



Revenue and Customs Digital Technology Services



Annual Report and Accounts
for the year ended 31 March 2018

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 2018

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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:

- maximise 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

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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 finance, human resource, estates, legal and communication 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 Transfer of Undertakings (Protection of Employment regulations 2006) (TUPE) arrangements. 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, VOA IT Services, Network Management, Service Operations, Test and Release, Core Business Platforms and the IT Helpdesk. Further information about these services was included in the RCDTS Ltd Annual Reports for 2015-16 and 2016-17.

During the financial year, in July 2017, the final tranche of staff and services previously provided under the Aspire contract, transferred into RCDTS Ltd. The staff are mainly located in Telford, Newcastle, Worthing, London, Southend and Shipley. The services transferred in the fourth wave include:

Cloud Delivery Group

Provides professional services in the feasibility, definition, design, implementation and support of HMRC Cloud Delivery Group including asset management, server management, service delivery, design/development, configuration and operational support.

Desktop Services

Provides services including workstation fault diagnosis and resolution, workstation builds and rebuilds, software installations and removals, resolution of printer issues and improvement initiatives to desktop services.

Implementation Management

Provides services including implementation planning, stakeholder management and coordination activities for large scale live implementations that involve multiple HMRC delivery groups or third party suppliers; managing dress rehearsals and dry runs to ensure a smooth transition during live implementations; producing final implementation documents and facilitating post implementation reviews.

Managed Data Transfer Services

Transfers data securely between HMRC and entities outside the core IT estate where it contains taxpayer information or where the data could be used to gain access to HMRC systems and networks.

Security Service Delivery

Provides services including supplier assurance, media handling, operations security, backups, access control, protection from Malware, technical vulnerability management, network security management, information transfer, incident management, risk assessment and cyber security control.

Data Keying

Provides clerical data capture of information supplied on paper by HMRC Finance and input sources include returned payable orders, manually issued payable orders and manually issued GIROs for tax credits.

The services that the company has provided this year to HMRC include the development of applications through to providing support services and working on initiatives that are transforming the services provided to the end user. The transformation programme embarked on by the Service Operations team has improved the customer experience of the HMRC business, improved the quality of IT services delivered by Service Operations and the alignment of IT services with the business requirements. RCDTS Ltd has been involved in developing the Self Assessment filing application where the majority of Self Assessment customers submitted their return and paid through the online service. A number of legislative releases have been introduced such as the "Excise Movement Control System" which is used to control the movement of goods with an excise duty liability across borders in the EU and the company has played a key role in the continued development of the Valuation Office Agency's Check, Challenge and Appeal digital service used by thousands of customers to check and challenge valuations of non-domestic properties. The company has also been central to the build and delivery of the HMRC wide, Secure Cloud Infrastructure and has provided technical capability for infrastructure projects.

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 embedded into HMRC's CDIO teams and 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 "RAG" ratings from two of HMRC's CDIO measures, "IT Unavailability" and "Daily IT Service Status" are reviewed by the board on a monthly basis for this purpose. The company feeds into and contributes to these measures.

Whilst the performance of IT services started well at the beginning of the year, following data centre outages in July 2017, HMRC experienced a higher number of incidents than usual which continued throughout the year. The causes have since been investigated and a plan has been put in place to address the issues including process improvements and faster implementation of software patches. It is also envisaged that the new regional centres that HMRC is moving towards as part of its location strategy will improve power issues that have also had a large impact on services.

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

Financial performance

Management 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 2018 and all costs have been fully recovered.

The movement of services into RCDTS Ltd has created a significant reduction in costs for HMRC. Reasons for this include not being charged high unit prices, instead the company invoice based on the actual salaried costs for the 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

The company has now successfully integrated the services previously provided through the Aspire contract with Capgemini and Fujitsu. The company will continue to provide these services and to work to provide these at the best possible value for HMRC.

In 2018-19, HMRC are planning to embark on a strategic sourcing review and RCDTS Ltd will be advised of the outcome and how it affects the company's IT service delivery to HMRC.

Key risks and opportunities

The company ensures that all risks are mitigated appropriately, and in particular employs agreed, proven HMRC processes and procedures to ensure that risk likelihood and impacts are minimised.

The risk management structure covers the following categories of risk:

- legal
- service delivery
- performance
- governance and controls
- security.

There is currently only one risk which is considered to be specific to RCDTS Ltd and relates to health & 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

RCDTS Ltd follows the same policies regarding sustainability as HMRC.

For more information please see the HMRC Annual Report and Accounts 2017-18 Sustainability page 45.

Jacky Wright
Chief Executive Officer
19 July 2018

2 Directors' Report

The Directors present their report and the financial statements for the year to 31 March 2018.

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		3/3
Gill Aitken	Founding Director	25-Nov-15		5/6
Jim Harra	Founding Director	09-Jul-15		1/6
Justin Holliday	Founding Director	09-Jul-15		4/6
Hannah Watson	Further Director	30-Aug-17		4/4
Mike Potter	Chief Executive Officer & Chair	19-Sep-16	16-Oct-17	2/3
Jane Taylor	Chief Finance Officer ²	09-Jul-15	30-Aug-17	3/3
Ruth Owen	Founding Director	09-Jul-15	27-Jun-17	1/1

¹ Jacky Wright has been appointed on a two year fixed term on assignment from Microsoft 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, including a Commercial Governance Board (CGB). Jacky Wright is a member of the CGB, however she does not participate in commercial decisions specifically concerning Microsoft.

² Martin Coombs has been appointed Chief Finance Officer with effect from 12 April 2018.

Going concern

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).

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 45) confirms that no member of the Board had any related-party transactions.

Personal data-related incidents

RCDTS Ltd had no data-related incidents.

General Data Protection Regulation (GDPR) in RCDTS Ltd

RCDTS Ltd has appointed a Data Protection Officer in preparation 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.

RCDTS Ltd is confident that it is meeting the requirements under the GDPR through the contractual arrangements with HMRC because during the spring 2018, the Department for Digital, Culture, Media and Sport reviewed progress across government in preparing for this new regulation and asked Deloitte to review the preparations of large departments including HMRC. Deloitte noted that HMRC's Data Protection Office is "staffed with experienced and skilled staff who understand the requirements of the GDPR and its applicability to HMRC." HMRC handles a large amount of data and is fully aware of its responsibilities for handling this appropriately and in line with the new legislation.

RCDTS Ltd is not complacent and data protection and management are areas for which the company will continue to monitor and further develop processes.

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.

Political and charitable contributions

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

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 16).

Compliance with the cost allocation and charging requirements

RCDTS Ltd has worked with HMRC and HM Treasury to achieve compliance with the cost allocation and charging requirements set out in HM Treasury guidance.

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.

This report was approved by the Board of Directors on 3 July 2018 and signed on behalf of the Board by:

Jacky Wright
Chief Executive Officer
19 July 2018

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 that 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
- 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 and enable 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
19 July 2018

3 Governance Statement

This statement covers the financial period from 1 April 2017 to 31 March 2018. 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 2017-18 this committee was chaired by the Accounting Officer, Jon Thompson and was responsible for setting and delivering strategy for HMRC.

The sole member of RCDTS Ltd is officially the Treasury Solicitor. However the Treasury Solicitor has granted a power of attorney to Jon Thompson which enables him to exercise all powers of the sole member. Jon is also the Accounting Officer of RCDTS Ltd 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. The Accounting Officer does not sit on the Board of the company. 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 its objectives, this is a normal arrangement for Arm's Length Bodies.

There are Founding Directors who are from within HMRC but outside of Chief Digital and Information Officer (CDIO) group, including the HMRC Chief Finance Officer (CFO). There are also Further Directors including the Chief Executive Officer (CEO) from within CDIO. The company's CEO, Jacky Wright, is responsible for the day-to-day operational management of the company and is accountable to the Board for the performance of the company. A Founding Director is a Non-Executive Director who is directly appointed by HMRC. A Further Director is an Executive Director appointed from CDIO group. For more details of Directors, please see the Directors Report on page 8.

Founding and Further Directors have the same responsibilities, as they all share in the collective responsibilities of the Board. Founding Directors, without prejudice to, and mindful of these duties, will provide insight into Government thinking and approach on particular issues affecting the company as well as on the Government's wider views and priorities. Founding Directors will also ensure that the activities of the company are aligned with those of HMRC. To ensure the department maintains strategic control of the company, no meeting is quorate and no Board decision can be approved, unless Founding Directors outnumber Further Directors. Board members may participate in the preparation of material to be discussed at meetings, to make the most efficient use of their time.

The governance structure of the company is closely tied to that of 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 2017-18 Board and sub-committees page 63.

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
- 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.

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

- monthly 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
- financial management, resource management and recruitment.

In 2017-18, the Board requested the Sponsor Team carry out a review of Board effectiveness. A number of low level recommendations arose from this review including revisiting the Board Performance Report, (which has since been improved to ensure that members of the Board have the information they require to ask informed questions), and also agreeing specific director responsibilities for managing different areas of the business (specific responsibilities have since been assigned). The recommendations were accepted by the Board and are now being implemented. Following this review, the Board members have concluded that they are currently performing at an appropriate level. Board effectiveness will be reviewed on an annual basis, with the next review planned for January 2019.

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

HMRC's Internal Audit have produced two assurance reports that specifically concentrate on RCDTS Ltd, namely:

- RCDTS Integration - It is imperative for the IT Function that RCDTS Ltd employees integrate well into CDIO and a number of activities are being undertaken to facilitate this. As stipulated in the RCDTS Ltd service catalogue, employees are able to work within defined parameters and this review provided assurance as to how these are both embedded and working effectively.

- RCDTS Health and Safety (H&S) - The scope of the audit was to review and assess the capability of RCDTS Ltd to effectively manage H&S to ensure compliance with relevant legislation, placing particular focus on risk management, training and provision of assurance. The audit identified eight management actions for implementation. In response to one of the key findings raised, RCDTS Ltd have appointed the HMRC Occupational Health and Safety Wellbeing (OHSW) team to act as the competent person for the company's H&S role. The role and appointment of the OHSW team is to provide service and support to the company on H&S functions, and working in collaboration have actively responded in addressing the eight management actions, which are now closed.

Other audits for CDIO have incorporated RCDTS Ltd namely reviews this year of Work Force Planning, Recruitment and Retention, and wider thematic reviews of Flexible Working Hours, and Gifts, Hospitality and other Benefits. Internal Audit did not identify any management actions specific to RCDTS Ltd as a result of these joint reviews.

RCDTS Ltd follows HMRC risk framework set out in the HMRC Annual Report and Accounts on page 71. 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, in the right places at the right time which could lead to a failure to deliver our business objectives. RCDTS Ltd adopts similar mitigating actions to those detailed on page 73 of the HMRC Annual Report and Account. The Board have identified a H&S risk which is specific to the company and this is the risk of a lack of H&S awareness by RCDTS staff which could result in staff suffering injuries and accidents, leading to legal action against the company, financial loss and reputational damage. This risk is mitigated by a number of actions including mandatory health and safety training by all staff and the implementation of recommendations arising from the H&S review conducted by internal audit.

We have assessed RCDTS Ltd's compliance with the Corporate Governance in the Central Government Departments' Code of Good Practice 2011. 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 2017-18.

Jon Thompson
Accounting Officer
19 July 2018

Jacky Wright
Chief Executive Officer
19 July 2018

4 Statement of Accounting Officer's Responsibilities

Introduction

RCDTS Ltd provides a technical managed IT service to HMRC. These Accounts report the income, expenditure, assets and liabilities relating to the provision of this service. The company's accounts are consolidated into HMRC's Resource Accounts as the company is wholly controlled by HMRC.

Basis of preparation of the Accounts

The company's accounts have been prepared on an accruals basis under the historical cost accounting convention. The HM Treasury accounts direction, issued under the Government Resources and Accounts Act (GRAA) 2000, requires RCDTS Ltd to prepare accounts to give a true and fair view of the state of affairs of the company for the financial year.

The company complies with all relevant accounting and disclosure requirements given in Managing Public Money (MPM) and other guidance issued by HM Treasury. This includes the Financial Reporting Manual and the principles underlying it, where this does not conflict with the Companies Act requirements, as well as International Financial Reporting Standards as adapted or interpreted for the public sector.

Accounting Officer's responsibilities

The Permanent Secretary and the Principal Accounting Officer of HMRC is the Accounting Officer for RCDTS Ltd. 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 HMRC's Annual Report and Accounts
- 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.

Jon Thompson
Accounting Officer
19 July 2018

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	Others	Total
Staff in post 31 March 2017	484	312	796
Joiners	294		
Leavers	(53)		
Staff in post 31 March 2018	725	198	923
Average	633	219	852

Locations of persons employed as at 31 March 2018

	Total
Telford	498
Newcastle	94
Worthing	73
Shipleigh	20
London	13
Southend	12
Other	15
Total	725

The information in the tables above has been subject to audit

Staff transferring to RCDTS Ltd from Capgemini and Fujitsu have different terms and conditions because under TUPE - Transfer of Undertakings (Protection of Employment) Regulations 2006 - the law under which people are transferred between employers - 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. These largely mirror HMRC's existing policies with the remainder aligned to Advisory, Conciliation and Arbitration Service best practice. This will ensure that RCDTS Ltd, as a non Civil Service organisation, is able to offer employees a competitive employment package.

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

- 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
- 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 2018, from a total of 725 permanently employed staff, 126 (17%) declared whether or not they were disabled, 133 (18%) had provided their ethnicity details and 98 (14%) 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, especially within Design Test and Operations (covering the largest proportion of RCDTS Ltd staff), 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	139	19	586	81	725	100

Declared disability status of employees

	Disabled	%	Non-disabled	%	Total	%
Permanently employed staff	13	2	113	15	126	17

Declared ethnicity category of employees

	Black/Asian/ minority ethnic	%	White	%	Total	%
Permanently employed staff	24	3	109	15	133	18

Declared sexual orientation category of employees

	Heterosexual/ straight	%	Lesbian/gay/ bisexual/other	%	Total	%
Permanently employed staff	92	13	6	1	98	14

Sickness absence data

The average working days lost based on the number of full-time equivalent employees for 2017-18 was 2.79 days (2016-17 - 5.28 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 and provides assurance and oversight of the RCDTS Ltd pension scheme.

A number of staff have collective bargaining rights, this is the contractual entitlement for pay terms and conditions to be collectively negotiated with the trade unions.

Pay remit

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

RCDTS Ltd has a contract-based defined contribution pension scheme which is administered by Aviva plc and overseen by the RCDTS Ltd Board. 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 have been no exit packages in 2017-18 (2016-17 one exit package in £50k-£100k range).

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.

Six of the directors were also on the HMRC Executive Committee and their remuneration and pension details can be found in the HMRC Remuneration and staff 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.

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 at page 117.

Jacky Wright
Chief Executive Officer
19 July 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of Revenue and Customs Digital Services Technology Services Limited for the year ended 31 March 2018 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 2017-18 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 2018 and of the income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- 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 Revenue and Customs Digital Technology Service 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.

Responsibilities of the Directors and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's and 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 company, 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 Revenue and Customs Digital Technology Services Ltd's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Revenue and Customs Digital Technology Services Ltd's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 group and 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.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 20 July 2018

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Financial Statements

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

	Note	2017-18 £000	2016-17 £000
Income			
Income from Managed IT Services	2	59,792	50,200
		59,792	50,200
Expenditure			
Staff costs	3	(31,522)	(17,817)
Running costs	4	(28,093)	(32,279)
Other expenditure	4	(163)	(104)
		(59,778)	(50,200)
Profit before taxation		14	-
Taxation	5	(14)	-
Profit after taxation		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		-	-

The notes on pages 30 to 46 form part of these accounts.

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

	Note	2017-18 £000	2016-17 £000
Non-current assets			
Property, plant and equipment	6	415	578
Total non-current assets		415	578
Current assets			
Trade and other receivables	7	17,819	21,447
Cash and cash equivalents	8	14	18
Total current assets		17,833	21,465
Total assets		18,248	22,043
Current liabilities			
Trade and other payables	9	(5,564)	(8,543)
Pension provision	11	(2,970)	(3,650)
Current tax liability	5	(14)	-
Total current liabilities		(8,548)	(12,193)
Total assets less current liabilities		9,700	9,850
Non-current liabilities			
Long term loan	10	(9,700)	(9,850)
Total non-current liabilities		(9,700)	(9,850)
Total assets less liabilities		-	-
Total Reserves		-	-

The notes on pages 30 to 46 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
19 July 2018

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

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities			
Profit after taxation		-	-
Adjustments for non-cash transactions:			
Depreciation	6	154	104
Loss on disposals	4	9	-
(Increase)/decrease in trade and other receivables	7	3,628	(10,022)
Increase/(decrease) in trade payables	9	(2,979)	3,022
Increase/(decrease) in current tax liability	5	14	-
Increase/(decrease) in provisions	11	(680)	3,000
Net cash flows from operating activities		146	(3,896)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	-	(376)
Net cash outflow from investing activities		-	(376)
Cash flows from financing activities			
Increase/(decrease) in long term loan	10	(150)	3,850
Net financing		(150)	3,850
Net increase/(decrease) in cash in the period		(4)	(422)
Cash at the beginning of the period		18	440
Cash at the end of the period	8	14	18
Increase/(decrease) in cash		(4)	(422)

The notes on pages 30 to 46 form part of these accounts.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2018

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 2017-18 Government Financial Reporting Manual (FRoM) issued by HM Treasury as adapted or interpreted for the public sector context, to the extent the FRoM 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 8).

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. Invoices for services are raised twice monthly, in arrears. 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 passthrough charges which are not recorded as income in the company but are directly recharged to HMRC and netted off against expenditure. Since passthrough 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.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2018

Any underlying contractual commitments relating to passthrough 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 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.

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.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2018

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.

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. We expect that the following new standards and Financial Reporting Manual (FReM) changes may affect these Accounts in future years:

IFRS 9 Financial Instruments, effective for annual accounting periods commencing after 1 Jan 2018 (EU adopted 22 November 2016). IFRS 9 addresses classification, measurement and impairment of financial assets and is included in the 2018-19 FReM. As RCDTS Ltd has only a small number of financial assets the effect of this new standard is limited. All financial assets will be reviewed to ensure appropriate classification and valuation in accordance with the standard.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2018

IFRS 15 Revenue, effective for annual accounting periods commencing after 1 January 2018 (EU adopted October 2016, clarifications EU adopted November 2017). IFRS 15 introduces a new five stage model for assessing and recognising revenue from contracts with customers. The disclosure requirements under the new standard are more extensive than the current requirements included within IAS 18. This is included in the 2018-19 FReM. RCDTS Ltd income is recognised in accordance with the Master Services Agreement (MSA) with HMRC under which it has a performance obligation for the delivery of a managed IT service. There is no material change anticipated to comply with the new standard.

IFRS 16 Leases, effective 1 January 2019 (EU adopted November 2017). IFRS 16 will provide a single model for leases that will bring all leases on the Statement of Financial Position unless the lease term is 12 months or less or the underlying asset has a low value. HM Treasury has formed a cross-government technical working group to assist in the assessment of this standard with a view to include in the 2019-20 FReM. RCDTS Ltd currently has one operating lease agreement and so the impact of this standard is likely to be limited.

IAS 7 Statement of Cash Flows, effective 1 January 2017 (EU adopted November 2017). IAS 7 revises disclosure requirements to help users evaluate changes in borrowings. The amendment requires that the link between the reconciliation and the balances and amounts presented in balance sheet and cash flow statement is explained. This is included in the 2018-19 FReM. There is not expected to be any changes to the RCDTS Ltd cash flow as a result of this amendment to the standard.

Whilst the standard permits it, there is no intention to adopt any of these accounting policies early, under the FReM.

1.14 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. This reporting period included a pension provision estimate of £2.97 million and further details are provided in note 11 (page 43).

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

2. Income

	2017-18 £000	2016-17 £000
Managed service income from HMRC	59,792	50,200
Total income	59,792	50,200

Passthrough charges

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

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

3. Staff costs

	2017-18 £000	2016-17 £000
Wages and salaries	26,847	12,571
Social security costs	2,908	1,290
Other pensions cost	1,767	3,956
Total staff costs	31,522	17,817

Average number of persons employed	2017-18	2016-17
Permanently employed staff	633	268

Pension costs

RCDTS Ltd has a contract-based defined contribution pension scheme which is administered by Aviva plc and overseen by the RCDTS Ltd Board. Contributions into this scheme for 2017-18 were £1,588,802 (2016-17: £719,672).

A number of staff in RCDTS Ltd have 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 the option to transfer their accrued benefits from their existing pension plans to the CSPA and a provision has been made to cover a probable pension deficit which is likely to occur (note 11). Contributions into this scheme for 2017-18 were £471,346 (2016-17: £233,596).

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

4. Running costs and other expenditure

	2017-18 £000	2016-17 £000
Running costs		
Contracted Out Services ¹	21,041	25,022
HMRC shared service charge ²	3,196	1,858
IT expenditure ³	2,251	4,598
General running expenditure ⁴	852	468
Travel, subsistence and hospitality	702	282
Audit fee	51	51
Total running costs	28,093	32,279
Non-cash expenditure		
Depreciation	154	104
Loss on disposals	9	-
Total non-cash expenditure	163	104
Total	28,256	32,383

¹ Number of contractors engaged is disclosed within the Remuneration and Staff report table on page 18 under "Others".

² HMRC provides corporate services to the company including finance, HR, estates, legal and communication in accordance with various Service Level Agreements. The HMRC shared service charge has increased significantly this year due to the increase in staff numbers.

³ IT expenditure relates to the IT consumables used by RCDTS Ltd rather than the passthrough recharges made to HMRC. The lower cost this year reflects the reduced need for IT consumables compared to the prior year.

⁴ General running expenditure includes recruitment, training, company secretarial fees and insurance.

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

5. Taxation

	2017-18 £000	2016-17 £000
Current tax charge	14	-
Deferred tax charge	-	-
Total tax charge	14	-
Profit before tax	14	-
Non-deductible expenses		
Depreciation	154	104
Loss on disposals	9	-
Adjusted profits before capital allowances	177	104
Less: capital allowances ¹	(103)	(104)
Total Taxable profits	74	-
Corporation Tax liability	14	-

¹ 2016-17 capital allowances claimed have been limited to the amount of depreciation incurred, as RCDTS Ltd is a non-profit making company.

**Revenue and Customs Digital Technology Services Limited
as at 31 March 2018**

6. Property, plant and equipment

	Office and computer equipment £000	Assets under construction £000	Total £000
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
Prior year			
Cost or valuation			
At 1 April 2016	327	-	327
Additions	305	71	376
Disposals	-	-	-
At 31 March 2017	632	71	703
Depreciation			
At 1 April 2016	(21)	-	(21)
Charged in the year	(104)	-	(104)
Disposals	-	-	-
At 31 March 2017	(125)	-	(125)
Carrying amount at 31 March 2017	507	71	578

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**

7. Trade and other receivables

	2017-18 £000	2016-17 £000
Amounts expected to be received within one year:		
Trade receivables ¹	25	126
Other receivables	22	9
Accrued income and recharged costs ²	17,555	21,021
Prepayments	217	149
Value Added Tax	-	142
	17,819	21,447

¹ Trade receivables consists of managed service income only.

² Accrued income and recharged costs consists of managed service income of £9.9 million (2016-17: £10million) and passthrough recharges of £7.6 million (2016-17: £11million)

Please see note 1.4 (page 30) for accounting policy on treatment of income.

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

8. Cash and cash equivalents

	2017-18 £000	2016-17 £000
Balance at 1 April	18	440
Net change in cash and cash equivalent balances	(4)	(422)
Balance at 31 March	14	18
Of which balances were held at:		
Government Banking Service	14	18
Balance at 31 March	14	18

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

9. Trade payables and other liabilities

	2017-18 £000	2016-17 £000
Amounts expected to be paid within one year:		
Other taxation and social security	838	598
Trade payables ¹	407	949
Other payables	279	191
Accruals ²	3,782	6,805
Value Added Tax	258	-
	5,564	8,543

¹ Trade payables consists of passthrough recharges only

² Accruals consists of managed service of £2.4 million (2016-17: £4.6million) and passthrough recharges of £1.4 million (2016-17: £2.2million)

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

10. Long term loan

	2017-18 £000	2016-17 £000
Balance at 31 March	9,700	9,850

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. This agreement will be in force until 31 December 2021 (the Initial Term). At that date the loan will have to be repaid in full unless an Extension Notice is agreed.

This loan is further analysed as follows -

2016-17 Drawn £000	2017-18 Repaid £000	Total Drawn £000	Undrawn £000	Total £000
9,850	150	9,700	10,300	20,000

Loan repayment in future periods	£000
Within one year	nil
Between two and five years	9,700
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 agreed in accordance with the agreement and HMT guidance Managing Public Money.

RCDTS Ltd has the right to make voluntary early repayments and may prepay the whole or any part of the funds outstanding from time to time from all or any its available surplus funds. Voluntary repayments of £0.15 million have been made during the year.

Revenue and Customs Digital Technology Services Limited as at 31 March

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.

	2017-18 £000	2016-17 £000
Balance at 1 April	3,650	650
Provided in the year	1,300	3,000
Provisions not required written back	(1,599)	-
Provisions utilised	(381)	-
Balance at 31 March	2,970	3,650

11.1 Analysis of provisions

	Pension deficit shortfall £000	Pension deficit shortfall £000
Not later than one year	2,970	650
Later than one year and not later than five years	-	3,000
Later than five years	-	-
Balance at 31 March	2,970	3,650

11.2 Pension deficit shortfall

RCDTS Ltd has an obligation to fund the pension shortfall resulting from the Transfer of Undertakings (Protection of Employment regulations 2006) (TUPE) transfer of Capgemini and Fujitsu employees into RCDTS Ltd. These members of staff have Fair Deal rights as a result of being transferred out of the Civil Service under TUPE and they have successfully been re-admitted into the Civil Service Pension Arrangements (CSPA). If these staff take up the option to be part of a bulk transfer of their accrued benefits from their Capgemini or Fujitsu pension plan to CSPA, it is probable that a funding shortfall will occur.

This year, RCDTS Ltd has made payment in respect of those employees who transferred as part of wave 1 and who have chosen to re-join the CSPA. This resulted in the utilisation of £381,163, and the writing back of £268,837, of the original £650,000 provision. The total provision for the pension shortfall has fallen to £2,969,700 at 31 March 2018 covering waves 2 to 4. This has led to a write back of £1,330,300 of the opening provision for waves 2 and 3 which is not now required, resulting in a total write back for waves 1 to 3 of £1,599,137. A new provision of £1,300,000 for wave 4 has been created. These are actuarial estimates from the government actuary, which factor in a number of assumptions.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2018

For waves 2 and 3, the estimate received is £1,669,700 based on the 16 eligible members of staff who have elected for bulk transfer in June 2018. The terms of the bulk transfer amount and the funding requirement of the Principal Civil Service Pension Scheme (PCSPS) have been agreed, although the final shortfall will not be known with certainty until funds are transferred.

For wave 4, the terms of the transfer have been proposed but have not yet been formally agreed and the government actuary has provided an estimate of £1,300,000 based on 12 eligible members of staff. This is based on the assumption that the terms of the transfer, PCSPS funding requirement and the benefits received from the former schemes will be unchanged from previous waves.

11.3 Pension deficit sensitivity analysis

While the company has made its best estimate in establishing the pension shortfall provision, ultimately the wave 4 estimate could vary significantly from the current estimate due to the potential for market changes, and the unpredictability of each eligible employee's decision whether to re-join the Civil Service Pension Scheme and each employee's circumstances. For waves 2 and 3 as the staff who have elected to bulk transfer are now known, the final shortfall amount will principally be affected by the fluctuation in the market up to the payment date. Current valuations provided by the government actuary suggest the valuation may decrease by around £600,000 or more as we approach the anticipated payment date in July 2018. RCDTS Ltd is able to pass on the cost of the pension shortfall to HMRC in line with other costs.

The key assumptions driving the estimate have been identified. The sensitivity analysis table below for wave 4 illustrates how potential variations in these assumptions might affect the current £1,300,000 provision, and how a percentage movement would have a corresponding impact on the provision balance.

Assumption	% increase/ (decrease)	£000 increase/ (decrease)	£000 Potential pension provision
Funds transferred in from previous provider	(10%)	600	1,900
PCSPS funding requirement	10%	800	2,100
Persons electing to re-join scheme	(10%)	(100)	1,200

These comparatives are not intended as best or worst case scenarios and it is possible that a number of the sensitivities could combine to move the shortfall in either direction.

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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 2018.

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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 to issue date is the date of the Comptroller and Auditor General's Audit Certificate.

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