: delivering safer recruitment?* (HC 266, Session 2003–04)

Conclusions and recommendations

On contract procurement and implementation

- 1. Timetables for the development and implementation of new services should provide for sufficient in-depth consultation directly with potential users of the service, and for the outcome of consultation to be reflected in service design.** The Agency's problems stemmed from an over ambitious timetable, with inadequate time dedicated to identifying and taking action on the preferences of potential users of the service at an early stage of the project causing significant changes to be made in planned business processes late in the development process.
- 2. In developing services to promote electronic government departments should first establish that potential users will wish to use, or be equipped to use, the planned service in this way.** Departments may need to consider incentives, such as a discounted price for the service, to encourage use of electronic methods if more efficient and effective. The Agency assumed a largely telephone based service with some online access. Users' preference, however, was for paper based applications, and for applications submitted in bulk by potential employers rather than by individuals.
- 3. Adequate time for piloting new services is fundamental to successful introduction.** In the Bureau's case only a limited pilot was planned initially, and that was squeezed as significant changes to planned business processes became necessary. Launching a service which does not work may be more inconvenient for users than delaying service introduction to get the system right.
- 4. Rejected bids should be scrutinised carefully for signs of possible weaknesses in the tender specification, and the successful contractor's bid.** Other bidders for the Bureau's contract had questioned both the realism of the timetable, and the assumption that 85% of Disclosure applications would be made by phone. The Agency took action to obtain independent assurance on the successful candidate's bid, but did not adequately heed the warnings signs within other contractors' bids.
- 5. If business assumptions change fundamentally during service development, Departments should consider whether to continue with their current contractor or test the market again, balancing the potential delay to service introduction with the risks to value for money of a single tender in such circumstances.** Capita, the successful bidder, quoted a price of £250 million, around £100 million less than the other bidders, but the changes to business processes and the timetable needed to accommodate users' preferences means that the contract value is now £395 million over ten years, and hence more expensive than prices quoted by other bidders.
- 6. The Agency and Capita were slow to establish an effective working partnership to address the emerging difficulties.** They did not do so fully until the problems reached crisis level.

On protecting the vulnerable

7. **The Home Office and the Bureau should better facilitate the checking of identity, which has now been made the responsibility of employers and voluntary organisations.** Currently, for example, the Bureau recommends sight of a Passport or Driving Licence as evidence of identity, but only the Bureau can check the validity of these documents with the Passport Agency's records or those of the Driver and Vehicle Licensing Agency.
8. **The Bureau has achieved significant improvement in the turnaround times for handling Disclosures, with the majority now dealt with within target times.** The turnaround target times were, however, less onerous in 2003–04 than for 2002–03, and the Bureau should look to improve the speed of service delivery now that its activities have stabilised.
9. **Disclosures should be extended to staff already employed as well as new recruits to enhance protection to vulnerable adults in particular.** Due to the Bureau's initial problems the Disclosure service is not as comprehensive as planned, with the result that some categories of vulnerable people are not receiving the protection they deserve. For example, existing health and social care staff are not currently subject to checks. This situation should now be remedied.
10. **In furnishing Disclosures to employers, the Bureau should emphasise that while every effort is made to secure their accuracy, they can only be as good as the basic data provided both by the applicant and the Police National Computer.** The employer is ultimately responsible for recruitment decisions, and should be cautioned against placing absolute reliance upon a Disclosure.
11. **The range of vulnerable groups includes both old and young and it is important that the Bureau sets its priorities to ensure that proper protection is extended to all.**
12. **The Home Office and the Bureau should commission research as to whether the Bureau's more comprehensive and consistent means of access to criminal records is contributing to a reduction in the number of crimes and abuses against the vulnerable.**

1 Contract procurement and implementation

1. When developing the User requirement for the Bureau and the Prospectus issued to bidders, the Agency's Implementation Team made a number of assumptions within which bidders worked. As later events showed, however, these assumptions had not been properly tested and were unsound, particularly the expectation that some 80% of applications would be made by telephone and that applications would be received from individuals rather than in bulk from employers. The Agency's research included a customer forum in 1999 in which trade associations and other high level bodies had participated, and in May 2000 six focus groups were organised with potential customers as well as in-depth telephone interviews to find out how they would behave. The feedback at that point was that the telephone service planned by the Agency would have been well received. The Agency admitted, however, that it should have undertaken a larger scale consultation earlier in the development process. It was only much closer to the launch date that the Agency found out that a large number of potential users of the service would not accept a telephone based system.²

2. The Agency also acknowledged that some stakeholders felt that they had not been listened to as part of the consultation process. The Agency had contact with about 5000 stakeholders during seminars, and took a number of actions as a result of those seminars, including producing blank paper application forms in volume. The Agency had, however, relied on the e-strategy across government together with experience from other major service provider organisations such as the insurance and banking industry, in suggesting that a telephone channel should be the primary means of contact. When it became clear to the Agency that this did not meet the preferences of the Agency's customers, the Agency took the decision to re-engineer processes so that paper applications in bulk could be accommodated. The Agency admitted that this had been at a late stage, and that they had not allowed sufficient time to re-engineer the processes adequately to ensure that they would work at the launch of the Agency.³

3. The Agency acknowledged that one of the other bidders for the contract had suggested up to 40% of applications might be paper based. The Agency had, however, selected Capita as the successful contractor, whose bid was based on a 15% paper based application channel applying the Agency's tender documentation assumptions. Capita confirmed that at the time, the assumption that 80 to 85% of customers would choose the call centre option appeared reasonable to them because it was largely the only option being made available to customers. The introduction of the paper forms half way through the implementation process led to a fundamentally different business process having to be developed, which in turn impacted on the contractor's costs. Capita also noted that the option for employers to group applications together and send them into the Bureau in bulk was not an option available at the time Capita submitted their bid since the blank paper

2 C&AG's Report, para 3.3; Qq 2-4, 21

3 Qq 23-24, 38-39, 82, 93-94, 104, 106, 109

form route was not anticipated. At the project start, the alternative to a telephone application had been planned as a web-based application route.⁴

4. From the outset the Agency underestimated the need to test the system thoroughly before it went live. The Agency had always planned to undertake a pilot within the acceptance test phase but the pilot would have been of fairly limited duration, comprising a number of dummy applications processed through the test programme. As the development programme became delayed, some testing became squeezed and it was not until around July 2001, partly as a result of the Gateway Review process, that the Agency recognised that it would be preferable to let the launch date slip to take more time and put in a pilot phase. With hindsight, however, it should have further deferred the launch date to allow more time for a final round of tests. Discussions had been held in the run up to the actual launch in March 2002, including a final Gateway Review. That review had found that it would have been, in the judgement of the reviewers, more harmful than less to defer the launch date again, so the decision was taken to go ahead; but the Home Office now acknowledged that it had been the wrong decision. It would have been better to have deferred the launch again to make sure the system was working effectively before it became available for public use. A pilot scheme had taken place at the end of the programme but it should have been longer, particularly with the introduction of the blank paper form route. Capita should have given themselves more time to undertake piloting by deferring the go live date for a few weeks further.⁵

5. The Agency had received three different bids using different sets of assumptions as a result of its original tender process. Rejected bids had raised questions about the extent of use of a telephone application channel and also the timescale for delivery of the project. Capita had submitted a bid of just under £250 million based on demand for 3 million applications over a 10 year period. Other bidders were at least £100 million more expensive over the ten years. Consultants had been used to review the Capita bid, and on the basis of the consultants' advice that there was little difference between the technical evaluations of the different bids, the Agency had awarded the contract to Capita. The Home Office confirmed that as contract negotiations had reached the stage of best and final offers, it had not been thought appropriate to go back to other bidders, and seek bids based on different assumptions. The Home Office considered that the Agency had, in many ways, followed good practice by allowing bidders to offer innovative solutions, in asking consultants to audit the procurement process and looking for the best in final offers. Other bidders had taken account of the fact that there were likely to be more paper requests, however, and as a consequence their price had been higher. Capita's price had risen from £250 million to £395 million and hence over the ten year period would be higher than the comparative bids.⁶

6. The Home Office considered that it was not possible to conclude that other bids might have been more cost effective because of the fundamental change made to the business process by accepting more applications on paper than by telephone. Although other bidders had forecast higher levels of paper based contact and lower levels of telephone

4 Qq 83–84, 104

5 Qq 5, 12–16, 85

6 Qq 32–33, 78–82

contact none had forecast paper based applications at the level which actually materialised. The Home Office had renegotiated the contract with Capita, leading to the estimated price over the lifetime of the contract of £395 million, less than might otherwise have been the case, and also including more rigorous clauses in terms of performance and the costing of the contract. With effect from October 2004, the Bureau had secured a reduction in the price paid to Capita of just under £1 for processing each Disclosure application, representing an estimated saving of £17 million over the remaining life of the contract. Capita confirmed that the reason the price had changed was because the nature of the job and the service being received by customers was far wider and more complex than had originally been envisaged. They did not think that competitors' higher bids had been due to their greater realism about the number of paper applications likely to be received.⁷

7 Qq 24, 28, 32–37, 40–43, 65–68, 70–72, 89–92; Ev 23

2 Providing better protection for the vulnerable

7. The paper application channel which the Agency and their contractors developed late in the implementation process did not work well initially, leading to a backlog of applications and delays for customers. The Home Office nevertheless confirmed that in their view the Bureau was now operating much more effectively than in its early weeks and months, and was delivering a much better service than the arrangements which had existed before it was created. The Bureau denied that improved performance had resulted from a relaxation of service targets. The initial targets had been to process 90% of Standard Disclosures in one week and 90% of Enhanced Disclosures in three weeks. In February 2004, the Bureau achieved 57% of Standard Disclosures in one week and 84% of Enhanced Disclosures in three weeks, which was a significant enhancement from September 2002 when the performance was 6% and 31% respectively. New targets for 2003–04 provided for 90% of Enhanced Disclosures to be processed within four weeks and 90% of Standard Disclosures to be processed in two weeks. At the time of the Comptroller and Auditor General's Report, unaudited performance suggested both these targets were being met.⁸

8. The Home Office emphasised that the Bureau was providing a more comprehensive and consistent service than its predecessors, reliably delivering over twice the number of checks undertaken by the police each week under the previous arrangements. The Bureau has, however, had to delay the issue of Basic Disclosures⁹ at least until the end of 2004, and hence the service being provided to the public is narrower than planned. The Bureau considered that it would, nevertheless, have the capacity to cope with this further service. Since Christmas 2003 around 54,000 applications had been received each week but there had been a short period during the summer of 2003 when the Bureau had dealt with over 70,000 applications per week. The number of cases over six weeks old awaiting processing, where the Bureau was not awaiting information from applicants, fell sharply from 53,754 cases in January 2003 to 923 cases in December 2003 although numbers have risen again during 2004, with 1,561 cases awaiting processing as at the end of February 2004.¹⁰

9. Following the murder of two young schoolgirls in Soham, public attention has focussed on the extent to which identity and police checks would identify individuals whose past actions render them unsafe to hold positions of responsibility in close proximity to vulnerable young people and adults. As part of the application process an applicant is required to provide any name they have used in the past and addresses they have lived at over the previous five years. All names should be checked against the Police National Computer, and if an Enhanced Disclosure were applied for, relevant local police forces would be automatically notified. The issues arising from Soham were under examination by Sir Michael Bichard's Inquiry at the time of our hearing, and he reported on 22 June to the Home Secretary.¹¹

8 Q 7; C&AG's Report, Figure 14

9 A Basic Disclosure comprises unspent convictions on the Police National Computer.

10 Qq 7, 9, 11, 94; Ev 16

11 Qq 10, 50, 52, 54

10. Primary responsibility for the identification of those seeking disclosures had been passed to registered bodies on the basis that such bodies were in the best position to undertake this role. There is a risk that if somebody chooses to provide false information to the registered body,¹² whether name or address, the Bureau would not have access to relevant data. This risk could seriously undermine the value of the Bureau's service. The Home Office confirmed that applicants were asked to provide two kinds of identity, for example a passport or a recent utility bill. Significant efforts are made to establish that the identity of the person is the same as the name on the form. The Bureau's service does not, however, pretend to be a 100% guarantee that any individual can be hired without any risk, nor does it absolve the employer of the ultimate responsibility for an employment decision. The Bureau confirmed that it had issued guidance to registered bodies about how to carry out identity checks and that it did routinely check applications against the list of forged passports held by the Passports and Records Agency. Nevertheless a registered body is not able to seek such confirmation directly from the Agency. The checks undertaken by the Bureau had resulted in three people being arrested and another five were under investigation. The Bureau agreed that a system of ID cards and biometric testing would make it easier for people to carry out identity checks and strengthen the Disclosure process. The Home Office had recently conducted a consultation exercise through registered bodies about using fingerprinting as part of the early stages of the Disclosure process and are currently analysing the results of that consultation.¹³

11. The Bureau does not refuse Disclosure applications but instead issues Disclosures with relevant information about previous convictions or local police intelligence as appropriate. This approach applies in all cases unless an application is withdrawn. It was not the Bureau's role to make judgements about the employability of an individual, as that judgement rested with the employer. Valid conviction information from the Police National Computer would appear automatically on the Disclosure. Where there is local police intelligence, it is a matter for local Chief Constables to decide on the relevance of that data for the Disclosure itself. The Bureau's research had shown that some 70% of registered bodies or personal applicants valued the service offered by the Bureau as part of their employment decision making process. One in five employers surveyed by the Bureau had said that the results of Disclosures had materially influenced their recruitment decisions.¹⁴

12. The Bureau's service has been concentrated on checks in respect of people wanting to work with young people and not weighted equally in terms of those who wanted to work with elderly people. The Home Office confirmed that when the Bureau ran into difficulties, a decision was taken to prioritise making its operations effective for the original target groups before taking on new work. The Bureau was, however, now undertaking additional checks on new care home staff, on domiciliary care agency staff and was gradually extending its reach to cover other potentially vulnerable groups and people who work for them and with them.¹⁵

12 A Registered Body is an employer or voluntary organisation registered with the Bureau to verify that applications are genuine.

13 Qq 110–115

14 Qq 55–60

15 Qq 61–64

13. The Home Office wanted to obtain evidence as to whether the Bureau was actually delivering employers a more secure recruitment service. As noted earlier, surveys of employers suggested that the service was impacting on and influencing recruitment decisions, and the Home Office was considering whether more research could be undertaken on this aspect. In terms of wider research on the impact of the Bureau's service on crimes against the vulnerable, the Home Office considered that there would be difficulty in being able to separate out the impact of the existence of the Bureau and its service from other factors which influence levels of crime and levels of abuse. Ideally the existence of the Bureau would have reduced the risk of employers recruiting unsuitable people for positions where they have vulnerable children and adults in their care but the risk could not be reduced to zero.¹⁶

Formal minutes

Wednesday 21 July 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan	Mr Frank Field
Mr Richard Bacon	Mr Brian Jenkins
Mrs Angela Browning	Jim Sheridan
Jon Cruddas	Jon Trickett
Mr Ian Davidson	Mr Alan Williams

The Committee deliberated.

Draft Report (Criminal Records Bureau: delivering safer recruitment?), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 13 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-fifth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned until Wednesday 8 September at 3.30pm]

Witnesses

Monday 15 March 2004

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Mr Leigh Lewis CB, Home Office, **Mr Vince Gaskell**, Criminal Records Bureau, **Mr Bernard Herdan**, United Kingdom Passport Service and former Chief Executive of the Passport and Records Agency, and **Mr Paul Pindar**, Capita Group plc

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List of written evidence

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Third Report	The Sheep Annual Premium Scheme	HC 64 (<i>Cm 6136</i>)
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Twelfth Report	Getting it right, putting it right: Improving decision-making and appeals in social security benefits	HC 406 (<i>Cm 6191</i>)
Thirteenth Report	Excess Votes 2002–03	HC 407 (<i>N/A</i>)
Fourteenth Report	Inland Revenue: Tax Credits	HC 89 (<i>Cm 6244</i>)
Fifteenth Report	Procurement of vaccines by the Department of Health	HC 429 (<i>Cm 6244</i>)
Sixteenth Report	Progress in improving the medical assessment of incapacity and disability benefits	HC 120 (<i>Cm 6191</i>)
Seventeenth Report	Hip replacements: an update	HC 40 (<i>Cm 6271</i>)
Eighteenth Report	PFI: The new headquarters for the Home Office	HC 501 (<i>Cm 6244</i>)
Nineteenth Report	Making a difference: Performance of maintained secondary schools in England	HC 104 (<i>Cm 6244</i>)
Twentieth Report	Improving service delivery: the Veterans Agency	HC 551 (<i>Cm 6271</i>)
Twenty-first Report	Housing the homeless	HC 559 (<i>Cm 6283</i>)
Twenty-second Report	Excess Votes (Northern Ireland) 2002–03	HC 560 (<i>N/A</i>)
Twenty-third Report	Government Communications Headquarters (GCHQ): New Accommodation Programme	HC 65 (<i>Cm 6302</i>)
Twenty-fourth Report	Transforming the performance of HM Customs and Excise through electronic service delivery	HC 138 (<i>Cm 6302</i>)
Twenty-fifth Report	Managing resources to deliver better public services	HC 181
Twenty-sixth Report	Difficult forms: how government departments interact with citizens	HC 255 (<i>Cm 6302</i>)
Twenty-seventh Report	Identifying and tracking livestock in England	HC 326
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Twenty-ninth Report	Improving public services for older people	HC 626 (<i>Cm 6303</i>)

Thirtieth Report	Out of sight—not out of mind: Ofwat and the public sewer network in England and Wales	HC 463 (Cm 6303)
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The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 15 March 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Frank Field

Mr Brian Jenkins
Jon Trickett

Sir John Bourn KCB, Comptroller and Auditor General, and **Ms Aileen Murphie**, National Audit Office, further examined.

Mr Brian Glicksman, Treasury Officer of Accounts, HM Treasury, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

Criminal Records Bureau: Delivering Safer Recruitment? (HC 266)

Witnesses: **Mr Leigh Lewis CB**, Permanent Secretary, Home Office, **Mr Vince Gaskell**, Chief Executive, Criminal Records Bureau, **Mr Bernard Herdan**, former Chief Executive of the Passport and Records Agency (which incorporated the Criminal Records Bureau and the UK Passport Service until the two were split up on 1 September 2003), and **Mr Paul Pindar**, Chief Executive, Capita Group Plc, examined.

Q1 Chairman: Good afternoon. Welcome to the Committee of Public Accounts where today we are looking at the Criminal Records Bureau: Delivering Safer Recruitment? We are joined by Mr Leigh Lewis, who is Permanent Secretary at the Home Office, Mr Vince Gaskell, who is Chief Executive of the Criminal Records Bureau, Mr Bernard Herdan, who is the former Chief Executive of the Passport and Records Agency (which incorporated the Criminal Records Bureau and the UK Passport Service until the two were split up on 1 September 2003), and Mr Paul Pindar, who is Chief Executive of Capita Group plc. You are all very welcome. Thank you for agreeing to speak to the Committee this afternoon. May I just ask you one housekeeping matter first, Mr Lewis. It is very important that any supplementary memoranda are received in good time. Why did you only send us this latest supplementary memorandum on 9 March and why did you not copy it to the National Audit Office? They received their copy from the Committee Clerk. Why so late?

Mr Lewis: May I apologise for both of those omissions, Mr Chairman. We wanted to try and have the latest information in front of the Committee and that meant waiting for the latest February figures that we wanted to send you. Not sending it directly to the National Audit Office was simply an omission for which I apologise.

Q2 Chairman: Thank you. Mr Herdan, why did you not question the business assumptions that assumed that 80% would use this service by ringing up and in fact there were bulk applications by post? Was not this a fairly basic error?

Mr Herdan: We did do research back in May 2000 to establish our potential customers' attitudes to the service and the feedback we got at that point was that the telephone service which we were seeking to encourage to facilitate was going to be well received. In the voluntary sector about three-quarters of the people we spoke to said it would be fine and in the education sector the telephone was said to be the preferred channel. We were encouraged in our view that we could pursue the Modernising Government Agenda which had been set at that time for percentages of electronic transmissions through government services. We believed it would be feasible to launch the service rather like the insurance and telephone banking world where most of the transactions would be done through the phone. We believed our customers would accept that. It was much closer to the launch date that we found out through extensive consultation that there were a large number of them that would not accept that.

Q3 Chairman: In fact, most people—obviously we are dealing with employment here—were submitting bulk applications by post and the system crashed.

Mr Herdan: That was how it turned out.

Q4 Chairman: And you reckon that was not foreseeable?

Mr Herdan: In retrospect, it would have been better to have done more research earlier and I acknowledge the fault there. It is also the case that we were seeking to change behaviour because the paper application route is known to be expensive and troublesome in terms of levels of error and likely to cause a lot of ping-pong between customers and

 Home Office, Criminal Records Bureau and Capita Group Plc

the organisation. So we were seeking to change the whole of the new service rather than go down the traditional routes, but in the end I became convinced that that was going to fail and we were going to get a large number of people feeling they could not access the service. In the end my priority was the protection of children and the protection of the vulnerable. I had to make that service successful.

Q5 Chairman: Is it not a fairly basic omission in a project of this complexity to forget to do a pilot study?

Mr Herdan: We did always plan to do a pilot within the acceptance test phase but it was going to be of fairly limited duration. We were going to put a raft of dummy applications through the test programme, but as the development programme got delayed, as sometimes happened, things got squeezed and it was around July 2001, whilst taking stock and also going through the Gateway Review process, that we recognised it would be better to let the launch date slip, to take more time and put a pilot phase in. So we basically added more time and it was at that stage we could see the development programme was going to produce something which was deficient in one way or another. So we thought it was important to stop and do a pilot phase and make sure things were okay.

Q6 Chairman: Mr Pindar and Mr Herdan, why did it take a crisis to make you work together properly?

Mr Herdan: I would like to say that it did not take a crisis to make us work together properly. We were committed from the outset to working closely with whoever we chose as a partner. We, the Agency, took premises in Liverpool which the partner could move into so we would be co-located. We formed a partnership executive where we would work together to deal with any issues between us. Mr Pindar and I used to meet bilaterally every four to six weeks with any high level issues we could clear out of the way. Capita were involved, for example, in joint roadshows with staff, management conferences, annual retreats and so on. We were working together pretty well. We had made the determination that we would treat this as a partnership, although as the NAO Report quite rightly says, when we got into some stormy water soon after the launch we began concentrating on our own areas and that is where some discontinuity in the production flows was commented on in the NAO Report. We have recovered from that now. We had a Joint Improvement Plan we put together and I would say that we have worked very well as a partnership ever since then.

Mr Pindar: I have to say, Mr Chairman, I agree very much with Bernard Herdan's summary. I think we worked well during the process of implementation. At the point when we went live and the situation was not as we had foreseen inevitably there was a degree of tension around at that point. As soon as we realised we had a major issue to deal with the teams came together very well. Hopefully one of the things that you will take out of this is the fact that as soon as we realised that there was a difficulty that had to

be overcome we worked very hard and everyone put their shoulders to the wheel in terms of putting it right. Also, as Bernard Herdan has said, subsequent to that time we have had an excellent relationship which hopefully is shown out in the figures which are now coming from the Agency.

Q7 Chairman: Thank you. Mr Gaskell, could you look at figure 14 on page 34 which deals with service targets and reducing the scope of the service. Is your improved performance not just a result of relaxing your service targets?

Mr Gaskell: No, Mr Chairman, it is rather more fundamental than that because even if we were to compare it against the previous targets, which were to do 90% of Standard Disclosures in one week and 90% of Enhanced Disclosures in three weeks, our performance on a comparable basis is significantly different and better than that. For example, if you will just indulge me for a minute, just looking at February's figures alone, we would have achieved 57% of Standard Disclosures in one week and 84% of Enhanced Disclosures in three weeks, which is a remarkable step change from September 2002 when it was 6% and 31% respectively. So I think there is something rather more fundamental in terms of improvement that has happened since then.

Q8 Chairman: Will you please look at your supplementary memorandum and the third page where you will see the title "Performance against public service standards for 2003-04" and you will see a line there saying, "Registration of Registered Bodies". Do you see that? Why is that 36.6 figure so low?

Mr Gaskell: There are a couple of reasons for that. I am not going to attempt to defend a figure that is clearly well below our performance target. That figure does still include, unlike the current targets for Enhanced and Standard Disclosures, time out with a customer. We have significant problems in getting applications in for registration in good order. At least half of them we have to return because of inaccuracies or because the thing that is meant to be associated with it has not come in and to some extent we are still clearing out some of the aged ones in that category that we have had a purge on in the last three months to try and clear, but unfortunately in clearing out those it further drags down performance.

Q9 Chairman: Will you please look at paragraph 4.5 on page 25 which deals with issuing basic disclosures. Will you be able to cope with this in capacity terms?

Mr Gaskell: Yes, I believe I would. If you would like me to elaborate on that I will because since Christmas we have been running at about 54,000 applications a week and coping well with those within our service standard. There were peak periods last year. There was a short period around the time of the summer fee increase where we hit well over 70,000 applications per week. On that basis I

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am confident that the performance of both Capita and ourselves and indeed the IT system at present is capable of supporting us.

Q10 Chairman: Would your system have caught Ian Huntley?

Mr Gaskell: The issues that the Ian Huntley case throws up are these and they are well documented already. We are heavily dependent on the information provided to us by local police forces. The differences in this case are this: as part of the application process an applicant must, and ought to, reflect on there any name that they have used in the past. They are also meant to reveal as part of their five-year address history, the addresses they have previously lived at and as a matter of routine what we would do is, first of all, check the Police National Computer for both of the names provided and he made no secret of his two names. We would also have sent out automatic notifications through to both the Cambridgeshire police and to the Humberside police if an Enhanced Disclosure has been applied for. If it had been a Standard Disclosure we would have been interrogating the Police National Computer ourselves.

Mr Field: Was that yes or no, Chairman?

Q11 Chairman: Mr Field, I think we need to develop that, if you wish. I am not entirely sure after that answer either, but I think other members can come back to that. Mr Lewis, I have come to the end of my questioning now and summing up. Given the problems that this Bureau has clearly suffered from, are you satisfied that the public and particularly vulnerable people are getting the protection that they need from this Bureau?

Mr Lewis: I am satisfied that the Bureau is now operating much more effectively than it was in its early weeks and months. I am satisfied that overall it is now delivering a much more effective service than the previous arrangements before it was created. I am not at all satisfied that the standard of service which it provided in its early weeks or months was satisfactory.

Q12 Chairman: We now know that it was a very poor launch. Obviously ministers came to officials, quite rightly, it is a policy point, and said they wanted to have more protection for the vulnerable. We now know there was not a proper pilot study. We know all the problems that existed. Did none of your officials warn ministers that perhaps it should have been rolled out more slowly, there should have been more care, more consultation and that proper contractual relationships should have been built up with Capita? With the benefit of the hindsight, do you recognise that perhaps this would have been a useful warning to have given to ministers?

Mr Lewis: With the benefit of hindsight, I think there are certainly things which we should have done differently and they include that we should have deferred the launch date again and allowed more time for a final round of tests. That was not done. There were, inevitably, discussions going on in the run up to the actual launch in March 2002 and

amongst the steps that were properly taken then was a final Office of Government Commerce Gateway 4A Review and that review actually found that it would have been, in their judgment, more harmful rather than less to have deferred the launch date again and that was a decision which those who were charged with launching the Service took at the time. With the benefit of hindsight, that was the wrong decision. We should have deferred the launch again and we would then have launched it better and more effectively and not, I believe, run into a number of the problems that we did.

Chairman: Thank you very much.

Q13 Mr Bacon: Mr Lewis, can I start where the Chairman left off. On page 39, Appendix 2, the second bullet down, it says, "With the wisdom of hindsight, the Bureau should have delayed operational launch when the pilot testing proved inconclusive." From what you have just said, you would regard it as a pretty good principle that pilot testing should be reasonably conclusive before you go ahead with something.

Mr Lewis: Yes, I would.

Q14 Mr Bacon: Does that require a lot of hindsight or is it just sheer common sense?

Mr Lewis: I think it is a principle which stands and which is of pretty near general application.

Q15 Mr Bacon: The second part of the sentence says, "However, there was advice and various pressures to go live and this was endorsed by the Office of Government Commerce Gateway 4A Review." Could you say what the advice in that sentence was? The advice to go live, what was that? Where is this advice to go live from?

Mr Lewis: The advice was the advice of all of those who were at that time charged with launching the service.

Q16 Mr Bacon: Who? Are we talking about people in Capita or professionals?

Mr Lewis: I am talking about both. The view at that point, both of the CRB, the Chief Executive of Capita, of our consultants, PA Consulting and of the OGC was that we could, and should, go live.

Q17 Mr Bacon: The various pressures, that just refers to ministers saying get on with it, does it not?

Mr Lewis: Yes. I do not want to give any impression that there was some kind of huge pressure from ministers.

Q18 Mr Bacon: But that is what it is referring to, pressures from ministers.

Mr Lewis: There was a general pressure, of course, because this was an announcement and a commitment that had been made that it should be established as soon as possible, but there was no pressure from ministers to proceed before it was safe to do so.

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Q19 Mr Bacon: That is a great relief. Mr Herdan, you are in charge of the Passport Agency, is that right?

Mr Herdan: Yes.

Q20 Mr Bacon: Appendix 2 is a comparison of the Passport Agency Report and the Criminal Records Agency Report and it makes quite interesting reading. The Passport Report says, "The Agency should have been more realistic about the time, resources and management effort needed," and the Criminal Records Bureau one says, "The Agency was optimistic about timescales..." As you go through it looks pretty similar. Could you say who the consultants were on the Passport Agency computer project?

Mr Herdan: The Passport Agency was launched as a public private partnership with Siemens and SPSS. After the crisis in summer 1999 the National Audit Office Report was undertaken and then it came to this Committee. I came to this as the incoming Chief Executive coming in after the crisis. We discussed it and your Committee produced a set of lessons. This analysis was produced by the National Audit Office to see whether we had taken them on board. The conclusion I have drawn from this is that each situation is different and whereas we did avoid falling into the traps which the Passport Agency had fallen into in 1999, there were other traps instead—

Q21 Mr Bacon: If I could ask you to turn to page 23. You said earlier that you had consulted with potential users of the service. On page 23, paragraph 3.12, it says, "Input was high level and representatives were not best placed to inform the development of operational processes, such as how Registered Bodies would submit applications." I think that is one of the most exquisite sentences I have seen from the NAO for quite a while. You have just said that you consulted with potential users. What this is saying is you did not, you consulted with people who were above the potential users but not the users themselves. Is that right?

Mr Herdan: We did both. This refers to the customer forum which was put in place in 1999 and there were trade associations and high level bodies there, but we also committed to the research with Rosslyn in May 2000 which was reported and which was a consultation. There were six focus groups organised with potential customers as well as a raft of in-depth telephone interviews to find out how they would behave. We did do some of that, but I do admit that we should have done more. We found out a bit later on when we had this large scale consultation that we had got problems which we had not picked up on earlier both through the customer forum and through the Rosslyn research.

Chairman: Thank you. We have to break down now for a division. I apologise, gentlemen.

The Committee suspended from 4.51pm to 4.56pm for a division in the House.

Chairman: Right. Mr Richard Bacon.

Q22 Mr Bacon: I would like to ask Aileen Murphie about paragraph 3.13. It says, "Stakeholders we consulted said that they had questioned some of the Agency's assumptions, but felt they were ignored." Who was it that you were consulting in this way who said later that they felt they were ignored?

Ms Murphie: We consulted with a number of different voluntary bodies and other organisations like the Local Government Association. I can give you the names of specific ones that have said these comments, but in general these are a summary of the points that they raised with us.

Q23 Mr Bacon: Mr Herdan, you went and asked these people, so you did do some consulting but then you ignored what they told you.

Mr Herdan: It is not fair to say that in generality stakeholders were ignored. There were some who felt we had not listened to them. We met about 5,000 during these registered body seminars which were seen as the exemplar of how the Government was listening and consulting with them. We took a number of actions as a result of those seminars, including producing the blank application forms in volume but also other actions to do with portability, for example, and action to do with opening up a service with an international dimension.

Q24 Mr Bacon: Nonetheless, these points in paragraph 3.5 on page 22 about the application channels and the proposed use of call centres when customer preferences were to be for paper and so on were flagged up but basically ignored. It says in the first bullet on page 20 that Capita was cheaper. Could you say what the original amount of money proposed by Capita was and the original amount proposed by PricewaterhouseCoopers and thus how much cheaper was the Capita bid than the other one?

Mr Lewis: The original Capita price based on demand for three million applications over a 10-year period was just under £250 million.

Q25 Mr Bacon: How much was the PricewaterhouseCoopers one?

Mr Lewis: The other bids were more than £100 million more expensive over 10 years.

Q26 Mr Bacon: How much was the PricewaterhouseCoopers one?

Mr Lewis: The exact figure was in the region of £380 million.

Q27 Mr Bacon: So £130 million more?

Mr Lewis: Yes.

Q28 Mr Bacon: The fact that they were so at variance, it says in the Report, led you to attribute concerns about the Capita bid on which assurances were sought. You sought those assurances by asking another consulting group to do an analysis, did you not?

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Mr Lewis: Yes, that is right.

Q29 Mr Bacon: PA Consulting. This is in paragraph 3.6. On the basis of their advice, among other things, and on the basis that there was little difference between the technical evaluation the Agency rewarded the contract to Capita. How much were PA Consulting paid for giving you this duff advice?

Mr Lewis: I have not got that figure.

Mr Herdan: I think I would need to write to you with that information. They were providing a variety of support services to us in terms of independent assurance.

Q30 Mr Bacon: How much were they paid in total? Do you have any idea?

Mr Herdan: I would rather write to you, if I may. It was normal consulting rates.¹

Q31 Mr Bacon: I would like to check about the overall costs now. On page 31 there is a chart showing the costs, £98.8 million, and it says, "The Criminal Records Bureau start up costs and operating deficits (actual and forecast) from 2000-2005." I was going to ask if that is the total cost, but Mr Lewis has already assured me that they were more than that. I take it, Mr Gaskell, you are not expecting to get less than the £250 million of the original bid, are you?

Mr Gaskell: No.

Q32 Mr Bacon: What is the total amount of money you are expecting to be paid over the lifetime of this contract?

Mr Gaskell: Over the lifetime of this project we now expect that figure to be approximately £400 million.

Q33 Mr Bacon: So it has gone from £250 million to £400 million?

Mr Gaskell: That is correct.

Q34 Mr Bacon: For a slower service that is delivered a year late and it provides less than it did originally. That is right, is it not, it is being delivered late?

Mr Gaskell: The figure is correct, yes.

Q35 Mr Bacon: Is it right that it is being delivered late?

Mr Gaskell: Yes.

Q36 Mr Bacon: Is it right that it is delivering less now than it was originally proposed to deliver?

Mr Gaskell: That is also correct.

Q37 Mr Bacon: But it is costing £150 million more?

Mr Gaskell: Yes. That is because, as the NAO have rightly picked up in their Report, the channel mix is different. Certainly the volume that we are currently operating at is less than anticipated and, therefore, the unit costs are higher. They are contributory factors.

Q38 Mr Bacon: The Report says that PWC's bid assumed that it would be 40% paper based and, therefore, presumably 60% call centre based. Capita's bid assumed it would be 85% call centre and 15% paper based. Mr Lewis, on what were these assumptions made for PWC and Capita? How were they reached?

Mr Lewis: There were two bases for this. One, there was a government intention, an e.strategy across government in which direction we believed that we were moving, as we have done indeed, to more of an e.based set of services and there was also a lot of experience from other major service provider organisations such as in the insurance and banking industry which suggested that it was reasonable to look for a telephone channel to be the primary means of contact with the new Agency. What became clear is that that did not meet the preferences of the Agency's customers and when those preferences became clear the decision was taken, rightly, I believe, but at a late stage, to re-engineer the processes so that we would accommodate paper applications in bulk. What went wrong at that stage was that we did not allow sufficient time to re-engineer those processes sufficiently well to ensure that they were going to work in the necessary way at the launch of the Service, which is why I said earlier that more time should have been allowed and the launch should have been deferred at that point.

Mr Bacon: Chairman, I have run out of time. I am still not clear how the percentage figures were reached but perhaps somebody else can pursue that.

Chairman: Ask that last question.

Q39 Mr Bacon: You talked about comparisons with the banking industry and various other industries. What I really want to know is if I am in PWC and I come along and I say you are going to have 40% paper based and I am in Capita and I come along and I say I think you are going to have only 15% paper based, how are these figures actually arrived at? Since they are so at variance with one another how can they both be sound? Then you go and get PA Consulting who you pay some money to go and check, they assure you that it is all okay and that Capita's numbers are sound. How are they both reached in the first place and why did not PA or somebody else, your own officials, spot that they were unsound figures?

Mr Lewis: One thing we cannot know is what would have happened had we not introduced a bulk paper channel for applications because it is not necessarily the case that those original assumptions were wrong. What was going wrong quite clearly was that those original assumptions did not meet the wishes of the Agency's customers. They did not want, at least at that stage, to use a telephone channel for the bulk of the disclosures to the Agency and that is why at a late stage the Agency decided to introduce a bulk paper channel.

Q40 Jon Trickett: The document which you submitted really quite late to the Committee indicates the scale to which effectively the public purse has had to pay funds to Capita over and above

¹ Ev 23

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the contract. The document does not have a page number on. It is not a good idea to have reports with no page numbers on. I think you will probably know the one I am referring to. For example, in the current year we have paid almost £50 million over and above the contract to Capita. Is that right?

Mr Lewis: It is not right. It is not over and above the contract. That is the total paid in the year to 31 January 2004 to Capita for the provision of service. It is worth saying in that context that the volumes that the Bureau are now dealing with—

Q41 Jon Trickett: I am trying to establish what the figures are rather than the reasons for them. It is right to say, is it not, that the original Capita contract bid was for £250 million? It is now running at £47 million a year. The £250 million was over 10 years. Am I right in assuming that the annual cost has doubled?

Mr Lewis: No. Perhaps I will ask some of my colleagues to deal with the detail. That figure of £47 million includes two types of payment. Some of it is the ongoing payment for the delivery of the service day-by-day and some items are one-off payments for changes that have been made to the system.

Q42 Jon Trickett: I am going to come to that in a minute. You ignored the advice of everybody around you at the time the contract was let and it had to be one of the most incompetently let contracts this Committee has seen certainly since I have been on it. Above the table I was just referring to is another table which refers back to paragraph 4.18 in the original Report which shows £9 million-worth of payments to Capita over four years culminating this year in a £4.25 million payment. Do I assume that that is a kind of penalty levied against the public purse by Capita for the failure to specify the contract properly in the first place?

Mr Lewis: No. It is not that and while I do not want to pretend that with hindsight every single issue that was discussed in the procurement process would be done precisely in the same way again, I do not actually agree with you that the decision to let the procurement contract was wrong. Indeed, I think in many ways the Agency did follow good practice in allowing bidders to offer innovative solutions, as the NAO make clear, in asking the consultants to audit its procurement process and finding the best in final offers and so on. Those payments in the paragraph which you quote are for changes and enhancements to the service. They are balanced off, if you look at the paragraph immediately above, by payments by Capita which are payments which have been made by Capita for failures in the service over the period since the contract was let.

Q43 Jon Trickett: When the original bids were being considered Capita's price, as is often the case with Capita, was quite low relative to the other bidders. It has not been analysed in detail here, but it is clear that Capita was making assumptions along with yourself about the number of paper applications which would be received, which were hopelessly optimistic as it turned out. The other bidders had

taken account of the fact that there would be more paper requests and as a consequence their price was higher. Capita's price, on your own acknowledgment to earlier questioning, has now gone from £250 million to £380 million. By the end of the 10-year period it is going to be higher, is it not, than the comparative bids? We got the highest tender rather than the lowest in the end as it has turned out.

Mr Lewis: I think that is a perfectly fair way of presenting the facts, with this gloss and this caveat. Had one of the other bids been accepted at that time we do not know what the price would have turned out to be for that bid because what happened was that a fundamental change in the business process was introduced, namely the decision to take most applications on paper rather than by telephone and that fundamentally changed the economics of this contract. It is indeed the case, as you say, that other bidders had forecast higher levels of paper based contracts and lower levels of telephone contracts, but none of them had forecast anything like what actually materialised.

Q44 Jon Trickett: Have you ever heard of a sprat to catch a mackerel? Are those not the normal business contracts which consultants like Capita engage in? Should you not be more rigorous in your analysis? They have landed a whacking great mackerel.

Mr Lewis: The Agency engaged with consultants precisely to look at and identify why the Capita bid was so much cheaper than the others. Their Report did not call into question any fundamental aspect of the Capita bid.

Q45 Jon Trickett: So that was okay then?

Mr Lewis: What is okay is that the contract was properly let, after a rigorous evaluation, to the company which appeared to be offering the best price.

Q46 Jon Trickett: Do you think, as it appears from the evidence before the Committee, that over a 10-year period you will have paid more to Capita than the rival bids were at that stage, admitting that there may have been some modifications to those as well?

Mr Lewis: Yes.

Q47 Jon Trickett: I want to move on. Paragraph 3.5 is dealing with the same issue about the comparative bids. I notice that PricewaterhouseCoopers included an identity verification process and that was then included in the Capita approach. Has that approach now been dropped?

Mr Lewis: Where we have moved to more recently is the view that it would be right to ask the registered bodies to take primary responsibility for the identification process because they are in the best position to do so. It is obviously very important indeed that we do everything to try and ensure that the identification of applicants is accurate.

Q48 Jon Trickett: So the answer is yes, the identity and verification process has been subsequently dropped by the Agency?

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Mr Lewis: No.

Q49 Jon Trickett: So it is now being done by an applicant body, say the Boy Scouts?

Mr Lewis: At this point not. At this point it is proposed that the primary responsibility for checking identification should move to the registered body.

Q50 Jon Trickett: It is in the nature of villains that they often use more than one name. Indeed, Huntley used two names, his mother's name and his father's name. If the identity verification budget is dropped, is it not a fact, as I am told is the case even now, that if the school had not properly taken up the verification of his identity; in other words, if he had suppressed one of his names, the Bureau would not have identified him at all or any such person who had done a similar thing, for example produced a false address or used a pseudonym for a time? If at the time at which a person was arrested and charged and found guilty of a sexual offence they subsequently changed their name and address and they were to fail to notify their new employer or their new organisation that they had changed it, this system actually will not identify that individual because it simply relies on the truthfulness of the applicants and resourcefulness and rigour of the Boy Scouts or of the school or whatever it is. Is that the case?

Mr Lewis: I am very reluctant to speculate on what would have happened if Ian Huntley had made an application for disclosure under a system which did not exist at that point. That is a hypothetical speculation and not a helpful one. The Bichard Inquiry will comment on any issues which it thinks are of relevance to that. It is worth saying, talking in general of the identification process, that applicants for disclosures have to submit a significant amount of identification evidence which enables the registered body and the CRB to have as much assurance as they believe it is possible to obtain, the person for whom the disclosure is being requested, that it is actually the person they say they are.

Q51 Jon Trickett: The fact of the matter is that if somebody chooses to provide false information to the body to which they are applying the Bureau will not have the access to the data, nor would they seek to have access to the data to find out that that was fraudulently filled in as a result of abandoning the identity verification process? This is like leaving a barn door wide open.

Mr Lewis: Applicants are asked to provide two kinds of identity.

Q52 Jon Trickett: You are not answering my question.

Mr Lewis: For example, one is a passport or a recent utility bill *etcetera*. Significant efforts are made to try and establish that the identity of the person is actually the same as the name on the form for which disclosure is being sought. It is very important to say that, the NAO Report says it, the CRB process does not pretend to be a 100% guarantee that any individual can be hired without any risk. It is not. It

does not absolve the employer of the ultimate responsibility for that hiring decision. We will look to the Bichard Inquiry to say whether in its view there are further measures to be taken. For example, one that has been put forward is fingerprint identity which is necessary to try and reduce still further the risks of identity fraud.

Q53 Jon Trickett: You have abandoned the effort to verify the identity of the individual applicant. You are relying entirely on the people to whom you are applying.

Mr Lewis: On the contrary. I simply do not accept that. We are seeking to strengthen the effort to reduce to an absolute minimum the risk of identity fraud.

Q54 Mr Field: Mr Gaskell, can I come back to the question I posed at the end of the Chairman's questioning. You have had three-quarters of an hour to think about it. Would Mr Huntley have been found out by your organisation or not?

Mr Gaskell: I think I have got little further to add to what Mr Lewis has just responded to Mr Trickett on that issue because these are all matters that Sir Michael Bichard will be looking at as part of the inquiry.

Q55 Mr Field: Let us look at the general position. What percentage of applications do you refuse?

Mr Gaskell: In terms of refuse, we do not actually refuse disclosures. What we do is we issue disclosures with relevant information about previous convictions or local police intelligence, as appropriate. In all cases we would do that unless there were particular circumstances which would lead to an application being withdrawn, but they are so very few and far between. If somebody applies for a disclosure we will normally carry out the checks against the Police National Computer and, as appropriate, involve local police forces in carrying out the checks of their local systems and their local intelligence.

Q56 Mr Field: So if somebody was honest enough to put all the information you need on their application form which would allow you to say that he or she had beaten up old people in residential care, you would write back and you would not say, "Do not employ this person," you would just say, "We couldn't confirm this person is a granny basher"?

Mr Gaskell: We do not make judgments. It is not our remit to make judgments about the employability of an individual. At the end of the day it is for an employer to make that judgment.

Q57 Mr Field: You put this information on your statement.

Mr Gaskell: The decision on the information, particularly in relation to the Police National Computer where it is conviction information that is still valid, would appear automatically on the disclosure. Where it is local police intelligence, that is a matter for local chief constables to decide on the relevance of that data for the disclosure itself.

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Q58 Mr Field: The only people who might be prevented from employment after what is going to be £400 million-worth of taxpayers' money would be people who are incompetent at filling out the form or people who were so dozey they do not realise what they are telling you?

Mr Gaskell: I think there is an implication behind that, Mr Field, that the only check that is done is the disclosure check because, of course, the disclosure service is only one part of any employer's actions that they would reasonably take before choosing one.

Q59 Mr Field: It is now an expensive part.

Mr Gaskell: I was going to go on and say that what we have found from the research that we have done is the value that registered bodies or the people who these applications are lodged through with us put on this. Some 70% of those, at the last time we researched into this in late autumn last year, valued the service that we were operating for part of their decision-making.

Q60 Mr Field: Mr Lewis, is there any work being carried out on the numbers of people who are refused jobs because of the information the Agency is studying today comes up with?

Mr Lewis: We know that about one in five employers who we have surveyed as a result of recent work say that the results of CRB disclosures have materially influenced their recruitment decisions and we know that around 70% say that the information is helpful to them.

Q61 Mr Field: We know from the Report that the Agency has been concentrating on those who may abuse young people and not weighting equally those who care for elderly people. Did you give them those instructions?

Mr Lewis: I think it was always the case that we saw the role of the Bureau to help employers take better informed recruitment decisions and protect all of those who might be vulnerable.

Q62 Mr Field: Mr Lewis, our time is, unfortunately, limited. Did you give any instructions on this or not?

Mr Lewis: There were no specific instructions given to the Agency to focus on one group or another.

Q63 Mr Field: How did you find out that the work was being weighted in that way?

Mr Lewis: I think I need to be able to answer this question in my own words. It is not a question of the work being weighted in this way.

Q64 Mr Field: You are answering all the questions in your own words.

Mr Lewis: It is a fact that when the Bureau ran into difficulties then the decision was taken that before it took on new work and new roles and new disclosures it was necessary, first of all, to get it operating properly and effectively in respect of its original groups, but, as you will know, it is now undertaking additional checks on new care home staff, on domiciliary care agency staff and so on and it is

gradually extending its reach to cover other potentially vulnerable groups and people who work for them and with them.

Q65 Mr Field: Let me come back to the contract. I am not terribly good at making judgments about people but I am wonderfully supported by many of my constituents who are pretty hard nosed and if they were sitting here looking at a contract which was placed at this level in which the Report says the Home Office did not seriously consider the other applicants once the prices were known, that the cost of that contract has escalated by £150 million and we still do not know where it is going to land, they would say there was a fix on and that money would have changed hands. Given that that is a charge I now put to you and your Department and given the Department loves having consultants even if they do not know what the price of these consultants is, what moves do you make to make sure that such a fix did not occur in this or any of the other contracts?

Mr Lewis: First of all, I would like, since you have put it in those terms, to place on the record that there is no evidence whatsoever of any impropriety of any kind.

Q66 Mr Field: I am asking you what steps you took to check that there was not any impropriety?

Mr Lewis: What steps were taken actually were pretty rigorous. When those best and final offers were received a great deal of due diligence and a great deal of investigation went into analysing those bits and those figures, including a specially commissioned one of examination of the Capita bid precisely because it was at a significant lower cost than the other bids.

Q67 Mr Field: Given that with the result the findings were spectacularly out, have any of those people lost their jobs for losing taxpayers so much money?

Mr Lewis: No, they have not. I think one of the difficulties which we face, and I absolutely understand the line of questioning which you are pursuing, is that we are now applying what we know now to the decision that was taken then. At that point we had three bids.

Q68 Mr Field: That is the nature of our inquiry.

Mr Lewis: It is, but I think it is important to go back to what was facing the decision-makers at the time that the decision to let that contract was taken. What we were facing then was three bids with a difference in price between the cheapest and most expensive of over £100 million over 10 years. A great deal of due diligence was undertaken and a special examination was undertaken of those bids, the results of which suggested that the proper course was to accept the Capita bid, as was done. Had a different decision been taken at the time I think it might have been extraordinarily difficult to justify it to this Committee.

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Q69 Mr Field: We now know the outcome despite your due diligence enquiries. You mentioned to Mr Bacon that the cost was going to rise to something like £400 million. In what year is that going to be the cost?

Mr Lewis: That will be over the lifetime of the contract.

Q70 Mr Field: Which is?

Mr Lewis: Ten years.

Mr Field: Will you be prepared to put your salary on the fact that it will not rise and that taxpayers will not be called upon to double the sum again?

Chairman: I do not think that is a fair question to put to the Permanent Secretary.

Q71 Mr Field: Let me put it another way. I think lots of my constituents, who have to pay these bills, when nobody is sacked, when the sums escalate in this fashion, when they would have got sacked for tiny sums compared with this, would have thought that was a fair one. What action is the Home Office going to take to ensure that our constituents are not going to pay more, and what redress will our constituents have if you get it wrong again?

Mr Lewis: Can I try and address a number of elements of that? First of all, your constituents and you as their representative are entirely entitled to look at matters in that way. Equally, it is the case that, as far as one can tell at this distance in time, the decisions that were taken at that point in relation to the letting of that contract were not only proper, they were the only rational decisions that those who were at that point taking them could on the facts available to them have taken. Secondly, we do not know what would have happened had one of the other bids been accepted. What we do know is there was a fundamental difference introduced in the Channel mix strategy.

Q72 Mr Field: There has been this mega dipping into our constituents' pockets and nobody has lost their job. If the contract becomes £600, £700, £800 million in this timespan would anyone lose their job?

Mr Lewis: What we have just done is to renegotiate the contract with Capita and that has led to a reduction in its total estimated price over the lifetime of the contract with more rigorous clauses in terms of performance and in terms of the costing of the contract.

Q73 Mr Field: So what would it have been if you had not done those re-negotiations?

Mr Lewis: It would be more expensive.

Q74 Mr Field: We know that. What were they asking for that you managed to bring them down from?

Mr Lewis: It was not a question of what they were asking for. What we needed to do was to take account of the changes that had been introduced since the original contract.

Q75 Mr Field: But you were suggesting the price had been reduced. We know it is now £400 million. What was it going to be if you had not intervened so decisively?

Mr Lewis: We reduced the unit price, starting in October of this year, by just under £1 for each disclosure. So if you understand that there are something like 2.5 million disclosures per year than the mathematics can simply be worked out. Can I answer one part of your question which I have so far failed to answer and that is that if we were to find over the remainder of this contract that public servants—and I have spent 30 years in the public service and I believe profoundly in the ethics of the public service—had negligently abused the trust that the public put in them for spending public money then I would indeed expect them to pay for that penalty with their jobs.

Mr Field: Could we have a note on what the sum would have been without these negotiations?

Q76 Chairman: Can you help us with that?

Mr Lewis: We will attempt to provide that for you.²

Q77 Mr Jenkins: Mr Lewis, were you pleased with this Report when you read it or disappointed with it?

Mr Lewis: I think it is a fair Report. There is nothing in the Report with which I would want to take issue or quarrel. I think the Report does two things: the Report illustrates the problems that the Bureau ran into and it sets out very fairly why those came about, some of the steps that were taken and some of the steps that were not taken. It also illustrates what we concentrated on very understandably thus far on the steps that led up to the contract and the problems but it also sets out equally the very considerable success that the Bureau has had in the period since those problems occurred in not only righting them but now providing a more effective service.

Q78 Mr Jenkins: That is funny because this Committee get this Report through the post, we do not come together to discuss the Report, we do it as individuals and we have all had our attention drawn in the Report to the way that the contract was allocated. I will not repeat the questions that other members have asked but I had concerns when I read this Report. I am surprised you did not say, "yes, there were things which concerned me, particularly about the allocation". On 3.5 at the end it says one of the bidders, now part of the IBM Group said, "the Agency did not clarify assumptions underpinning their bid with them or ask for alternative prices based on different assumptions". Why is it that if you have people coming in with three different bids, with different sets of assumptions, when some match the criteria you have set out, others have raised problems regarding the time scale and the assumptions, why did you not go back and negotiate with each one what the price would be if they were on the same set of assumptions?

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Mr Lewis: I think the difficulty that those who were responsible for the contract negotiations at that stage had was that we had reached the stage of best and final offers, and as is suggested by that best and final offer means precisely that. That is the point at which it is necessary to reach a judgment as to which contract, which bid is putting forward the best overall response to the contract.

Q79 Mr Jenkins: You made your mind up that Capita was the way to go.

Mr Lewis: We had not. That was the point at which—just to repeat, I am sorry if I am in danger of taking the patience of the Committee too far—not only was all of the normal due diligence and very exhaustive examination of those best and final offers taken forward it was also the point at which there was a special one-off examination of the Capita bid to identify whether there were any obvious reasons why it should be rejected notwithstanding the fact it was very substantially achievable.

Q80 Mr Jenkins: Why did you not go back to the second or third bidder and say if, “If I reset the criteria based on this assumption what price would you come in at?” It is now deemed to be a non-goer as far as you are concerned.

Mr Lewis: For two reasons, firstly the bid from Capita was what is known as a compliant bid, in other words it met the request for the service. Secondly, having reached the best and final offer stage it is not within the normal accepted rules of contracting that we can go back to the contractors again at that point.

Q81 Mr Jenkins: Okay. You were locked into Capita.

Mr Lewis: We were locked into Capita in this sense, and this sense only, once we had gone through an exhaustive process of due diligence, of examination, including a very particular examination of whether there were any reasons to think the Capita bid should be rejected notwithstanding the very substantial price difference between that and the more expensive bids. At that point it was very hard to see that there was any logical or rational or justifiable reason for taking a bid, an alternative bid, which on the face of it was going to be more than £100 million more expensive over 10 years.

Q82 Mr Jenkins: I understand that now, that clarifies the situation as to why Capita got the bid. People went on about the lack of consultation and the stakeholders said in 3.13, page 23 “In particular they questioned: The Bureau’s proposed use of a call centre when customers’ preferences were for paper and on-line routes”. There are four individual points there. Later on it says, “The Bureau responded . . . by holding the Customer Forum . . . and implementing a service improvement plan after go-live when problems become evident”. What is the point in holding consultation before to try and sort the problems out when you were told what the problems were going to be and did not implement that until it was on-line.

Mr Lewis: First of all can I say in answering that question there should have been much more extensive consultation much earlier, that is absolutely clear, it is brought out in the NAO Report and it is something which on behalf of the Home Office I unreservedly accept.

Q83 Mr Jenkins: Mr Pindar, can I ask you, you are now the contractor who has to deliver this system, you were out on the road show, you got this information as well, what did you do with this information because you could see a disaster staring you in the face? What did you do about it?

Mr Pindar: Point one is we could not see a disaster staring us in the face; point two, the response that we put in to the tender, as Mr Lewis said, it was important that our response was compliant and the tender documentation set out the assumptions against which we were to bid; thirdly, it was clear to us that the Agency had undertaken some consultation and undertaken some work in terms of verifying the assumptions they made; fourthly, it seemed to us a very reasonable strategy at the time because there was a new government agenda towards modernising government and there was a wish to encourage an electronic channel; fifthly, there was also a marketing campaign behind the e-channel in order to influence as far as possible customers’ behaviour. For a combination of reasons we felt that the approach which had been taken early on was reasonable.

Q84 Mr Jenkins: Using your professional judgment as a company you went along to a client, the client gave you the contract, you understood the contract totally and you said that you could implement it. There was no doubt in your mind at all, even after the road show, there was any difficulty at all?

Mr Pindar: I think it is very important to cling on to the fact that when this contract was underway the customers were not given the chance of having a paper channel, that was something which was introduced part way through the implementation process. At the time the assumption that 80% to 85% of customers would choose the call centre option struck us as a very reasonable assumption to make because it was largely their only option. The fact that the paper-based channel was introduced and again to respond to some of the earlier questions, the principle reason why the price escalated to the extent that it did was the job which was delivered at the end of the process was a fundamentally different job than the one which was started. It is not a case of being a sprat to catch a mackerel or anything else, it was the introduction of the paper forms, which was introduced halfway through the implementation, it was a fundamentally different business process which Mr Herdan did in response to his customers’ demands. I think Mr Herdan’s response was entirely rational given the situation he faced.

Q85 Mr Jenkins: If I employ a professional contractor and then they do exactly what I suggest or lay down knowing that it would cause difficulty further down the line I employ them because they are

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experienced, they have professionalism and the ability, one of the things I would expect them to operate, especially on my behalf, is to say “I need a pilot scheme to see what will run and what will not run”. Did you suggest that?

Mr Pindar: It was always the intention in the programme that there would be a pilot scheme, you generally run a pilot scheme prior to go-live, not right at the start of the implementation process because that would be inappropriate. There was a pilot scheme in place at the end of the programme, again I would agree with my colleague Mr Lewis on my left that one of the learning processes for us I think is the pilot scheme should have been longer and therefore from a perspective of things to learn for Capita the one fundamental thing was, and again I would agree, the go-live date should have been deferred for a few weeks simply to give ourselves more time to actually undertake that piloting. At the time the programme was implemented at the start blank form discussion had not taken place therefore with the best will in the world we responded to the tender documentation in the most professional and the most studied and most considered way that we could.

Q86 Mr Jenkins: You walk into it and the system did not run well. What professionalism do we pay for if you cannot deliver it?

Mr Pindar: We went into the bid in a very considered and very measured way. We have been running operations of this type for 17 years and generally speaking we have a high reputation and a high track record. We have a 95% retention rate of our customers which I think provides some evidence of the fact they respect the professionalism we have. Again I would repeat the comment I made earlier, the reason why the nature of the project changed during the implementation was the introduction of the blank form Channel. At the point that was tendered we tendered for the contract and at the point that we started the implementation of the blank form Channel had not been something which had previously been conceived.

Q87 Mr Jenkins: Mr Lewis, can I ask you one thing, you now have the Strategic Delivery Board, we have in front of us different departments over time and one of the things we always insist is if all of the risk reduction strategies have not been developed and not been implemented and you give the go ahead which then causes an overrun on cost and time—this is the only Committee which instils this in the public sector unlike the private sector, is your committee strong enough and tough enough to stop this disaster hitting the rails again?

Mr Lewis: I very much hope so. I chair it myself. My own background is actually a delivery one. For six and a half years until a year ago I ran the largest executive agency in Government and have personal experience of delivery. The role of the Strategic Delivery Board which I now chair, with the Home Secretary’s agreement, inside the Home Office is precisely to ensure that before a major new

development is launched we have taken the maximum number of steps that are possible to reduce the risks of failure to an absolute minimum.

Q88 Mr Jenkins: Are you personally responsible in the future?

Mr Lewis: I am personally responsible to the Home Secretary for the effective working of that process.

Q89 Chairman: Mr Pindar, we know that you put in by far the lowest bid and we all know about all of the problems that subsequently transpired, why did you not stand by your bid? Do you not think that would increase your reputation as a supplier to government business?

Mr Pindar: The reason why we did not keep to the same price was because the job we were eventually asked to deliver was a very different one than the one we tendered for.

Q90 Chairman: Your competitors put in a higher bid because they were far more realistic about the number of paper applications?

Mr Pindar: Our competitors put in a higher bid because they have higher daily fee rates and their profit aspirations are higher than ours and the cost of running their business are higher than ours. We have been tendering for the same sort of business for 17 years, we have a considerable amount of experience at it. We never engage in loss-leading bids because it is a very bad business practice. Again I will reinforce the comments I made earlier, we have a 95% retention rate of our customers. Indeed in our history we have only lost one material contract on renewal. Those sort of statistics indicate we do not go into a bid situation with a view of taking advantage of our customer.

Q91 Chairman: Are you going to say sorry to all of those employers who could not recruit and all those volunteers who could not volunteer, the ordinary people, hundreds and thousands of them, whose lives were wrecked because you put in such a low bid which we now know was totally unrealistic?

Mr Pindar: I am pleased to have the opportunity to say sorry to the people who have been inconvenienced by the fact that the go-live did not proceed in the way that we would have hoped.

Q92 Chairman: You were seven months late, that is an understatement, is it not?

Mr Pindar: The fact that the go-live did not go as we hoped had absolutely nothing to do with the price of the bid. Again I would echo the comments which have been made by my colleague, we believed—and we have seen many instances where—the bid process was run in a professional and a diligent way. Again I will emphasise the points which were made earlier, the reason that the price has changed to the extent that it has is because the nature of the job and the service that is being received by 11,500 registered bodies is far wider and far more complex than was originally envisaged.

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Q93 Chairman: You seriously thought when you put in for this bid that 80% of people would be making this application by phone and individual applications by phone are easily processed. It never occurred to you that as people are applying for a job it makes sense for employers to group all of these applications together and put them into the Bureau as one, it never occurred to you?

Mr Pindar: At the time the bid was put in that option was not open to them so there was no reason why it should have occurred to us. It was not a channel which was open to us. We run many, many operations for different people and clients have a choice of how they wish to apply for whatever service it is that they wish. At the time that the bid was submitted these people did not have the opportunity to apply via the blank form route.

Q94 Chairman: Mr Lewis, I think he is firmly putting the blame at your table, you are the one to blame as far as Mr Pindar is concerned.

Mr Lewis: I think it is entirely fair to say that what we asked all of the bidders to bid for was primarily a telephone-based service, that is absolutely right and that is what they bid for. We were too slow to recognise that was not a service which our customers wanted. By the time we realised that, which was later than it should have been, not only did that have inevitable consequences for the service which we were able to deliver but it did mean inevitably that any bidder who had won that contract was going to end up bearing far higher costs. I would like to apologise on behalf of the Home Office for the failures of service which undoubtedly occurred at the time the Bureau was set up and subsequently. Having said that, and I do want to say it very clearly, it is also worth saying that, as the NAO Report fairly points out on the other side, the CRB is now a more comprehensive and consistent service than its predecessors and it is now reliably delivering over twice the number of checks undertaken by the police each week under the old arrangements. That balance needs to be there as well.

Chairman: There are one or two supplementary questions that colleagues have asked to put.

Q95 Mr Field: Mr Pindar, you said only once you have not had a renewal of your contract, there have been contracts like the Individual Learning Accounts that did not get to renewal, I wonder given your track record and the almost extraordinary wish of the public sector to cascade money towards you how many times do you pinch yourself when you wake up in the morning?

Mr Pindar: Firstly let me make sure my words are recorded accurately, I said in the instances where are contracts are up for renewal in respect of material contracts, which can be defined as being more than 1% of our annual revenue, we have only failed to renew that contract once in our history. The ILA for its size was not in that category and as you have rightly identified the contract was not renewed anyway. I do not actually pinch myself in the morning for a whole variety of reasons, one is I am actually very proud of what Capita has achieved.

Again if I may indulge you and your colleagues, when we set this business up 17 years ago we had 33 people, we now employ 20,000 people in this country in a whole variety of constituencies, some of which I have to say had major unemployment problems before we came along. For example in the likes of Blackburn we have committed to create 500 new jobs in five years, we actually did it in under two. In terms of the creation of employment I am very proud of what we have achieved. In terms of our work with our customers we have grown our customer base at that time from 12 to 25,000. We work extensively in government. I am conscious of the fact that we see reports in the media that sometimes things do not go well. Some of the things we get wrong, when we get them wrong we acknowledge them. In this instance here we demonstrated we were very quick to try and put them right. In other instances we do not get treated fairly by the media. Most significantly in 97% or 98% of the contracts we run we run them successfully and we meet our clients' requirements, which is why we get them renewed.

Mr Field: Given Mr Lewis was responsible and introduced the new deal I can see the attraction that Capita has for somebody with that background. My colleague Mr Bacon told me that in one well known magazine you are known as Grabita, I wonder why it was that you did not sue when it is quite clear you are not grabbing anything?

Mr Bacon: It is Crapita.

Chairman: Forget that.

Q96 Mr Field: There is no grabbing going on. The public sector seems to have a predilection to push contracts and push taxpayers' money your way.

Mr Pindar: The first thing is that suing people does not tend to be a very constructive thing to do. I would also hope we have a little bit of a sense of humour and if people want to call us Crapita it is entirely up to them and I wish them well.

Mr Field: Mine was a Freudian slip—hearing it as Grabita. I will leave it there.

Q97 Mr Bacon: I was not proposing to pursue that line but I thought I should correct the record. What was the one material contract you lost on renewal?

Mr Pindar: One of the projects we were fortunate enough to win was the organisation which was charged with the implementation of the theory driving test. If you think back to 1996 at the time there was a practical driving test but now you also have to do a written test to get a driving licence

Q98 Mr Bacon: How much was the contract worth?

Mr Pindar: It was worth £15 million a year at the time.

Q99 Mr Bacon: 15, and that was material?

Mr Pindar: It was in those days, yes.

Q100 Mr Bacon: What is your turnover now?

Mr Pindar: We have just reported our results, our turnover now is £1.08 billion per annum.

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Q101 Mr Bacon: The Individual Learning Accounts that Mr Field mentioned, the contract went miles over.

Mr Pindar: With respect I think you need to have a look at the numbers.

Mr Bacon: Perhaps it was not all to you.

Q102 Chairman: We have dealt with all that.

Mr Pindar: Regrettably the amount that was due to us was substantially less than that.

Q103 Mr Bacon: Was Norfolk County Council a material contract?

Mr Pindar: Norfolk County Council was not a material contract in terms of its size but I am happy to talk about it if you like.

Q104 Mr Bacon: I just wanted to know if it was material or not. That is all. It says on page 22 under “Application channels”—“Capita assumed that 85% of applicants would use the call centre from the beginning”. Did Capita assume there would be some paper channel but it would be much smaller, ie 15%.

Mr Pindar: At the time of the original suggestion there was going to be a web-based application route.

Q105 Mr Bacon: What I am asking is, did you assume there would be some paper channel, although it may be much smaller?

Mr Herdan: Yes.

Q106 Mr Bacon: The sentence “Capita assumed that 85% of applicants would use the call centre from the beginning” you accept this sentence was wrong, the assumption was wrong?

Mr Pindar: With hindsight it was wrong.

Q107 Mr Bacon: Mr Lewis, you said earlier it was not clear this assumption was wrong. Mr Pindar has just said with hindsight the assumption was wrong, how is that you are able—I know a requirement for you to become a permanent secretary you have to be able to demonstrate that black is white, and I congratulate you on your recent promotion to Permanent Secretary for Delivery—to say that it is not clear the assumptions were wrong when (a) it is clear from the use of the language that they were and Mr Pindar has just confirmed that they were?

Mr Lewis: If you go back over what we have both said we are saying the same thing. Can I explain why I think we are saying the same thing.

Q108 Mr Bacon: The assumptions were wrong, were they wrong yes or no? I do not have much time left.

Q109 Chairman: Equally he is entitled to give you an answer.

Mr Lewis: We changed the assumption, we changed the nature of this contract. Originally the contract had specified that telephone based application was to be the primary and overwhelming route. We would never know what would have happened if we had not changed that assumption. In response to clearly expressed preferences by the Agency’s

customers we changed that assumption and that made it wrong. It was a conscious act by the Bureau to change that original assumption fundamentally.

Mr Bacon: Okay. Thank you.

Q110 Mr Jenkins: Mr Gaskell, the thing which worries me also, and you touched on it earlier on, is the shift of responsibility for identifying now to the registered bodies. Whilst you might have employers, local authorities, schools, et cetera with the facilities and ability to do this you obviously must have sent out some guidelines as to how to check somebody’s identity. Voluntary groups have a much more difficult job with less time and less professionalism in their ability to do this. At one time I thought you were on-line with the Passport Agency to check passports, is there an opportunity for a voluntary body of any employer to check that the passport in front of them is a genuine passport by telephoning up the Agency using their number or their driving licence or can they come back to you and say, “I have this passport, will you verify and check it”. If we do not maintain a robust base and information to be fully accurate your existence is pointless, is it not?

Mr Gaskell: Let me try and answer that as best I can. First of all we do volunteers for free, we do not charge for volunteers. We also issue guidance to—

Q111 Mr Jenkins: It is the identify I am after.

Mr Gaskell: I will come to the identity but there were a number of points that lay behind your question, some of which related to cost, some of which related to process and some of which related to identity. I will answer the point specifically on identity. We do issue guidance to registered bodies about how they should carry out the identity checks. As Mr Lewis has already indicated we specify what documents they should examine. Coming on to the specific about passports, we do routinely check against the list that the United Kingdom Passport Agency keep of forged passports and we do that routinely. On that basis we have found a number of instances where people who have applied for disclosure have appeared on that list.

Q112 Mr Jenkins: Then that beggars the question, if I am an employer sitting there and somebody puts a passport in front of me and I look at the passport how can I check myself, how can I flag that up? Do I put the number on the form? Do you check it when it gets to you or do you check the driving licence number to ensure that the person is real?

Mr Gaskell: Perhaps Bernard can help me as to whether there is an access channel to members of the public, including registered bodies, to ask those routine questions.

Q113 Mr Jenkins: If I put my passport number on that form you check it.

Mr Gaskell: Yes.

Mr Herdan: There is no service currently available for a registered body to ask the Passport Service if that is a valid passport. We are doing a study about introducing a system like that for banks and financial institutions in the future. There is not a

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service like that today. What happens is the application is checked by the CRB when it is received, the passport number is checked against our list of forged passports, fraudulent and dead identities, as a result of which three people have been arrested and another five are under investigation at the moment.

Q114 Mr Jenkins: That is very interesting. As far as success is concerned are you achieving it?

Mr Gaskell: Absolutely. This is information clearly which is subsequent to the NAO Report.

Q115 Mr Field: If we had a system of ID cards and biometric testing it would make your job easier?

Mr Gaskell: It would certainly make the job of the people who are carrying out the identity checks and the whole disclosure service easier, it would improve and strengthen the process. Indeed the Home Office has recently conducted a consultation exercise through our registered bodies where we used fingerprinting as part of the early stages of the disclosure process and they are analysing the results of that consultation to decide the next step is.

Mr Field: Mr Pindar, do you feel another contract coming your way?

Q116 Chairman: We will leave that. Mr Lewis, one last question, I am also worried about you how useful this Bureau is in helping the vulnerable. If you look at page 18, “The impact of the service on crimes against the vulnerable is not yet clear”, and you will see under paragraph 2.19, “Research into trends on the number of offences committed by those in positions of trust in the work place or voluntary organisations” I would have thought it was a key point, I am rather surprised this is not already undertaken by the Bureau.

Mr Lewis: We do certainly want to find out as clearly as we possibly can whether the Bureau and its work is indeed delivering employers a more secure recruitment service. As I mentioned earlier on we do have some substantial evidence from surveys of employers that it is. It is clearly impacting and influencing their recruitment decisions. We are considering whether there is more research that we can undertake in that respect. The difficulty is in being able to separate out the impact of the existence of the Bureau and the greater security we can offer to employers from all of those other factors which influence levels of crime, levels of criminality and levels of abuse. That is the difficulty, trying to demonstrate an independent CRB effect. If I can voice a personal view, I have no doubt that the existence of the Bureau means that we have reduced the risk, reduced the risk significantly of employers recruiting unsuitable people for positions where they will have vulnerable children and adults in their care. I do not think anyone is pretending that this has reduced that risk to zero.

Q117 Chairman: Is that a personal view or an official view?

Mr Lewis: I am happy to have it as both.

Chairman: Gentlemen, thank you very much for appearing before us. It is indeed true that it is going to end up as the highest bid. We accept Home Office changed the assumptions yet the Home Office had to change the assumptions because otherwise this would have become totally unworkable. This establishes that in future—this is where we cover lessons learned—when we are launching a new venture like this it is rightly undertaken and it is the duty of civil servants to warn them to have adequate pilot studies. I am absolutely convinced that if there was a pilot study a lot of these problems would have come out and no doubt we will wish to reflect that in our Report. Mr Lewis and gentlemen thank you very much.

Memorandum submitted by the Criminal Records Bureau

Given that much of the field work for the NAO's inquiry into the setting up of the Criminal Records Bureau (CRB) was undertaken some eight months ago, I thought it would be helpful to provide the Committee with an update on some of key factual material in the Comptroller and Auditor General's Report and to draw the Committee's attention to a number of recent developments. Below is a memorandum to this end. My colleagues from the CRB and Capita, who have agreed the contents of this letter, and I would be pleased to elaborate on any of the issues raised at the hearing on 15 March.

Leigh Lewis CB
Permanent Secretary
Home Office

9 March 2004

OPERATIONAL PERFORMANCE

As is acknowledged in the NAO Report, since September 2002 the performance of the CRB has been greatly improved. Since June 2003, it has exceeded its service standard of issuing 90% of Standard and Enhanced Disclosures within two and four weeks respectively and the backlog of applications outstanding for over six weeks has been eliminated. It is now processing around 50,000 Disclosure applications per week, over twice as many as under the previous system.

In general the data in the NAO Report in respect of the CRB's operational performance records the position up to the end of June or July 2003. The tables below updates the various tables and charts to the end of February 2004.

Disclosures issued (Figure 5)

**CUMULATIVE NUMBER OF DISCLOSURES ISSUED BY THE BUREAU
JULY 2003 TO FEBRUARY 2004**

<i>July 2003</i>	<i>August 2003</i>	<i>Sept 2003</i>	<i>Oct 2003</i>	<i>Nov 2003</i>	<i>Dec 2003</i>	<i>Jan 2004</i>	<i>Feb 2004</i>
2,162,000	2,326,277	2,482,000	2,732,000	2,921,000	3,095,000	3,284,000	3,488,000

**APPLICATIONS AND DISCLOSURES BY MONTH JUNE 2003 TO FEBRUARY 2004
(FIGURE 8)**

	<i>June 2003</i>	<i>July 2003</i>	<i>Aug 2003</i>	<i>Sept 2003</i>	<i>Oct 2003</i>	<i>Nov 2003</i>	<i>Dec 2003</i>	<i>Jan 2004</i>	<i>Feb 2004</i>
Applications accepted	203,000	227,000	144,000	171,000	226,000	201,000	165,000	168,000	217,000
Disclosures issued	189,000	243,000	146,000	156,000	251,000	218,000	141,000	177,000	204,000
Work in progress	98,000	92,000	95,000	103,000	94,000	83,000	103,000	89,000	105,000

Note: The current work in progress represents less than three weeks work.

**PERFORMANCE AGAINST PUBLIC SERVICE STANDARDS FOR ISSUE OF DISCLOSURES
JUNE 2003 TO FEBRUARY 2004 (FIGURE 10)**

	<i>June 2003</i>	<i>July 2003</i>	<i>Aug 2003</i>	<i>Sept 2003</i>	<i>Oct 2003</i>	<i>Nov 2003</i>	<i>Dec 2003</i>	<i>Jan 2004</i>	<i>Feb 2004</i>
Standard Disclosures	92.5	91.8	88.6	90.8	95.2	93.9	92.7	88.6	95.2
Enhanced Disclosures	92.5	92.2	91.3	91.7	92.9	93.5	93.9	93.2	92.9

Note: The service standard for 2003–04 is 90% of Enhanced and Standard Disclosures to be issued within four and two weeks respectively.

PERFORMANCE AGAINST PUBLIC SERVICE STANDARDS FOR 2003–04 (FIGURE 14)

	<i>Target 2003–04</i>	<i>Performance for year to end February 2004</i>
Disclosure turnaround times:		
Enhanced	90% in 4 weeks	92.1
Standard	90% in 2 weeks	92.7
Registration of Registered Bodies	90% in 4 weeks	36.6
Correspondence response times for:		
Written	2 weeks	94.9
Email	24 hours	96.1
Response to disputes over content of Disclosure	3 weeks	98.9
Percentage of calls answered within 20 seconds	90%	89.2

Aged cases over six weeks old

The table below shows the number of aged cases over six weeks old (and not awaiting information from the applicant) by Month from the number of January 2003 to February 2004.

<i>Month</i>	<i>Number of aged cases over 6 weeks</i>
January 2003	53,754
February	33,651
March	22,499
April	16,308
May	9,348
June	5,264
July	2,737
August	2,303
September	1,486
October	1,234
November	937
December	923
January 2004	987
February	1,561

IMPROVEMENTS TO SERVICE

Service standard for 2004–05

Following the sustained improvement in the CRB's performance over the past year, it is proposed to improve on the current public service standards for the year beginning 1 April 2004. For 2004–05, the service standards for Disclosure turnaround times will be as follows:

- Standard Disclosures—92% within 14 days
- Enhanced Disclosures—90% within 25 days

The reduction in the turnaround target for Enhanced Disclosures from 28 to 25 days represents a 10% service improvement.

Checks on care staff

At paragraph 4.6 of the Report, the NAO referred to the decision announced on 4 November 2002 (Hansard col 102W–104W) to postpone certain mandatory checks on care staff in order to ensure that the demand for disclosures did not exceed the CRB's then capacity to meet such demand. Following the significant improvement in the Bureau's performance, the Department of Health announced, in September 2003, a timetable for the introduction of checks on care staff as follows:

- From 1 October 2003 new agency domiciliary care workers and agency nurses would require a CRB check before they could take up their placement.
- Existing care home staff and domiciliary agency staff would require a CRB check by 31 October 2004, with applications being submitted from 1 October 2003.
- Checks on existing nurses agency staff would commence once significant progress had been made on processing the estimated 250,000 Disclosure applications from existing care home and domiciliary agency staff.

Between 1 October 2003 and 29 February 2004 113,000 applications have been received from existing care home and domiciliary agency staff. Of these, 104,000 have been loaded onto the CRB's CRM system and 85,000 (75%) have been issued with a Disclosure.

Protection of Vulnerable Adults list (paragraph 4.7)

The Department of Health announced, on 11 December 2003, proposals to introduce the Protection of Vulnerable Adults (POVA) List from June 2004. The proposals are subject to consultation; the consultation period closed on 4 March. The consultation paper noted that:

“The Government intends to implement the POVA scheme from June 2004 in England and Wales. It will be commenced in the social care sector in the first instance. This approach is sensible, as there is strong evidence that most abuse of vulnerable adults occurs either in their own homes or in care homes. Several important issues need to be addressed in the NHS and independent health care sectors before POVA can be successfully extended into those sectors. However, this extension will follow as soon as is practically possible.”

Results of November 2003 customer satisfaction survey

Research conducted by MORI in November 2003 on behalf of the CRB found increased levels of satisfaction with the CRB. 70% of Registered Bodies said they were satisfied with the overall service they received from the CRB; this compares with a satisfaction rating of 50% in March 2003. 66% also said that the service had improved since they first started using the CRB (65% in March 2003).

POLICE DATA

Following the conviction of Ian Huntley for the murders of Jessica Chapman and Holly Wells, the Home Secretary announced (Hansard 18 December 2003, col 150WS–151WS) the setting up of an independent inquiry, headed by Sir Michael Bichard, with the following terms of reference:

“Urgently to enquire into child protection procedures in Humberside Police and Cambridgeshire Constabulary in the light of the recent trial and conviction of Ian Huntley for the murder of Jessica Chapman and Holly Wells. In particular to assess the effectiveness of the relevant intelligence-based record keeping, the vetting practises in those forces since 1995 and information sharing with other agencies, and to report to the Home Secretary on matters of local and national relevance and make recommendations as appropriate.”

In response to an invitation from Sir Michael, the Home Office and CRB have submitted written evidence to the Inquiry. The Inquiry published these and a number of other written submissions on their website (www.bichardinquiry.org.uk) on 16 February.

Paragraphs 107 to 117 of the Home Office evidence to the Inquiry addresses the measures the Government is taking to improve substantially the timeliness with which conviction data is recorded on the Police National Computer (an issue raised in paragraph 2.16 of the NAO Report).

DISCLOSURE FEES AND THE CRB'S FINANCIAL POSITION

Disclosure fees for 2004–05

As reported by the NAO in paragraph 21 of the Executive Summary, the Government has announced (Hansard 1 December 2003, col 51WS–52WS) that, with effect from 1 April 2004, the fees for an Enhanced and Standard Disclosure will be £33 and £28 respectively.

CRB forecast operating deficit 2003–04 and 2004–05 (Figure 13)

The final audited operating deficit for 2002–03 was £39.6 million. Following the renegotiation of the contract with Capita, which included agreement to pay Capita £3.6 million in final settlement of the contract change which provided for the introduction of the blank application form, the forecast operating deficit for 2003–04 has been revised to £22.8 million. The forecast operating deficit for 2004–05 remains at £8.1 million. The CRB remains on course to achieve full cost recovery from 2005–06.

Payments by Capita

Paragraph 4.17 of the Report identified liquidated damages and service credits paid by Capita to the CRB. The total amount paid to date (as at end of January 2004) is as follows:

- £555,000 Liquidated Damages for the delay of the development programme;
- £47,500 Liquidated Damages for functionality relating to the National Identification Service 2002–03;

- £87,500 Liquidated Damages for the delay of the web-based application channel 2002–03; and
- £3,357,000 Service Credits up to 31 January 2004.

Payments to Capita

Paragraph 4.18 of the Report identified the main payments made by the CRB to Capita under normal contract change procedures for changes and enhancements to the contracted service. Since August 2000, when the contract was signed, the following payments have been made:

2000–01	£31,000
2001–02	£10,559,000
2002–03	£4,085,000
2003–04 (to 31 January 2004)	£4,261,000

In addition to the items mentioned in paragraph 4.18 of the Report, these payments include:

- £3.5 million in 2002–03 for establishment of disaster recovery site in Darwen.
- £3.6 million in 2003–04 in final settlement of the contract change which provided for the introduction of the blank application form.

Paragraph 4.19 of the Report identified the payments to Capita up to January 2003 for their work associated with processing Disclosure applications and for accommodation and other ancillary charges. The payments made in each financial year are as follows:

2000–01	£981,000
2001–02	£12,118,000
2002–03	£33,524,000
2003–04 (to 31 January 2004, including advance payment for Q4)	£47,470,000

STRUCTURE OF THE BUREAU AND GOVERNANCE ARRANGEMENTS

CRB Management Structure

A new Management Structure within the Bureau has been established under the new Chief Executive. This consists of four Directors with clearly defined responsibilities and accountabilities. A copy of the new Management Structure is attached at Annex A.

The responsibilities of the Agency and Capita within the overall CRB structure are now as follows.

The Agency is responsible for:

- handling more sensitive enquiries, including PNC matching;
- dealing with cases that throw up policy issues;
- handling sensitive information; and
- managing the Registered Body and police interface; and
- monitoring the overall service.

Capita is responsible for:

- delivering and managing the technical solution;
- running the call centre;
- receiving and processing applications; and
- printing and dispatching the Disclosure document.

New Governance Arrangements

The new, revised Governance arrangements for the CRB are at Annex B attached. The main differences compared with the previous arrangements are as follows:

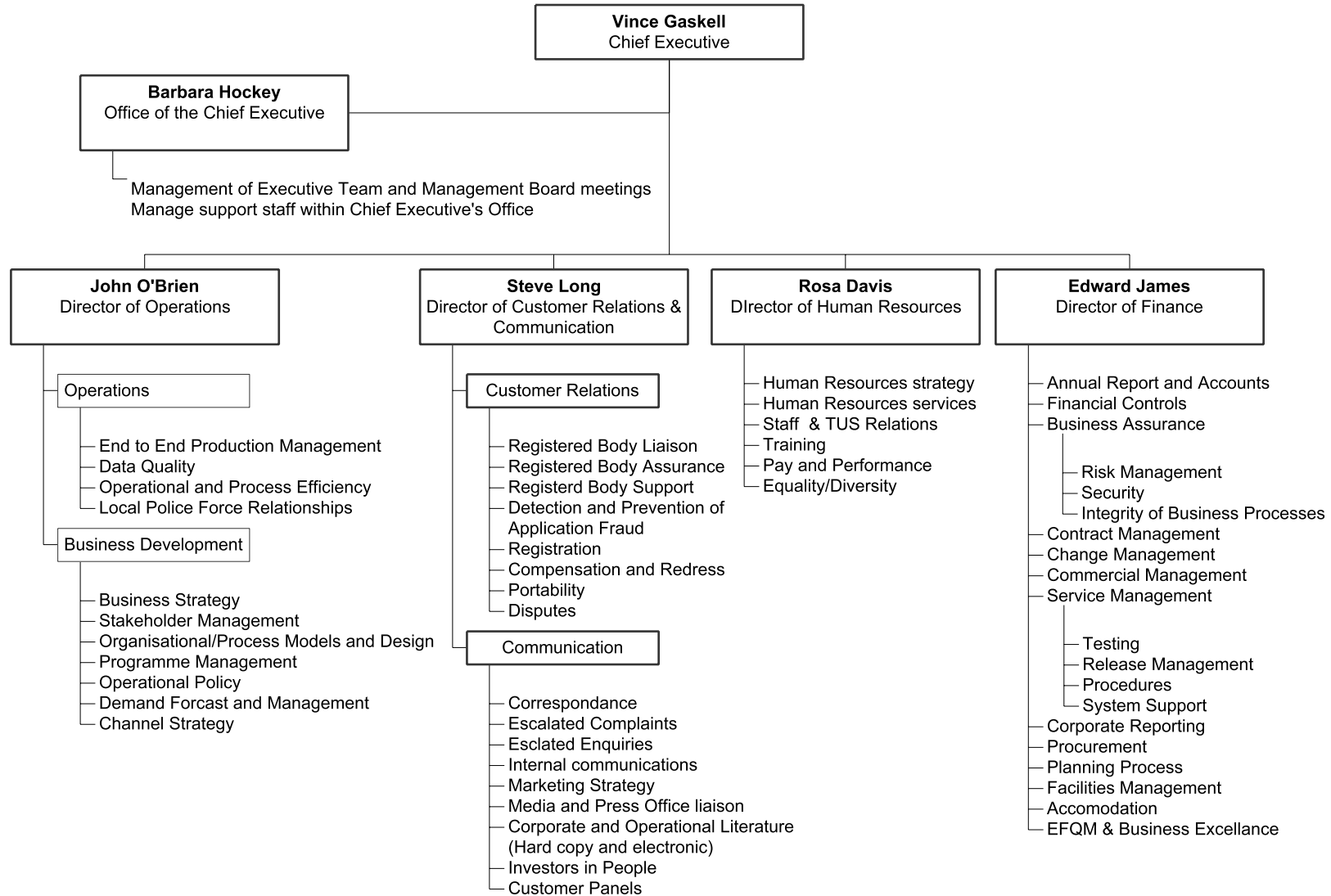
- The introduction of a new Standards Committee, as a sub-committee of the main Management Board, focusing on the overall quality and accuracy of the Disclosure Service. Its terms of reference are at Annex C. It is chaired by one of the non-Executives of the Management Board, John Holden, who was also a member of the Independent Review Team appointed by the Home Secretary.

-
- A Management Board chaired by the Agency Chief Executive. Its membership consists of each of the Bureau's four Directors together with two non-Executive Directors and a Senior Representative from Capita and the Home Office. It meets monthly to review the overall performance and development of the Agency.
 - An Executive Team, chaired by the Agency Chief Executive and consisting of each of the Bureau's four Directors and the Senior Capita person responsible for their involvement within the CRB. Its purpose is to oversee all aspects of the Agency's performance and development on a day-to-day basis.
 - New Governance arrangements beneath the Executive Team to oversee the various functional areas within the Agency and the day-to-day operation of the Bureau. It also includes new Governance arrangements to ensure the continued development of the partnership between the Bureau and Capita.

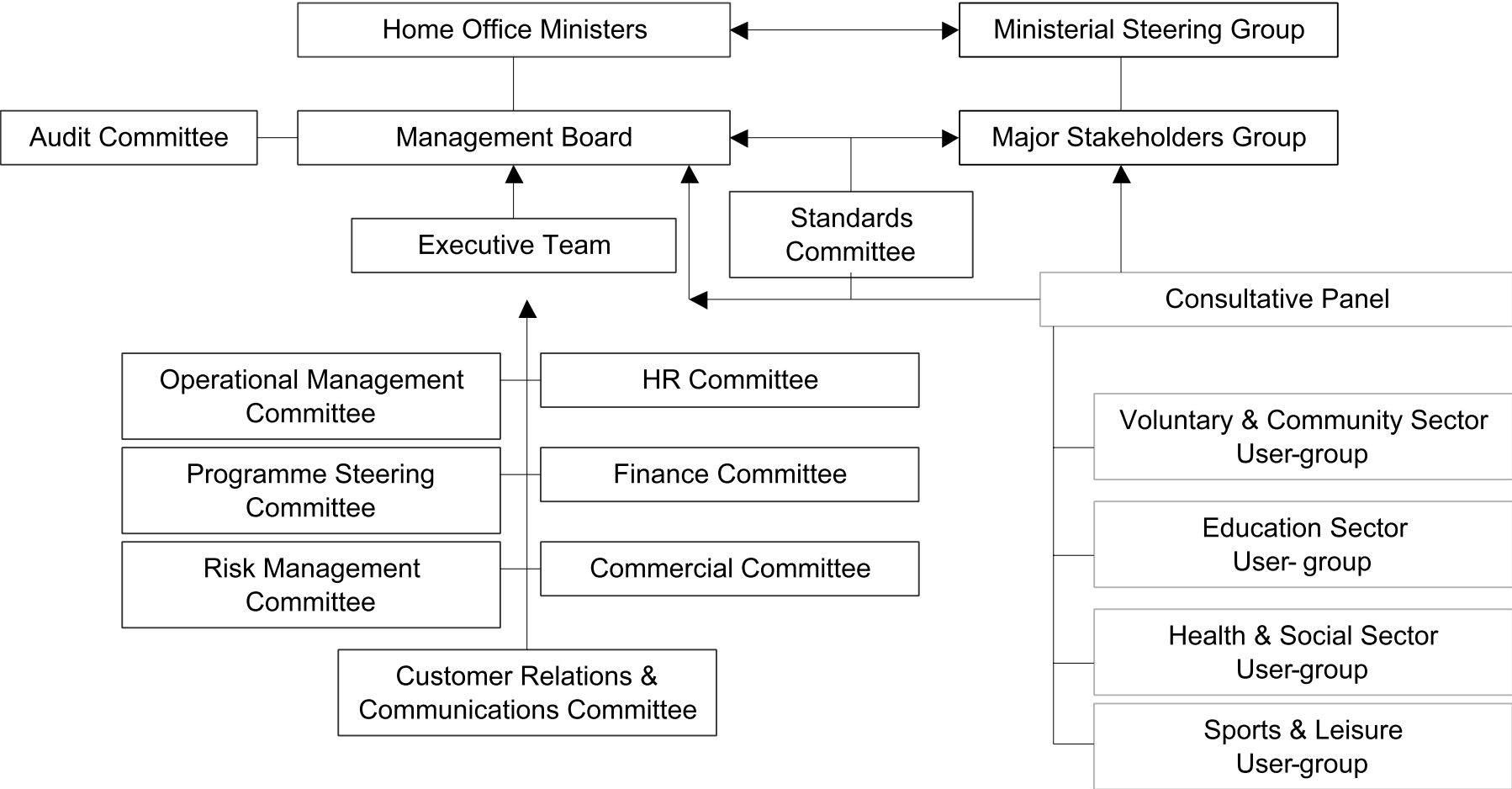
Capita's involvement in the Agency

The revised Governance arrangements set out above are now in place and now involve Capita at each of the main decision-making bodies within the Agency. Capita are also now represented on the inter-departmental Major Stakeholder Group. This now allows Capita greater involvement in the day-to-day and strategic decision-making within the Agency. It also allows them to input more strongly into inter-departmental and customer stakeholder groups and to bring their expertise to ensure full awareness of the operational impact of decision-making.

CRB Management Responsibilities



CRB Governance Structure



TERMS OF REFERENCE FOR THE CRB STANDARDS COMMITTEE

OBJECTIVE

The objective of the proposed Standards Committee is to provide assurance, through all stages of the CRB process from initial application through interrogation of the criminal records and police intelligence to issue of robust Disclosures, that quality and integrity in service provision is to the very highest standards possible consistent with value.

In that respect, it is intended to perform a parallel role to that of the Audit Committee. It recognises that, just as the Audit Committee is expected to provide a bulwark against financial and related risks and to institutionalise good practise, the Standards Committee is intended to provide similar defences and reassurance against incorrect or inadequate disclosures.

A key reputational risk facing the Agency is of failure to:

- Identify correctly the records and intelligence relating to a particular application, such that an unsuitable applicant gains inappropriate employment, creating the potential for or actually leading to abuse and scandal.
- Manage the initial application appropriately, with the result that a “clean” disclosure is given to someone not meriting it, because their true identity is hidden, with correspondingly unacceptable consequences.
- Manage the in-house process properly, with the result that the correct linkages between applicant, their “footprint” in society and their criminal records/intelligence, are not made, with similar potential for “false positives” or “false negatives” and adverse consequences for customer service and the objectives for which the Agency was created.
- Prevent deliberate subversion of the process by those so-minded, through forgery or conspiracy or similar methods, with the intention of providing “clean” disclosures for those who should not have them.

The primary objective of the Standards Committee is to mitigate this risk by encouraging good process control, using management information, audit methodology and risk management techniques to establish standards and effect improvements in meeting those standards. In doing so, a subsidiary objective—to improve the quality of the customer experience in the areas of disclosure integrity and thus perceived value—should be addressed.

MEMBERSHIP

Membership may be varied to accommodate evolving needs, but should include:

- The CRB’s Operations Director, John O’Brien, as senior line manager responsible for the end-to-end process.
- An independent Non-executive Board Member, initially John Holden, who will also initially chair the Committee.
- A representative from the police, nominated by ACPO.
- A representative from the Registered Body community, preferably a member of the CRB consultative panel, to be agreed by that group.
- A Home Office-nominated policy representative, initially Bob Wright.

In addition, attendees may be sought as follows:

- A representative from Capita.
- A CRB manager with particular responsibilities for Registered Body liaison, standards and training.
- A second representative from the Registered Body community, recognising the different needs and capacities of larger and smaller Registered Bodies.
- A CRB manager with particular responsibilities for management information.
- A committee secretary from CRB.
- Other individuals whose particular expertise or contribution is sought by the Committee.

The Accounting Officer may also attend and may (in consultation with others as appropriate) review membership or the continuing relevance of the Committee at any time. Alternatives are allowed but discouraged. The Committee is quorate with the attendance of either the Operations Director (as alternate chair of the Committee) or the Non-executive member and one other, plus Committee secretary (who may be co-opted for that purpose).

MEETINGS

The Standards Committee should meet at least four times a year at broadly quarterly intervals, once fully established. In the first quarter of 2004, it is anticipated that monthly meetings will be necessary to put the work of the Committee onto a proper footing. Meetings can be convened at any time with appropriate notice, ordinarily 10 working days, but every effort will be made to establish diary dates as far forward as possible.

REPORTING

The Standards Committee will report to the Accounting Officer of the Agency and through him to Ministers and Permanent Secretaries.

Access to the Committee

The objective of the Committee is to bear down on poor or inadequate practise or abuse in the disclosure process and to see the rigorous processes and best practise substituted. It follows that the Committee Chairman must encourage and provide a secure environment for anyone with evidence of where the process is not working as it should to come forward and share that information without fear for their personal or career well-being.

RESPONSIBILITIES

The Standards Committee will:

- Establish a strategic overview of the requirements for good Disclosure standards.
- Ensure that the end-to-end disclosure processes are reviewed from the perspective of the key risk (as set out above) which the Committee has been established to address.
- Establish, through the appropriate line management channels, management information which can help identify the areas of weakness. This should include quantitative measurement of disputes and their causes, “wrong” disclosures and their reasons, accuracy of input work by applicants and RB’s, quality of compliance with standards by RB’s, comprehensiveness, consistency, accuracy and timeliness of recording of criminal records and police intelligence, and errors in internal processes and in issue of disclosures.
- Establish, through the Registered Body network, the effectiveness of disclosures in influencing decision taking over appointments to sensitive employment positions.
- Commission a review of the major risk areas within the overall key risk being addressed and the maintenance of a “top ten” risk register with action programme to manage these risks.
- Provide an annual “audit” report on the work undertaken and level and areas of remaining risk identified, for Accounting Officer and Home Office assurance purposes.

Supplementary memorandum submitted by the Criminal Records Bureau

At the evidence session on 15 March, I undertook to write to the Committee on two issues.

Questions 29–30 (Mr Bacon): Payments to PA Consulting

In response to questions 29 and 30 from Richard Bacon, we agreed to let you have details of the payments made to PA Consulting. PA were appointed in February 2000 to provide pre-contract support to the CRB procurement project. As Bernard Herdan indicated, they were paid at normal consulting rates. These varied between £700 and £1,700 per day depending on the seniority of the individual consultants concerned. Over the period from February to August 2000 (when the contract with Capita was signed) PA were paid £311,175 excluding VAT.

Question 75 (Mr Field): Savings from the renegotiation of the contract with Capita

At question 75, Frank Field asked for details of the total savings arising from the renegotiation of the contract with Capita. As I indicated in answer to the question, we have secured, effective 1 October this year, a reduction of just under £1 (the exact figure is 96 pence) in the price paid to Capita for processing each Disclosure application. Over the remaining 7 1/2 years of the contract, this represents an estimated saving of £17 million. Capita now has payments underpinned by guaranteed volumes, agreed on a biennial basis. In addition, the revised contract includes provision for the equal sharing of any future cost savings achieved by Capita to their side of the operation, and realigns the contract to reflect the changes to the Disclosure service since the original contract was signed.

Leigh Lewis CB
Permanent Secretary
Home Office

30 March 2004

Supplementary memorandum submitted by the Capita Group plc

There were a number of issues raised by members of the Committee which required additional evidence from the witnesses.

You have received a letter dated 30 March from Leigh Lewis, Permanent Secretary at The Home Office in which he addresses some of the issues on behalf of all the witnesses. There are some further aspects of the inquiry which I believe it would be helpful to clarify.

1. OPERATIONAL ASSUMPTIONS AND CHANGED AGENCY REQUIREMENTS

Capita's bid for the contract to support the CRB Agency complied with the key assumptions made by the Agency and its specification at the time about how the public would access the service.

The Agency had presumed that over 80% of Disclosure applicants would use a telephone-based process. Following contract award, the Agency introduced an applicant led paper-based process. After the service became operational, 80% of applications were made in this way. A delay in processing built up as over 50% of these applications contained errors or omissions by applicants and these applications had to be returned for correction and /or additional information to ensure the integrity of the checking process.

When the Agency took the decision to introduce a bulk paper channel Capita warned that this could lead to operational difficulties and delays because the business processes, the supporting IT system and staff recruitment had been based on the Agency's original assumed channel mix as set out in the tender specification. The different channel mix required different processes and system design. However, Capita recognised that the Agency was under pressure from its customers and that it took an understandable decision to agree the bulk paper channel. Because of this significant process change by the Agency, it was necessary to fundamentally amend the business processes and system.

This altered the operational requirements and consequentially the operating costs, and the alignment of the contract, to the service.

2. CONTRACT RENEGOTIATION TO MEET CHANGED REQUIREMENTS

Following the Independent Review Team's report a new contract was negotiated between the CRB Agency and Capita recently to reflect the changes to the service.

Capita delivered a cost effective solution as the company would deliver the service itself rather than relying on working with other partners and consultants. It is certain that the other bidders, which were more expensive than Capita in their original bids would also have had to renegotiate their original prices in light of the actual channel mix.

Even so, the bids were evaluated by the Agency so that annual running costs could be compared directly whatever the assumptions on channel mix or volumes. This demonstrated that Capita offered better value whatever the assumptions and at any demand volume. Even following the contract renegotiation, Capita is still markedly cheaper than the other original bids. However, it is most probable that these prices would also have increased to reflect the changed requirements of the Agency.

3. ROLES AND RESPONSIBILITIES

The Criminal Records Bureau is a complex partnership between the CRB Agency—formerly the Passports and Records Agency—and Capita, with additional operational activities being undertaken by local police forces and registered bodies. The operational success of the service is dependent on all parties.

The Agency is responsible for:

- policy decisions;
- managing or running the service, and reporting to Home Office Ministers;
- client management of Capita including specifying and awarding the contract;
- conducting confidential checking, including PNC matching;
- managing the Registered Body and police interface; and
- monitoring the overall service.

Capita is responsible for:

- delivering and managing the technical solution in accordance with the Agency's wishes;
- running the call centre;
- receiving and processing applications; and
- printing and dispatching the Disclosure document.

Paul Pindar
Chief Executive

14 April 2004