

Revenue and Customs Digital Technology Services



Annual Report and Accounts
for the year ended 31 March 2019

Revenue and Customs Digital Technology Services Ltd
100 Parliament Street
London
SW1A 2BQ
Company No: 9679225

Revenue and Customs Digital Technology Services



Annual Report and Accounts for the year ended 31 March 2019

Presented to Parliament pursuant to paragraph 6(2)(b) of the Government Resources and Accounts Act 2000 (Audit of non-profit making Companies) Order 2009 (SI 2009 No 476) as amended by article 4 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2017 (SI 2017 No 1313).

Ordered by the House of Commons to be printed on 18 July 2019

HC 2543



© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at The Company Accounts Team, HMRC Finance, Room C4, South Block, Barrington Road, Worthing BN12 4XH

ISBN 978-1-5286-1535-8

CCS0719646074 07/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Our mission

Revenue and Customs Digital Technology Services Limited (RCDTS Ltd) exists to support and deliver HM Revenue and Customs' (HMRC) ambitious digital vision.

Working with Chief Digital and Information Officer group, RCDTS Ltd is integral to managing and innovating our digital and technology services.

Our objectives

The objective of RCDTS Ltd is to work with HMRC to help deliver HMRC's key priorities. These are:

- collect revenues due and bear down on avoidance and evasion
- transform tax and payments for our customers
- design and deliver a professional, efficient and engaged organisation.

What we do

RCDTS Ltd provides HMRC with managed information technology services, which directly contribute to the support and running of HMRC.

Company Information

Registered Address:

Revenue and Customs Digital Technology Services Limited
RCDTS Room 2e/09,100 Parliament Street
London
SW1A 2BQ

Registered Number:

9679225

VAT Number:

224418919

Auditors:

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Bankers:

Barclays Bank
1 Churchill Place
London
E14 5HO

Contents

1	Strategic Report	4
2	Directors' Report	7
	Statement of Directors' Responsibilities	11
3	Governance Statement	12
4	Statement of Accounting Officer's Responsibilities	15
5	Remuneration and staff report	17
6	The Certificate and Report of The Comptroller and Auditor General to The Members of Revenue and Customs Digital Technology Services Ltd	22
7	Financial statements	26
	Statement of Comprehensive Income	27
	Statement of Financial Position	28
	Statement of Cash Flows	29
	Notes to the Statement of Accounts	30
	1. Statement of accounting policies	30
	2. Income	34
	3. Staff costs	35
	4. Running costs and other expenditure	36
	5. Taxation	37
	6. Property, plant and equipment	38
	7. Trade and other receivables	39
	8. Cash and cash equivalents	40
	9. Trade payables and other liabilities	41
	10. Long term loan	42
	11. Provisions	43
	12. Related-party transactions	44
	13. Contingent liabilities	44
	14. Events after the reporting period date	44

1 Strategic Report

Principal activities

RCDTS Ltd was incorporated on 9 July 2015 and became operational on 1 December 2015. The company was set up and is wholly controlled by HMRC. It is a not for profit company limited by guarantee.

Our delivery focus has been on the efficient delivery of managed information technology (IT) services for HMRC. We manage and develop these services.

RCDTS Ltd personnel work with the Chief Digital and Information Officer (CDIO) group and provide a managed service to HMRC including supporting the wider transformation of HMRC's IT. This work is flexed according to the needs of HMRC.

The company's commercial, communications, data protection, estates, financial, human resource, internal audit, IT, legal and security functions are undertaken by HMRC in accordance with various Service Level Agreements. A monthly charge is raised from HMRC in respect of these shared services and other estate related expenditure.

A Framework Agreement between the company and HMRC outlines the relationship, both in terms of financial management and corporate governance. A Master Services Agreement (MSA) sets out the terms and conditions which govern the supply of services and deliverables by the company to HMRC and the particular details of these are set out in Service Orders which form part of the MSA.

Business review

In December 2015 the first wave of the Aspire replacement programme, Columbus, took place with the transfer of staff to RCDTS Ltd under TUPE arrangements (Transfer of Undertakings Protection of Employment Regulations 2006). In October 2016 and March 2017, the second and third waves occurred. As a result, in 2015-16 and 2016-17 under these three waves, we successfully brought in ten services, previously provided by Capgemini and Fujitsu. The services were Case Management, Customs and International (Excite), IT Procurement Services, Messaging, Valuation Office Agency IT Services, Network Management, Service Operations, Test and Release, Core Business Platforms and the IT Helpdesk. In July 2017, the fourth and final wave of services transferred to RCDTS Ltd and these services included Cloud Delivery Group, Desktop Services, Implementation Management, Managed Data Transfer Services, Security Service Delivery and Data Keying. Further information about these services was included in the RCDTS Ltd Annual Reports for 2015-16, 2016-17 and 2017-18.

During the financial year 2018-19, RCDTS Ltd started providing Clustering Service Delivery Support to HMRC. Clustering Service Delivery Support provides support to HMRC in its delivery of security services to other government departments which fall within its clustering scope. Clustering is an initiative which is part of the Transforming Government Security Programme and aims to improve the consistency and delivery of security services to Government by focusing security delivery into four clusters, one of which will be led by HMRC.

Performance Report

Operational performance

Service Orders which are governed by the MSA are in place and outline the services that the company provides. These services are integrated into the service offer to HMRC's business and so the performance of HMRC's IT services is used as a measure to indicate how well the company is performing in its duty to supply these services. The traffic light ratings (Red/Amber/Green) from two of HMRC's CDIO measures, "IT Unavailability" and "Daily IT Service Status" are provided to the Board on a monthly basis for this purpose. The company feeds into and contributes to these measures.

The overall performance of IT across HMRC has shown significant improvement on 2017-18. This is reflected in improvements to both of our main Key Performance Indicators, with IT unavailability reduced by 44%. Our most significant improvement has been in hours lost due to IT services being unavailable, which has reduced by more than 50% compared to last year, in spite of two large outages.

RCDTS Ltd has implemented additional rigour and monitoring at a high level in the process for approval of IT changes. The company has also implemented enhancing measurement, monitoring and analysis of our IT systems and network, which has contributed significantly to the reduction in business hours lost in 2018-19.

RCDTS Ltd has delivered contracted services to the appropriate service levels as agreed in the Service Orders under the MSA.

Financial performance

The company Directors and HMRC consider the key measure of company financial performance is for RCDTS Ltd to minimise costs and make no profit or loss. In line with these expectations the company has made no profit after tax for the year to 31 March 2019 and all costs have been fully recovered.

The movement of services into RCDTS Ltd has created a significant reduction in costs for HMRC. The company invoice HMRC based on the actual costs for work undertaken. Further, the company is not restricted to one supplier which ensures the best price is sourced and there are no arrangement fees added to this cost.

Future developments

RCDTS Ltd services have been integrated into the CDIO commercial and operating model and make a valuable contribution to the way in which CDIO works. As the IT strategy develops into a more customer centric organisational structure, RCDTS Ltd will continue to play a key role.

Key risks and opportunities

The company ensures that all risks are actively managed and mitigated appropriately, and in particular employs processes and procedures which have been proven to work in HMRC to ensure that risk likelihood and impacts are minimised.

The risk management structure covers the following categories of risk:

- Governance and Controls
- Legal
- People
- Security
- Service and Delivery

There is currently only one risk which is considered to be specific to RCDTS Ltd and relates to health and safety. This is described in more detail in the Governance Statement where it is noted that the company also shares some of the key risks with HMRC.

Sustainability

The 2010-20 Greening Government Commitments set a challenge for government departments to reduce the environmental impact of their estate and operations. As RCDTS Ltd is funded by HMRC, it must also comply with these requirements and follow the same policies regarding sustainability as HMRC. Our progress against the estates-related commitments is incorporated in HMRC's performance, which is reported in its 2018-2019 Annual Report and Accounts on page 58. For the travel commitment, we have reduced the number of domestic flights by 74% compared with last year and seen a positive shift towards rail travel with its much lower emissions. While the number of international flights is very small, they have risen from 20 to 25 flights. The company's energy usage in relation to domestic air travel is outlined in the summary table below:

How did we do on domestic flights?

70% cut in air miles	68% cut in indirect greenhouse gas emissions (air scope 3)	74% cut in number of flights
-----------------------------	---	-------------------------------------

Jacky Wright
Chief Executive Officer
11 July 2019

2 Directors' Report

The Directors present their report and the financial statements for the year to 31 March 2019.

The following table lists the Board of Directors who served the company during the period and their personal record of attendance at Board meetings. In practice, alternate Directors are appointed where personal attendance is not possible.

Board of Directors and meeting attendance

Name	Role	Date of appointment	End Date of Tenure	Board meeting
Jacky Wright	Chief Executive Officer & Chair ¹	16-Oct-17		4/5
David Bunting	Director	14-Dec-18		1/1
Martin Coombs	Chief Finance Officer	12-Apr-18		5/5
Justin Holliday	Director	09-Jul-15		5/5
Esther Wallington	Director	29-Mar-19		0/0
Gillian Aitken	Director	25-Nov-15	29-Jun-18	1/1
Jim Harra	Director	09-Jul-15	19-Apr-18	0/0
Sinead Murray	Director	19-Jul-18	17-Dec-18	1/2
Hannah Watson	Director	30-Aug-17	28-Jan-19	5/5

¹ Jacky Wright was appointed on a two year fixed term on assignment from Microsoft to HMRC with effect from 16 October 2017. Jacky Wright is a Senior Civil Servant and bound by the Civil Service Code. HMRC has robust mechanisms in place to handle IT and commercial decision making. She does not participate in commercial decisions specifically concerning Microsoft.

Going concern

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. RCDTS Ltd is reliant on income from HMRC, its sole customer. Under the Master Services Agreement between RCDTS Ltd and HMRC, the agreement can be terminated by HMRC with six months' notice.

No material uncertainties have been identified relating to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. This opinion is based on the principal activities of RCDTS Ltd being funded by HMRC until 2021. For more information on the funding arrangement please see note 1.10 (page 32) and note 10 (page 42).

RCDTS Ltd has been assured by its client in CDIO that the services that HMRC purchases from RCDTS Ltd will continue and that HMRC has no plans to purchase these services by another route.

The Directors, therefore, have a reasonable expectation that the company's only customer, HMRC, will continue to utilise the company's services for the foreseeable future.

In the light of the above, the Directors are satisfied that RCDTS Ltd is a going concern.

Conflicts of interest

Senior managers within RCDTS Ltd are required to complete a declaration of any interests in a transaction or arrangement to ensure potential conflicts of interest can be identified. No significant company directorships or other interests were held by Board members which may have conflicted with their management responsibilities. Note 12 (page 44) confirms that no member of the Board had any related-party transactions.

Personal data-related incidents

RCDTS Ltd had no serious data-related incidents which needed to be reported to the Information Commissioner.

These incidents were recorded centrally and are set out in the table below.

Summary of protected personal data related incidents in 2018-19		
No	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	2

General Data Protection Regulation (GDPR) in RCDTS Ltd

RCDTS Ltd appointed a Data Protection Officer to prepare for the General Data Protection Regulation (GDPR) which came into effect on 25 May 2018. The company also utilised the contractual arrangements in place with HMRC to engage with the HMRC GDPR programme to help it demonstrate its compliance with the principles set out in the regulation. This included mandatory education and awareness activity for the entire workforce and amendments to contractual documentation.

Under a Support Services Agreement, RCDTS Ltd is the Data Controller of the company's personal data and HMRC is the Data Processor. As Data Processor, HMRC processes RCDTS Ltd's personal data in accordance with the instructions contained in the Support Services Agreement or from the instructions received from the Data Controller. RCDTS Ltd is confident that it is meeting its requirements under the GDPR.

Compliance with public sector payment policy

The policy of RCDTS Ltd is to pay valid invoices within five days of being received. This is in line with both HMRC and Government prompt payment policy. Details of the company's performance against this policy can be found at the link below:

[RCDTS Ltd - Prompt Payment Performance](#)

Political and charitable contributions

RCDTS Ltd made no political or charitable donations and incurred no political expenditure during the period.

Employment of disabled people

RCDTS Ltd is committed to encouraging equality and diversity among its workforce and eliminating unlawful discrimination of protected characteristics, including disability. The company operates fair and open recruitment principles. The Equality and Diversity policy opposes discrimination in all areas of the employee lifecycle, including selection for employment, promotion, training or other developmental opportunities. Significant guidance and support is in place to assist staff and their line manager regarding the implementation of reasonable adjustments to remove or reduce any disadvantage a disabled person is facing in the workplace.

Informing and consulting employees

During 2018-19, RCDTS Ltd staff had a dedicated website that contained all information in relation to policy and procedure for working within the organisation. The company has recently established a new intranet site for staff to continue to access information relating to their employment and is developing this site to expand the information available to staff.

RCDTS Ltd established an Employee Forum, which is a staff representative body that meets with HR on a monthly basis, to share employee views on working within the company. The Employee Forum is consulted on all matters relating to staff, including for example, policy changes and the annual pay award. The Forum is made up of RCDTS Ltd staff who are elected by staff.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the RCDTS Ltd auditors are unaware. Each director has taken all steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the auditors of RCDTS Ltd are aware of that information. Further details can be found in the Statement of Accounting Officer's Responsibilities (page 15).

Financial risk management

RCDTS Ltd has an agreed risk management process which enables both regular review of all risks and immediate escalation where appropriate. Company risk management focuses on those risks which are attributable to the company as a discrete legal entity in the provision of services to HMRC. Risks impacting CDIO or HMRC are escalated to their respective risk management forums.

Other material issues

There have been no material events that have affected, or are expected to affect, RCDTS Ltd since the end of the period of this report. Further details can be found in Note 14 (page 44).

This report was approved by the Board of Directors on 1 July 2019 and signed on behalf of the Board by:

Jacky Wright
Chief Executive Officer
11 July 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations. Company law requires the Directors to prepare financial statements for each financial year or period. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and of the profit or loss for the period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose at any time with reasonable accuracy the financial position of the company, enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Jacky Wright
Chief Executive Officer
11 July 2019

3 Governance Statement

This statement covers the financial period from 1 April 2018 to 31 March 2019 and up to the date of approval of the Annual Report and Accounts. RCDTS Ltd has been incorporated by, wholly controlled by and operated for HMRC, to deliver managed IT services, as directed by HMRC. Control of the company resides with HMRC's Executive Committee (ExCom). For 2018-19 this committee was chaired by the Accounting Officer, Sir Jonathan Thompson, and was responsible for setting and delivering strategy for HMRC.

The sole member of RCDTS Ltd is officially the Treasury Solicitor. The Treasury Solicitor has granted a power of attorney to Sir Jonathan Thompson and Jim Harra (as his deputy) which enables them to exercise all powers of the sole member. Sir Jonathan Thompson is the Accounting Officer of RCDTS Ltd (with Jim Harra also as deputy) with responsibility for safeguarding the public funds held by the company and for ensuring propriety, regularity, value for money and efficiency in the handling and use of public funds. A Sponsor Team acts on behalf of the Accounting Officer. It does this through advising, challenging and supporting the Board and company in the achievement of their objectives, and this is a normal arrangement for Arm's Length Bodies.

The Sponsor Team independently assure the activities of RCDTS Ltd by:

- investigating any potential breach of agreements;
- ensuring the Board is well led and functioning effectively through establishing and maintaining a strong relationship with the Board;
- monitoring the Business Plan to ensure that the Board is effectively addressing the risks and opportunities;
- providing support to the Board in the event of significant strategic changes which should impact the delivery of the business plan or the solvency of the company; and
- representing the company's and HMRC's interests to other parts of Government in order to ensure the best outcomes and best value for the public sector as a whole.

In April 2018, RCDTS Ltd passed a special resolution to amend the Articles of Association of the company to remove the distinction between Founding Directors and Further Directors. The original rationale of this distinction was to ensure a majority on the Board for Founding Directors (who were from within HMRC but outside of CDIO group) over the Further Directors (who were from CDIO group).

Following review, it was decided that this rationale no longer reflected the way the Board operated or reached decisions in practice and made its operation more cumbersome. The amendments to the Articles means that there is now only one category of Director, which simplifies the company's governance structure. The member ensures that mix of Directors is appropriate. The quorum for meetings is four Directors, which is currently two more than the number of Directors appointed from CDIO. The new Articles require that the Board must make decisions unanimously. This reflects how the Board works in practice, consistently making decisions by consensus rather than through majority votes.

The governance structure of the company is closely tied to HMRC. There is a strong primary governance route through HMRC's control of the company, the Sponsor Team and legal contracts. In addition to this the members of RCDTS Ltd's Board are drawn from HMRC's senior leadership. The company also utilises HMRC's Audit and Risk Committee (A&RC). A&RC provides independent assurance to the Board on the integrity of the company's financial statements. More information on its organisation can be found in the HMRC Annual Report and Accounts 2018-19 Board and sub-committees (page 75).

The Board met five times in the year. Its regular agenda items included:

- updates from business areas within RCDTS Ltd covering delivery, financial performance, company targets, and the key risks to performance;
- reports on progress against strategic plans and the definition and mitigation of high level risks; and
- financial management, resource management and recruitment.

The annual Board effectiveness review was held in January 2019. The evaluation concluded that the Board was effective with no major issues to be addressed. Some low level recommendations around the improvement of the monthly performance report and quality of Board papers had been made, which are being taken forward by the RCDTS Ltd Core Team.

The information presented and discussed at the monthly Board meetings gives clear oversight of how the business is performing. The Board reviewed the quality of data, which has been found to be satisfactory for their purposes.

A Managing Public Money (MPM) review was conducted by the Sponsor Team in October 2018. The review did not find any material issues and concluded that RCDTS Ltd is compliant with the principles of MPM. Key recommendations were that Jim Harra (2nd Permanent Secretary of HMRC) be appointed Deputy Accounting Officer and be granted Power of Attorney for RCDTS Ltd in line with MPM best practice. These were accepted by the Accounting Officer and enacted in November 2018.

HMRC's Internal Audit have produced one assurance report that is specific to RCDTS Ltd, namely the RCDTS Ltd Health and Safety (H&S) follow up report. Internal Audit tested the 8 management actions following the H&S audit in 2017-18. They reported that RCDTS Ltd has responded positively, implementing all actions thus reducing risk exposure. The company has appointed the HMRC Occupational Health and Safety Wellbeing (OHSW) team to act as the competent person for the company's H&S role. The key issues addressed include the availability of guidance and training, completion of workplace risk assessments and endorsement of the H&S policy at Director General level. Directors are ultimately responsible for any H&S incidents and Internal Audit found them to be well informed. H&S updates, together with risks, threats, progress of management actions and a summary of incidents are provided to the Board monthly by the RCDTS Ltd Core Team.

Other audits for HMRC have incorporated RCDTS Ltd. Internal Audit did not identify any management actions specific to RCDTS Ltd as a result of these joint reviews.

RCDTS Ltd follows the HMRC risk framework set out in the 2018-19 HMRC Annual Report and Accounts (page 85). RCDTS Ltd shares some of the key risks of HMRC, in particular the risk of capacity, capability and engagement of its people. Specifically RCDTS Ltd may not have the right number of highly skilled and engaged people in the right roles and professions or in the right places at the right time, which could lead to a failure to deliver business objectives. RCDTS Ltd adopts similar mitigating actions to those detailed on page 87 of the HMRC Annual Report and Account. There is currently only one risk which is considered to be specific to RCDTS Ltd and relates to health and safety, specifically that, as a result of a lack of Health & Safety awareness by RCDTS Ltd staff, there is a risk that staff suffer injuries and accidents which will result in legal action against the Company and its Directors, financial loss and reputational damage to RCDTS Ltd and HMRC. The Directors are updated on a monthly basis through the performance report.

We have assessed RCDTS Ltd's compliance with the Corporate Governance in the Central Government Departments' Code of Good Practice 2017. The code focuses on governance arrangements for ministerial departments and there are elements which are not directly relevant to RCDTS Ltd. However, we comply with the spirit and principles of the code and by this, and other means, good governance is achieved in RCDTS Ltd. We are content that the systems of risk management, governance and control in place for RCDTS Ltd are sufficient to manage any identified risks and that an appropriate framework was in place throughout 2018-19.

Sir Jonathan Thompson
Accounting Officer
11 July 2019

Jacky Wright
Chief Executive Officer
11 July 2019

4 Statement of Accounting Officer's Responsibilities

Basis of preparation of the Accounts

The basis of accounting is disclosed in the Statement of Directors' Responsibilities on page 11.

The Directors have prepared the Financial Statements in accordance with the Companies Act 2006 and the International Financial Reporting standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for the period.

Accounting Officer's Responsibilities

The Accounting Officer for RCDTS Ltd is the Permanent Secretary and the Principal Accounting Officer of HMRC. This is to ensure its governance is clearly aligned with HMRC management accountabilities and HM Government financial accounting principles. The Accounting Officer for the company does not sit on the Board of the company, however, he has the full support of the Sponsor Team in order to maintain oversight of company activity at all levels. For more information on the Sponsor Team please see the Governance Statement (page 12).

The Accounting Officer for RCDTS Ltd is responsible for safeguarding the public funds held by the company and for ensuring propriety, regularity, value for money and efficiency in the handling and use of public funds. The term regularity is used to convey the idea of probity and ethics in the use of public funds - that is, delivering public sector values in the round. Regularity specifically encompasses compliance with all relevant legislation, delegated authorities and the guidance set out in HM Treasury's MPM publication.

In particular the Accounting Officer must:

- take action as set out in MPM if the Board is contemplating a course of action involving a transaction which the Accounting Officer considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical;
- give evidence where required to the National Audit Office (NAO), the Public Accounts Committee or the Audit and Risk Committee on his oversight of the company's stewardship of public funds;
- ensure that proper records are kept relating to any financial data for consolidation in the Annual Report and Accounts and provide any necessary statement to that effect;
- sign a governance statement regarding the system of internal control, as support to the Annual Report and Accounts; and

- receive and act in accordance with a budget delegation each year from HMRC.

For the purposes of Whole of Government Accounts, the Accounting Officer is the Consolidation Officer for the company and will be personally responsible for complying with the requirements of the Consolidation Officer Memorandum.

The Accounting Officer confirms that this Annual Report and Accounts as a whole is fair, balanced and understandable. The Accounting Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Auditors

The Accounts are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The charge for the audit service is disclosed in the Accounts (see note 4, page 36). The NAO was not paid for any work of a non-audit nature during the period.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Sir Jonathan Thompson
Accounting Officer
11 July 2019

5 Remuneration and staff report

Our people

The people employed by RCDTS Ltd are not civil servants; however, they deliver technical and digital services exclusively for HMRC.

Number of persons engaged

	Permanently employed staff	Contractors	Total
Staff in post 31 March 2018	724	198	922
Joiners	128		
Leavers	100		
Staff in post 31 March 2019	752	251	1,003
Average	741	249	990

The information in the table above has been subject to audit.

Locations of persons employed as at 31 March 2019

	Total
Telford	522
Newcastle	120
Worthing	85
Southend	10
London	8
Shipleigh	6
Reading	1
Total	752

RCDTS Ltd include staff who have transferred in from previous suppliers and staff who have been recruited direct by the employer:

- Staff who transferred to RCDTS Ltd from Capgemini and Fujitsu have different terms and conditions because under TUPE (Transfer of Undertakings Protection of Employment Regulations 2006) everyone has a right to retain their contractual terms and conditions, including salary.
- Staff who join RCDTS Ltd as new employees, are subject to RCDTS Ltd policies and terms and conditions.

RCDTS Ltd has responsibility for the recruitment, retention and management of its staff. The responsibilities of RCDTS Ltd toward its staff are:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued, where appointment and advancement is based on merit, and discrimination is not tolerated;

- the level and structure of its staffing is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised, employees are clear about what is expected of them and the performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the objectives of the company;
- proper consultation with staff takes place on key issues affecting them; and
- appropriate grievance and disciplinary procedures are in place, whistle-blowing procedures are in place consistent with the Public Interest Disclosure Act 1998, and a code of conduct for staff is in place.

Diversity and inclusion

RCDTS Ltd want a diverse workforce to deliver a high-quality service. The diversity data apart from gender is drawn from the voluntary declarations made by employees. By 31 March 2019, from a total of 752 permanently employed staff, 277 (37%) declared whether or not they were disabled, 292 (39%) had provided their ethnicity details and 173 (23%) said what their sexual orientation was. Although this is an improvement on the prior year, the diversity data is incomplete and we are taking steps to improve declaration rates going forward. Steps to encourage more staff to record their information on the system include: working with the RCDTS Ltd Employee Forum; working with senior leadership teams, making declaration rates more visible and using HR site visits to explain the importance and benefits of fuller diversity information.

Male and female employees

	Female	%	Male	%	Total	%
Permanently employed staff	140	19%	612	81%	752	100%

Declared disability status of employees

	Disabled	%	Non-disabled	%	Total	%
Permanently employed staff	15	2%	262	35%	277	37%

Declared ethnicity category of employees

	Black/Asian/ minority ethnic	%	White	%	Total	%
Permanently employed staff	30	4%	262	35%	292	39%

Declared sexual orientation category of employees

	Heterosexual/ straight	%	Lesbian/gay/ bisexual/other	%	Total	%
Permanently employed staff	165	22%	8	1%	173	23%

Sickness absence data

The average working days lost based on the number of full-time equivalent employees for 2018-19 was 4.73 days (2017-18 - 2.79 days).

Remuneration Committee

The RCDTS Ltd Board acts as the Remuneration Committee for the company. The Board has responsibility for agreeing how the annual pay remit is distributed in the company.

The company has a responsibility to ensure its staff receive fair and equitable remuneration whilst also taking into account value for money and appropriate management of public money. The company will have an annual pay remit with a settlement date of June and will be guided by the annual pay remit guidance from HM Treasury. Cabinet Office controls on salaries and approval routes will apply to the company.

The company is a discrete unit and has its own non-consolidated pay budget. The company's Remuneration Committee govern the pay remit process and ensure that the principles of equity and value for money are achieved.

Staff costs

Details of staff costs are included in note 3 (page 35) of the financial statements.

Pensions

The HR Team provides assurance and oversight of the RCDTS Ltd pension scheme. RCDTS Ltd has a contract-based defined contribution pension scheme which is administered by Aviva plc. A number of staff in RCDTS Ltd have contractual rights to the Civil Service Pension Schemes under Fair Deal policy. Further details of these pension arrangements are included in note 3 (page 35).

Reporting of compensation schemes - exit packages

There was one exit package in 2018-19 in £25-50,000 range (2017-18 no exit packages). This exit package information has been subject to audit.

Remuneration report

Remuneration details for the RCDTS Ltd Board directors are not included in these accounts as they are not paid by the company. These directors are civil servants and their salaries and pensions are paid by HMRC.

Three of the directors as at 31 March 2019 are also on the HMRC Executive Committee and their remuneration and pension details can be found in the HMRC Remuneration report within the HMRC Resource Accounts.

Government organisations are required to state their pay multiple which is the ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid director. This ratio has not been calculated for RCDTS Ltd as the company directors are not remunerated by the company.

Gender pay gap analysis

2018 incl. Contractors	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£17.11	£21.01	18.6%
Median	£16.20	£18.04	10.2%

2017 excl. Contractors	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£16.27	£17.06	4.6%
Median	£15.38	£16.95	9.3%

Gender pay gap	2018 excl. Contractors	2017 excl. Contractors
Mean	9.3%	4.6%
Median	9.5%	9.3%

The government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap. RCDTS Ltd reported on these requirements on 19 December 2018 by publishing them via the government's gender pay gap service website.

The gender pay gap figures above, reported annually, show the difference in the average pay between all men and women in RCDTS Ltd, for both base pay 5 April 2018 and the bonuses received in the year 6 April 2017 to 5 April 2018. This is the most recent data available. The pay gaps are measured using both mean (total divided by employee numbers) and median (middle of the range) averages. The difference is expressed as a percentage of the average hourly rate of pay for employees.

The distribution of our workforce drives our mean and median figures. Whilst we are striving to improve our diversity, including through our recruitment practices, RCDTS Ltd workforce (of which 71% entered under TUPE) comprised of only 19% women in April 2018.

Our mean and median gender pay gap has increased significantly this year largely due to the inclusion of contractor pay. If contractors are excluded, the gender pay gap increases, but by a lesser extent on the previous year, due to changes within the workforce and also the TUPE transfer of a number of staff to RCDTS Ltd in 2017.

RCDTS Ltd supports the fair treatment and reward of all people irrespective of gender. Our pay policy and conditions of employment are consistent with this principle.

Read more - Gender pay gap service:

<https://gender-pay-gap.service.gov.uk>

People off-payroll

HMRC reports to HM Treasury about off-payroll appointments of more than six months and more than £245 a day. RCDTS Ltd has off-payroll appointees and these individuals have been considered by HMRC as part of their disclosure, which is included in the HMRC Annual Report and Accounts (page 127).

Jacky Wright
Chief Executive Officer
11 July 2019

6 THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE REVENUE AND CUSTOMS DIGITAL TECHNOLOGY SERVICES LIMITED

Opinion on financial statements

I certify that I have audited the financial statements of Revenue and Customs Digital Technology Services Limited (RCDTS Ltd) for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and the related notes, including the significant accounting policies. The financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union in accordance with the provisions of the Companies Act 2006. The entity has also applied the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury, which interprets IFRS for the context of the public sector, where it does not contradict the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.
- the financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) where it does not contradict the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RCDTS Ltd's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Directors and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's and the Statement of Director's Responsibilities, the Accounting Officer and Directors (who are also the directors of the company for the purposes of company law) are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RCDTS Ltd's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

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

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept by the company or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date **16 July 2019**

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

7

Financial Statements

Revenue and Customs Digital Technology Services Limited
Statement of Comprehensive Income
for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Income			
Income from Managed IT Services	2	73,700	59,792
		73,700	59,792
Expenditure			
Staff costs	3	(36,442)	(31,522)
Running costs	4	(37,050)	(28,093)
Other expenditure	4	(183)	(163)
		(73,675)	(59,778)
Profit before taxation		25	14
Taxation	5	(25)	(14)
Profit after taxation		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		-	-

The notes on pages 30 to 44 form part of these accounts.

Revenue and Customs Digital Technology Services Limited
Statement of Financial Position
as at 31 March 2019

	Note	2018-19 £000	2017-18 £000
Non-current assets			
Property, plant and equipment	6	226	415
Total non-current assets		226	415
Current assets			
Trade and other receivables	7	13,297	17,819
Cash and cash equivalents	8	8,639	14
Total current assets		21,936	17,833
Total assets		22,162	18,248
Current liabilities			
Trade and other payables	9	(8,137)	(5,564)
Pension provision	11	-	(2,970)
Current tax liability	5	(25)	(14)
Total current liabilities		(8,162)	(8,548)
Total assets less current liabilities		14,000	9,700
Non-current liabilities			
Long term loan	10	(14,000)	(9,700)
Total non-current liabilities		(14,000)	(9,700)
Total assets less liabilities		-	-
Total Reserves		-	-

The notes on pages 30 to 44 form part of these accounts.

RCDTS Ltd is exempt under the provisions of Section 475 of the Companies Act 2006 from making the disclosure requirements of Part 16 under Section 482 (non-profit-making companies subject to public sector audit) of that Act. There is no statement of changes in equity as the company is limited by guarantee and has no share capital and no reserves.

Jacky Wright
Chief Executive Officer
Registered Company Number 9679225
11 July 2019

Revenue and Customs Digital Technology Services Limited
Statement of Cash Flows
for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Cash flows from operating activities			
Profit after taxation		-	-
Adjustments for non-cash transactions:			
Depreciation	6	147	154
Loss on disposals	4	36	9
(Increase)/decrease in trade and other receivables	7	4,522	3,628
Increase/(decrease) in trade payables	9	2,573	(2,979)
Increase/(decrease) in current tax liability	5	11	14
Increase/(decrease) in provisions	11	(2,970)	(680)
Net cash flows from operating activities		4,319	146
Cash flows from investing activities			
Proceeds of disposal of Plant and Equipment		6	-
Purchase of Plant and Equipment	6	-	-
Net cash inflow from investing activities		6	-
Cash flows from financing activities			
Increase/(decrease) in long term loan	10	4,300	(150)
Net financing		4,300	(150)
Net increase/(decrease) in cash in the period¹		8,625	(4)
Cash at the beginning of the period		14	18
Cash at the end of the period	8	8,639	14
Increase/(decrease) in cash		8,625	(4)

The notes on pages 30 to 44 form part of these accounts.

¹The increase in the balance represents funding drawn down to meet future working capital requirements.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2019

Notes to the Statement of Accounts

1. Statement of accounting policies

1.1 Basis of accounting

Revenue and Customs Digital Technology Services Limited (RCDTS Ltd) is a company limited by guarantee and is incorporated and domiciled in the UK.

These financial statements have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006. In addition, they have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent the FReM is consistent with the requirements of the Companies Act 2006.

The particular policies adopted by RCDTS Ltd are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention.

1.3 Going concern

The directors expect that RCDTS Ltd will continue operations for the foreseeable future. The basis of this is continued ongoing support from HMRC in the form of a long term loan (note 10, page 42). The going concern basis of preparation is further referenced in the Directors' Report (page 7).

1.4 Income and recharged costs

All income is generated directly from services to HMRC and is recognised in the Statement of Comprehensive Income on an accruals basis net of VAT. The impact of IFRS 15, Revenue from Contracts, which has been assessed against the 5 step model, is outlined below:

The Master Services Agreement (MSA) is the contract between the company and its sole customer, HMRC. This is presented as a contract asset (receivable) within the Statement of Financial Position. The agreement meets the criteria listed in the Standard and is an agreement that creates enforceable rights and obligations.

RCDTS Ltd deliver a series of IT Services to HMRC under the MSA through the use of Service Orders. These Service Orders form the performance obligations under IFRS 15. The services are provided to HMRC at cost with overheads, and all income received from HMRC is allocated against the relevant performance obligation.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2019

HMRC simultaneously receives and consumes the IT services provided by the company as it performs. The satisfaction of the performance obligations is mainly measured via analysis of the labour hours consumed in their delivery. The company satisfies the performance obligations and transfers the control of the services to HMRC over time and will do so up to the expiry of the contract. Therefore, there is no change in the recognition of income from prior years under IFRS 15.

Invoices for services are raised twice monthly in arrears, providing supporting documentation on the IT services delivered. HMRC pays the invoice within 3 working days from receipt of the invoice. Where the invoice has not been raised but service has been provided by the year end, an estimated charge will be included as accrued income. The company also invoices HMRC to recover pass-through charges which are not recorded as income in the company but are directly recharged to HMRC and netted off against expenditure. Since pass-through charges to HMRC are offset against associated expenditure, they do not impact the Statement of Comprehensive Income. They do impact the Statement of Financial Position as receivable and payable balances, if there are any outstanding amounts at the year end. These charges include the purchase of IT equipment, software licences and telephony equipment which are used by HMRC.

Any underlying contractual commitments relating to pass-through costs, such as those that arise from operating or finance leases are excluded from these financial statements.

1.5 Tangible assets - property, plant and equipment

On initial recognition, property, plant and equipment assets are measured at cost. This includes costs directly attributable to bringing them in to working condition, for example, the costs of installation. Property, plant and equipment are then stated at cost less accumulated depreciation and any impairment losses recorded in accordance with IAS16 Property, Plant and Equipment.

IT computer equipment is capitalised regardless of cost.

Assets under construction are separately reported in note 6 (page 38) until the assets are configured and made available for use whereupon they are transferred to the relevant asset class and depreciation commences.

1.6 Intangible assets

RCDTS Ltd has no intangible assets. The company is developing IT software on behalf of HMRC. These intangible IT software assets are reported as assets under construction in HMRC's Resource Accounts.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2019

1.7 Depreciation

Non-current assets are depreciated at rates calculated to write them down to estimated residual values on a straight-line basis over their estimated useful lives. The estimated useful life of computer equipment is four to five years.

1.8 Taxation

RCDTS Ltd has registered for Value Added Tax, Pay As You Earn and Corporation Tax (CT). CT is payable to the extent that income exceeds trading losses. Tax is recognised in the Statement of Comprehensive Income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

1.9 Value Added Tax (VAT)

RCDTS Ltd provides IT services which are taxable at the standard rate of VAT at 20%. Expenditure in these statements is shown exclusive of VAT as RCDTS Ltd recovers input VAT in accordance with the VAT Act 1994.

1.10 Funding

RCDTS Ltd receives its funding by way of a long term loan from HMRC and it is therefore accounted for as a long term liability in the Statement of Financial Position. There is a funding facility agreement in place between HMRC and RCDTS Ltd which details the terms of the agreement. The funding is provided for general working capital and investment purposes, in relation to the provision of the information technology and security services. HMRC may, from time to time, agree funding for other purposes. This will be in writing and in each case in accordance with HM Treasury guidance document, Managing Public Money. RCDTS Ltd has not requested funding for any other purposes.

1.11 Provisions

Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, RCDTS Ltd provides for probable legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date, on the basis of the best estimate of the expenditure required to settle the obligation.

1.12 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37, the company discloses possible legal or constructive obligations of uncertain value or timing at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2019

1.13 Impending application of newly issued accounting standards not yet effective

New and revised standards and interpretations have been issued, but are not yet effective, and have not therefore been adopted in this account. The following standard may have an affect on these Accounts in future years:

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. The company has not adopted this standard early. Currently RCDTS Ltd has no operating leases and this standard is not expected to have a material impact on these Accounts.

1.14 Financial Instruments

The new standard IFRS 9 has been implemented for reporting in 2018-19, replacing IAS 39 (Financial Instruments). RCDTS Ltd has two financial instruments under the scope of IFRS 9, trade receivables and loan commitments. Trade receivables are measured at undiscounted invoice price rather than fair value in accordance with IFRS 9. The loan is valued at the transaction price as no interest rate is charged by HMRC. Transaction price is therefore considered to be equivalent to amortised cost. The measurement of these items therefore remains unchanged following application of IFRS 9.

1.15 Critical accounting judgements and key sources of estimation

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. RCDTS Ltd undertakes a quarterly review of provisions and contingent liabilities. These estimates are based on the likelihood of a liability materialising. There were no key judgments or estimation uncertainty in the preparation of these financial statements.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2019

2. Income

	2018-19 £000	2017-18 £000
Managed service income from HMRC	73,700	59,792
Total income	73,700	59,792

Pass-through charges

RCDTS Ltd income does not include pass-through charges recharged to HMRC. These are netted off against expenditure in RCDTS Ltd.

Revenue from the Master Services Contract

RCDTS Ltd provides a series of IT services to HMRC under an overarching Master Services Agreement through the use of Service Orders. These Service Orders form the performance obligations provided under IFRS 15. The assessment of the impact of IFRS 15 on the company is disclosed in note 1.4 on page 30. The implementation of IFRS 15 has had no material impact on these accounts.

**Revenue and Customs Digital Technology Services Limited
for the year ended 31 March 2019**

3. Staff costs

	2018-19 £000	2017-18 £000
Wages and salaries	31,315	26,847
Social security costs ¹	3,484	2,908
Other pensions cost	1,643	1,767
Total staff costs	36,442	31,522

Average number of persons employed	2018-19	2017-18
Permanently employed staff	741	633

Pension costs

RCDTS Ltd has a contract-based defined contribution pension scheme which is administered by Aviva plc and overseen by the HR Team. Contributions into this scheme for 2018-19 were £1,957,101 (2017-18: £1,588,802).

A number of staff in RCDTS Ltd had contractual rights to the Civil Service Pension Arrangements (CSPA) under the 2013 New Fair Deal policy and RCDTS Ltd has Admitted Bodies status into the scheme which is managed by the Scheme Management Executive within Cabinet Office. These staff have taken the option to transfer their accrued benefits from their existing pension plans to the CSPA. Contributions into this scheme for 2018-19 were £422,340 (2017-18 £471,346).

¹ Social security costs include the Apprenticeship Levy which is £126,438 for 2018-19 (2017-18: £112,463).

**Revenue and Customs Digital Technology Services Limited
for the year ended 31 March 2019**

4. Running costs and other expenditure

	2018-19 £000	2017-18 £000
Running costs		
Contracted Out Services ¹	28,685	21,041
HMRC shared service charge	3,998	3,196
IT expenditure	2,825	2,251
General running expenditure ²	679	852
Travel, subsistence and hospitality	803	702
Audit fee	60	51
Total running costs	37,050	28,093
Non-cash expenditure		
Depreciation	147	154
Loss on disposals	36	9
Total non-cash expenditure	183	163
Total	37,233	28,256

¹ Number of contractors engaged is disclosed within the Remuneration and Staff report table on page 17.

² General running expenditure includes recruitment, training, company secretarial fees and insurance.

Revenue and Customs Digital Technology Services Limited
for the year ended 31 March 2019

5. Taxation

	2018-19 £000	2017-18 £000
Current tax charge	25	14
Deferred tax charge	-	-
Total tax charge	25	14
Profit before tax	25	14
Non-deductible expenses		
Depreciation	147	154
Loss on disposals	36	9
Adjusted profits before capital allowances	208	177
Less: capital allowances	(76)	(103)
Total Taxable profits	132	74
Corporation Tax liability	25	14

**Revenue and Customs Digital Technology Services Limited
as at 31 March 2019**

6. Property, plant and equipment

	Office and computer equipment £000	Assets Under Construction £000	Total £000
Cost or valuation			
At 1 April 2018	693	-	693
Additions	-	-	-
Disposals	(96)	-	(96)
Reclassifications	-	-	-
At 31 March 2019	597	-	597
Depreciation			
At 1 April 2018	(278)	-	(278)
Charged in the year	(147)	-	(147)
Disposals	54	-	54
At 31 March 2019	(371)	-	(371)
Carrying amount at 31 March 2019	226	-	226
<u>Prior Year</u>			
Cost or valuation			
At 1 April 2017	632	71	703
Additions	-	-	-
Disposals	(10)	-	(10)
Reclassifications	71	(71)	-
At 31 March 2018	693	-	693
Depreciation			
At 1 April 2017	(125)	-	(125)
Charged in the year	(154)	-	(154)
Disposals	1	-	1
At 31 March 2018	(278)	-	(278)
Carrying amount at 31 March 2018	415	-	415

All assets stated above are owned by RCDTS Ltd. There are no leased assets or private finance initiative contracts held by RCDTS Ltd.

**Revenue and Customs Digital Technology Services Limited
as at 31 March 2019**

7. Trade and other receivables

	2018-19 £000	2017-18 £000
Amounts expected to be received within one year:		
Trade receivables (managed service only)	8	25
Other receivables	11	22
Accrued income and recharged costs (managed service)	8,425	9,923
Accrued income and recharged costs (pass-through)	4,755	7,632
Prepayments	98	217
	13,297	17,819

**Revenue and Customs Digital Technology Services Limited
as at 31 March 2019**

8. Cash and cash equivalents

	2018-19 £000	2017-18 £000
Balance at 1 April	14	18
Net change in cash and cash equivalent balances ¹	8,625	(4)
Balance at 31 March	8,639	14
Of which balances were held at:		
Government Banking Service	8,639	14
Balance at 31 March	8,639	14

¹The increase in the balance represents funding drawn down to meet future working capital requirements.

**Revenue and Customs Digital Technology Services Limited
as at 31 March 2019**

9. Trade payables and other liabilities

	2018-19	2017-18
	£000	£000
Amounts expected to be paid within one year:		
Other taxation and social security	909	838
Trade payables (pass-through only)	69	407
Other payables	305	279
Accruals (managed service)	4,952	2,390
Accruals (pass-through)	872	1,392
Value Added Tax	1,030	258
	8,137	5,564

Revenue and Customs Digital Technology Services Limited as at 31 March 2019

10. Long term loan

	2018-19 £000	2017-18 £000
Balance at 31 March	14,000	9,700

RCDTS Ltd is a company limited by guarantee and is wholly controlled by HMRC. HMRC funds RCDTS Ltd and this is accounted for as a long-term loan within non-current liabilities in the company's Statement of Financial Position.

It is a revolving loan agreement and RCDTS Ltd has the facility to draw down, or repay, funding as required. The limit is £20 million and is subject to regular review and can be increased with prior approval. The agreement will be in force until 31 December 2021 (the Initial Term), being the same date as the expiry of the Master Services Agreement (MSA), at which point the loan will become due for repayment unless an extension is agreed. Under the MSA, HMRC has a duty to pay any residual costs incurred by RCDTS Ltd in providing the services which are linked to the expiry and therefore specifically includes repayment of the loan.

10.1 Reconciliation of liabilities arising from financing activities

	2018-19 £000	2017-18 £000
Balance at 1 April	9,700	9,850
Net Loan Drawn / (Repaid)	4,300	(150)
Balance at 31 March	14,000	9,700

Loan repayment in future periods	£
Within one year	nil
Between two and five years	14,000
After five years	nil

The funding is provided by HMRC for general working capital and investment purposes in each case, in relation to information technology and security services provided by RCDTS Ltd to HMRC. Funding advances are in accordance with the agreement and HMT guidance Managing Public Money. RCDTS Ltd has the right to make voluntary early repayments and may repay the whole or any part of the funds outstanding from time to time from all or any of its available surplus funds. No voluntary repayments have been made during the year.

Revenue and Customs Digital Technology Services Limited as at 31 March 2019

11. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that the company will be required to settle that obligation and an amount has been reliably estimated.

	2018-19 £000	2017-18 £000
Balance at 1 April	2,970	3,650
Provided in the year	-	1,300
Provisions not required written back	(736)	(1,599)
Provisions utilised	(2,234)	(381)
Balance at 31 March	-	2,970

11.1 Analysis of provisions

	Pension deficit shortfall £000	Pension deficit shortfall £000
Not later than one year	-	2,970
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	-	2,970

11.2 Pension deficit shortfall

RCDTS Ltd had an obligation to fund the pension shortfall resulting from the TUPE (Transfer of Undertakings Protection of Employment Regulations 2006) transfer of Capgemini and Fujitsu employees into RCDTS Ltd. These members of staff had Fair Deal rights as a result of being transferred out of the Civil Service under TUPE and have successfully been re-admitted into the Civil Service Pension Arrangements (CSPA). When these staff have taken up the option to be part of a bulk transfer of their accrued benefits from their Capgemini or Fujitsu pension plan to CSPA, a funding shortfall has occurred and this has been met by the company.

This year, RCDTS Ltd made a final payment in respect of those employees who transferred as part of waves two, three and four (as described in the Strategic Report), who have chosen to re-join the CSPA. This resulted in the payment of £2,233,635, and the writing back of £736,065 previously provided and not required. The final shortfall amounts for each wave were calculated and advised by the Government Actuary's Department.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2019

12. Related-party transactions

RCDTS Ltd provides a managed IT service to HMRC and funding is provided from HMRC to RCDTS Ltd.

HMRC provides corporate services to the company including finance, HR, estates, legal and communication in accordance with various Service Level Agreements.

No Board member, key manager or other related parties has undertaken any material transactions with the company during the year.

RCDTS Ltd Directors are also civil servants and their salaries and pensions are paid for by HMRC.

13. Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within RCDTS Ltd control.

The company has no contingent liabilities as at 31 March 2019.

14. Events after the reporting period date

There have been no reportable non-adjusting events after the reporting period.

The Annual Report and Accounts have been authorised for issue by RCDTS Ltd's Chief Executive Officer. The authorised for issue date is the date of the Comptroller and Auditor General's Audit Certificate.

CCS0719646074
978-1-5286-1535-8