



**BPDTS Ltd**

Providing digital technology  
services to DWP

# BPDTS Ltd

## Annual Report & Account 2017-18

HC 1714



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## Annual Report & Account 2017-18

Presented to Parliament pursuant to Article 6 of the Government  
Resources and Accounts Act 2000 (Audit of Non-profit-making Companies)  
Order 2009 (GRAA Order).

Ordered by the House of Commons to be printed 11 Month 2018

HC 1714



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**ISBN 978-1-5286-0875-6**

**CCS1118956008**

**BPDTS Ltd - Company registered number: 10344843**

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.

**BPDTS Ltd - AR&A – 2017-18**

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## **1. The Chair's foreword**

The Board is pleased to present the second annual report and accounts for BPDTS Ltd covering its first full year of operations, to deliver specialist IT services to our sole customer, the Department for Work and Pensions (DWP).

I am pleased to report that performance of BPDTS throughout 2017/18 was strong and we met all our key technical and digital workload objectives, providing savings in both cost and time for our customer, DWP.

Our people have successfully and seamlessly delivered high quality collaborative digital services to DWP and implemented a number of new and technically challenging releases, technical fixes and required maintenance works without issue. These have all played a key role in supporting the smooth running of DWP Digital services and platforms.

Our staff have added considerable expertise and essential specialist skills in planning and decision-making to address issues with confidence, experience, knowledge and expertise.

BPDTS grew in 2017/18, with our permanent staff increasing by 86 to 442 people.

We continue to support our people and on-board new staff into BPDTS to meet the growing customer demand for a wider range of services. We are continuing to bench-mark and appraise job roles in the wider digital market to provide a competitive reward structure within BPDTS and support this with the necessary learning and development tools.

Our resourcing is dependent on careful demand profiling against required work. In this specialist supplier arrangement, BPDTS offers good value for money by providing the high quality service and skills required, whilst also maintaining a high staff utilisation ratio.

In response to developments in DWP Digital Group and because we believed it to be the best way forward to align our services and support our customer, we changed our organisational structure to one based on digital practices. This was almost complete by the end of 2017/18. We continue to support the strategic aims of DWP and most importantly help to sustain and improve the systems and processes that provide support to the lives and needs of millions of our fellow citizens.

There were a number of changes at BPDTS Board level, with the retirement of Ray Long on 31 December 2017 and the appointment of Loveday Ryder as Chief Executive on 22 January 2018. One of our Non-Executive Directors Peter Schofield resigned on the 18 January 2018, when he took up post as the Permanent Secretary of the Department for Work and Pensions. Ian Wilson was appointed as a Non-Executive Director on 1 June 2018. On the 23 August 2018, Claire Johnston resigned as Chair of the Board having been with the Company since its founding in August 2016.

I'd like to congratulate Loveday Ryder on her appointment as Chief Executive and thank Claire Johnston (Chair) and Peter Schofield and Ray Long (Directors) for their contribution, commitment and support to the Board, and I wish them the very best for the future.

The Board looks forward to being able to report on further successes in the future as BPDTS Ltd develops.

Helen John  
**BPDTS Chair**  
**5 November 2018**

## 2. Background

BPDTS Ltd was set up to supply DWP with specialist digital services, initially focussed on services previously supplied by Hewlett Packard Enterprises Ltd (HPE) under commercial contract. DWP is the only customer of BPDTS Ltd.

The Master Services Agreement sets out the basis on which BPDTS provides services to DWP and a Framework Agreement sets out how BPDTS should operate as an arm's length body in the public sector. Under these agreements, BPDTS is required to recover its costs in full through charges to DWP. DWP has made working capital available to BPDTS, under a Funding Facility Agreement, in the form of repayable cash funding. Under a Support Services Agreement, DWP provides some services to BPDTS, such as accommodation, for which it charges.

BPDTS provides a dedicated, collaborative technical service to DWP, where BPDTS will design, build and maintain digital, data and technology solutions that support DWP's strategic aims and objectives and most importantly support the lives and needs of millions of our fellow citizens.

During 2017/18, BPDTS transferred in two further waves of staff from DXC (the company that had acquired HPE) and began large scale recruitment to meet additional demand from DWP.

BPDTS has ensured that its staff have had access to the necessary tools and working environment to enable them to bring their skills to bear. We have dedicated resources to support and develop our people and we have made commitments to establishing career pathways and opportunities to improve skills and professionalism.

In the technical field, BPDTS continues to work with similarly experienced DWP Digital people, and this collaboration also provides a route to assist with technical progression and knowledge transfers. This will assist and support all digital and technical staff to keep their key skills up to date, within their chosen career path.

To reflect the scale and qualitative aspects of delivering our services, we built a set of key performance indicators (KPIs) for 2017/18 and sought to establish comparable benchmarks with similar providers to gauge our performance and progress. We plan to expand and to develop an enhanced suite of KPIs in consultation with our customer and deploy these through the next business year.



### 3. Strategic report

We are proud of what we've achieved in providing digital technology services to our sole customer, DWP. We provide services to maintain the digital systems that support DWP's core functions, and we have brought positive change, innovation and business improvements.

During this year, we have worked closely with experts in DWP's Digital Group and have developed good working relationships with their other technology partners and suppliers. The technology services we have provided together, including an improved digital experience, are transforming the lives of millions of our fellow citizens as they look for work, deal with illness or disability, support children after separation, or plan for retirement.

The range of experts we employed in 2017/18 and are looking to recruit in the future include technical architects, infrastructure engineers, software and testing engineers, agile delivery managers, business analysts, database analysts and IT service roles, all with a wealth of experience in design, innovation, testing, implementation and support services.

BPDTS identified a number of key areas on which to focus the business in 2017/18. These were:

#### Change Services (now known as Digital Delivery)

In Change Services, we collaborated with DWP's Digital Teams to deliver an agreed pipeline of specified and managed changes to the department's applications within time, cost and quality. Change covered anything that was completely new and was prioritised by the customer. The changes were well received by the customer and performance standards were achieved.

Objective	Measure(s)	KPI / target	Position at year end
1. Deliver change to agreed time, cost and quality	Releases delivered to time	95% of releases delivered on date agreed with DG platform	Achieved
	Releases delivered to quality	Agent days lost because of release-related incidents <0.75% pcm	Achieved
	Releases delivered to cost	Actuals within 20% of estimate in 95% of cases	Achieved
2. Use demand planning to flex resources efficiently and effectively	Agree and update a pipeline of demand	Pipeline updated and agreed at each Service Delivery Board meeting	Achieved

In 2018/19, we will continue to work with DWP to enhance existing IT systems.

#### Run Services (now known as Digital Service Management)

In Run Services, we minimised downtime and IT service outages, ensuring existing IT systems and processes continued to run smoothly through maintenance and repair.

The Run activities formed the backbone of work within our delivery teams and provided a continuous 24x7 service. We have continued to maximise operational and systems' performance and eliminate downtime. We have worked to remediate those digital applications and products that gave the biggest support challenges and continued to deliver IT system improvements.

In February 2018, a further TUPE transfer was undertaken to incorporate additional resources operating core infrastructure services for the customer. An additional 35 staff joined the company and have been seamlessly integrated into the organisation.

Delivery of Run services in 2017/18 was consistently high and increasing in performance against agreed performance indicators. This was achieved against the backdrop of a significant move to a new hosting provider, Crown Hosting, achieved in conjunction with DWP and other improvements and modernisation activity.

We have continued to provide the appropriate vulnerability management and conform to existing data protection legislation.

Objective	Measure(s)	KPI / target	March 2018
P1. Minimise outages	Speed of closing incidents	P1 90% within 2 hours	Achieved except for one incident where service was restored within target time, but incident status was left as "open" to enable monitoring
		P2 95% within 8 hours	Achieved
		P3 95% within 2 Business days (20 hours)	Achieved
		P4 90% within 3 Business days (30 hours)	Achieved
P2. Minimise downtime	Agent days lost	< 0.75% per month	Achieved

In Quarter 4, we started to make key organisational changes to meet our customer’s requirements and to reflect the needs of a growing company. We began to organise our teams into new digital practices that will facilitate improved professional development opportunities and which came into force early in 2018/19.

**Supporting and Developing Our People**

We are conscious of the fast pace of change in the technology world and our aim is to engage effectively with all our staff to build trust and confidence, provide opportunities for developing career pathways and make BPDTS a challenging, fulfilling and interesting place to work.

Our programme in 2017/18 was focussed to accommodate apprentices and new starters, to build on existing skills and develop people further by pushing into new areas and technologies. In time our customer will become less reliant on legacy systems and we plan to address this by retraining our staff on new work, as legacy systems are replaced.

As a new organisation, there was much to achieve but the year proved an important one in establishing the foundations for the company and ensuring the policies, procedures and tools needed for efficient and effective working practices were being put in place. This will remain a focus in future.



## Engaging Our People

We have made a huge amount of progress with staff engagement over the last year, which is beginning to be reflected in our engagement results. Overall employee engagement is only measured once a year in the Autumn, but pulse surveys in March and June 2018 showed significant improvements in key drivers of engagement. We have spent time ensuring key questions have been answered and that people understand their role and the purpose of the organisation for which they work.

We still see some settling-in, as staff become familiar with the new arrangements and ways of working, and we have been assimilating a large number of new staff.

We maintain a full engagement programme and are keen to hear and understand what our people say. Where practical, we co-produce solutions and improvements and look to find new ways to build a positive and supportive operating environment and culture.

## Specialist Recruitment

In 2017/18, we put together the infrastructure to support building skills and capacity to support the services required by our customer. Significant progress was made in building and refining the recruitment process so that the time from service order receipt to market and from advertisement to appointment was as short as possible. We have also worked hard to ensure that the quality of applications is adequately assessed, so that only the most talented individuals are offered roles within the company.

We have worked closely with our customer to understand and develop a robust and reliable picture of the customer's service demand for the next 6 to 12 months period. Understanding this demand assists in planning and recruiting digital staff more efficiently. Meeting the high levels of anticipated demand remains a focus in the coming year, and, if successful, will lead to the company more than doubling in size.

Our performance against People key performance indicators was as follows:

Objective	Measure(s)	KPI / target	Position at year end
1. Improve engagement	Engagement survey results	50% by March 2018	Overall engagement only measured annually in the Autumn. 43% engagement score at Autumn 2017, but March 2018 pulse survey showed significant improvements in key drivers of engagement.
2. Improve the capability of our people	Amount of time spent on Learning and Development	5 days per person over the year	Data capture immature – was not possible to measure accurately in year.
3. Reduce dependency on contractor labour	Contractors/ augmented resource as percentage of total labour	No more than 15% of staffing to be contractors by Mar 18	13.2% at year end
4. Reduce sick leave	Average working days lost (AWDL)	Reduce to less than 6.0 AWDL as rolling average by Mar 18	5.2.
5. Improve ways of working with DWP colleagues	Structured feedback from both BPDTs and Digital Group staff	Improve percentage of positive perceptions	Continuing to engage with DWP, building effective relationships and creating KPIs focusing upon this for 18/19.

## Cost Effectiveness and Sound Governance

The BPDTS model was reviewed and endorsed through the HMT Approval Point Review in October 2017.

We have designed our controls and measures to meet planned service provision and improved on these in-year, in terms of cost, quality and efficiency.

The Board is supported by two main sub committees, the Audit and Risk Assurance Committee (ARAC) and the Remuneration Committee (RemCo). These committees have an experienced and knowledgeable membership able to scrutinise plans and issues and provide the relevant challenge and discussion to address points and issues raised.

The system of control includes the Board sub-committees and work undertaken by the BPDTS Executive Team, along with the control framework, which is supported by internal and external audit assurance processes.

Performance against key indicators was as follows:

Objective	Measure(s)	KPI / target	Position at year end
1. Achieve planned efficiency	Cost per "value add" day	No more than £466 per day (blended rate)	£442
2. Achieve planned utilisation	Value add days / total working days	85%	84%
3. Achieve planned accuracy of financial forecasting	Forecasts to be close to actuals	2% from one month to next	Actual P & L 1% higher than in month forecast at end Feb
		1% from half year to year-end	Outturn £42.4m: 11% less than mid-year forecast (£47.7m)
4. Address audit recommendations in a timely fashion	Speed of implementation of audit recommendations	95% cleared within agreed target date	All but two (25%) of 2017-18 recommendations closed before year end. These two were dependent on commercial discussions and are now closed.

## Financial Outturn

The outturn for our first full year of running was £42.4m. This was significantly higher than expenditure (£12.1m) in 2016/17, as BPDTS only started operations in December 2016. During the year, DWP indicated that they wished BPDTS to increase capacity significantly in order to play our part in wider digital transformation in the Department. As a result, our services and cost base increased as the year progressed.

The company operates on a full cost recovery basis, facilitated by monthly billing cycles with DWP. All goods and services chargeable by DWP to BPDTS are billed on a quarterly basis. The value of the loan from DWP was increased during the year by £5m, taking the total outstanding loan value to £10m as at 31 March 2018. This was to provide the necessary additional funding to cover the anticipated eventual shortfall relating to Fair Deal pension transfer payments and to allow for BPDTS to cover its short term working capital commitments. This has also provided the organisation with a clear signal as to the intention of DWP to continue its relationship with BPDTS.

The costs set out in this annual report relate only to operating BPDTS and the assets owned and used by BPDTS to deliver its services.

## Business Plan for 2018-19

We have ambitious plans for 2018/19 that focus on:

• Capacity	-	Growing our capacity in a wider range of professional digital services
• Quality	-	Actively seeking out opportunities and taking further steps to improve the services we offer
• Capability	-	Continually refreshing the skills of our people so they're equipped to deliver innovative solutions and service excellence
• Efficiency	-	Cutting out unnecessary bureaucracy and complexity by simplifying how things get done, and looking at how else we can deliver services even more efficiently.

These key components will enable us to focus on building high quality, innovative, agile and dynamic services to support our customer, the DWP. We will assist them by providing expertise to run their day-to-day systems and to modernise their digital environment and reduce their reliance on ageing and legacy technologies.

We will support our people with focussed and effective learning and development strategies, new ways of working, and we will build a strong inclusive and diverse team that better reflects the wider community.

We will improve our own service capability by supporting our staff with new technologies and the equipment required to support a world-class organisation.

### Strategic Risks

As a company we actively manage the strategic risks that need to be mitigated to enable us to achieve the stretching goals we have set ourselves for the year ahead.

Our main risk areas we are focussing on in 2018-19 are:

<b>Service Delivery</b>	-	Managing our customer requirements, managing capacity and quality of service
<b>People</b>	-	Attracting and retaining staff, building capability and skills, developing career pathways, engagement strategies and remuneration
<b>Policy</b>	-	Organisational culture, structure and leadership
<b>Financial &amp; Planning</b>	-	Value for money, demand planning, the increased costs for service improvements required by our customer and estates
<b>Legal</b>	-	Continued compliance with legal requirements
<b>Governance</b>	-	Effectiveness of control systems.

### Summary

In summary, the company performance in 2017-18 has been successful, meeting the significant performance targets and key milestones and building solid foundations for the future. I would like to thank my predecessor, Ray Long, for his commitment and dedication in establishing the company and navigating us through the first year of operation.

The biggest challenge faced has been to expand the company to deliver the wider range of services now required by our customer. This challenge will continue and intensify as we aim to grow our capability steeply in the year ahead and welcome and integrate many new colleagues, whilst developing the skills and capability of our existing people. But this challenge is also a huge opportunity to deliver more value and excellent services and to provide real value for money for our customer.

**Loveday Ryder**  
**Chief Executive and Accounting Officer**  
**13 November 2018**



## 4. Directors' report

The Directors of BPDTS since 1 April 2017 have been:

Name	Role/ Position	Date Appointed and Term
Claire Johnston	(Chair & Non-Executive Director)	From 24 Aug 2016 for 3 years Claire resigned from the Board on 23 August 2018
Ray Long	(Chief Executive & Accounting Officer)	From 24 Aug 2016 to 31 December 2017 (retired)
Loveday Ryder	(Chief Executive & Accounting Officer)	From 22 Jan 2018 for 18 months
Debbie Alder	Non-Executive Director	From 21 Nov 2016 for 3 years
Paul Greening	(Chief Finance Officer)	From 21 Nov 2016 until 31 March 2019
Helen John	Non-Executive Director	From 21 Nov 2016 for 3 years Chair from 24 August 2018
Mayank Prakash	Non-Executive Director	From 21 Nov 2016 for 3 years
Peter Schofield	Non-Executive Director	From 21 Nov 2016 to 18 Jan 2018 (resigned)
Ian Wilson	Non-Executive Director	From 1 June 2018 to 31 May 2023

The Directors present their annual report on the affairs of BPDTS, together with the financial statements and auditor's report for the year ended 31 March 2018.

The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FRM) and other guidance issued by HM Treasury and the Secretary of State for Work and Pensions where the disclosure requirements of these go beyond the requirements of the Companies Act 2006.

In accordance with the International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) and the guidance from the International Financial Reporting Interpretations Committee, the financial statements have been prepared and approved by the Directors. The Governance statement and the Remuneration and staff report following this section form part of this report.

### Principal activities

BPDTS Ltd is a private company as defined by the Companies Act 2006, limited by guarantee, with the reference number 10344843.

BPDTS was incorporated on 24 August 2016, with the principal objective to deliver information technology and security services to DWP. BPDTS services are required to support DWP's mission and objectives and its statutory functions and other responsibilities, in accordance with DWP's priorities and in compliance with its governance arrangements.

The most important events since the balance sheet date have been the delivery of milestones in the 2018/19 Business Plan.

### Going concern basis

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the financial statements.

During the reporting period, BPDTS' expenditure was £42m, matched by income of £42m from DWP. Expenditure and income match because BPDTS is required, under agreements with DWP, to operate on a full cost recovery basis, without making a profit. As at 31 March 2018, BPDTS had assets less current liabilities of £10m, mainly in the form of cash, to meet the expected cost of pension obligations.



BPDTS Ltd is reliant on income from DWP, its sole customer. Under the Master Services Agreement between BPDTS Ltd and DWP, the agreement can be terminated by DWP with six months' notice.

During 2017/18, the Directors were provided with assurance from the Permanent Secretary for Work and Pensions regarding demand and current and future funding for BPDTS Ltd to satisfy the Board of Directors that BPDTS is a going concern.

Further assurances have been discussed and subsequently provided by the DWP (including a formal letter from the Customer lead representative) in relation to significant increases in future demand alongside expectations for efficiency gains. Both BPDTS and DWP work closely to balance supply and demand to avoid having BPDTS staff under-employed or DWP having to employ expensive contingent labour or work left undone.

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

## **Dividends**

BPDTS Ltd is a private company limited by guarantee; it has no share capital and therefore does not pay dividends.

## **Information security**

The Directors recognise their responsibilities under the UK Data Protection Act 2018, which received Royal Assent on 23 May 2018 and the enforcement period for General Data Protection Regulations (GDPR) which came into force on the 25 May 2018. We will ensure that personal and commercial information is protected against internal and external threats, loss or misuse.

The nature of the services provided by BPDTS makes information security a particularly important priority for BPDTS. To minimise risks during set up, the initial transfers of staff and services into BPDTS involved minimal changes in inherited processes and controls.

Subsequent changes are reviewed on an ongoing basis to ensure they comply with DWP's security standards.

In 2017/18 we investigated three information security incidents all of which resulted in re-affirming standing processes and ensuring that both managers and staff were aware of their responsibilities.

## **Employment and development of disabled people**

In early 2017 BPDTS Ltd received Disability Confident Employer accreditation. We're committed to removing barriers to disabled people in employment and ensuring that everyone has the chance to realise their aspirations. This reflects our belief in the benefits of a diverse workforce.

We'll continue to make sure our recruitment policies and internal procedures provide everyone with a fair opportunity to succeed.

Our policy is also to make appropriate arrangements for the training and development of disabled employees.

## **Informing and consulting employees**

BPDTS used a variety of arrangements during the year to inform employees about key developments and to consult them. In addition to communications through line management, the company's intranet, Confluence, was a key means of providing written news and seeking comments from staff. The company's Employee Forum, including management and employee representatives, met monthly to discuss matters raised by both management and representatives and to consult on changes affecting staff.

## **Personal data related incidents**

In 2017/18 we had one Data Protection Act Subject Access Request in connection with a member of staff's information. This was handled and closed within the prescribed timescale.

There were no personal data related incidents in 2017/18 reported to the Information Commissioner.

## **Environmental matters**

BPDTS operates out of several DWP hub locations and supports DWP's strategies in relation to sustainability.

## **Health and safety**

In the year 2017/18 we reported no accidents under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) to the Health and Safety Executive (HSE).

## **Auditor**

The Comptroller and Auditor General (C&AG) is an Officer of the House of Commons and leads the National Audit Office (NAO).

The C&AG certifies the accounts of all Government Departments and many other public-sector bodies. He has statutory authority to examine and report to Parliament on whether Departments and the bodies they fund have used their resources efficiently, effectively, and with economy.

The C&AG is the statutory auditor of BPDTS, as External Auditor, with the audit programme being undertaken by or under the supervision of the NAO. The NAO is independent of government and their purpose is to scrutinise public spending for Parliament.

Internal audit is provided by the Government Internal Audit Agency (GIAA) who will review policy and practice, process, compliance, administration, communication and training, quality, assurance and improvements.

The internal audit programme is undertaken in conformance with the Public Sector Internal Audit Standards (PSIAS).

Each of the Directors individually confirms at the date of approval of this report that:

- So far as the Director is aware, there is no relevant information of which the BPDTS auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant information and to establish that the BPDTS' auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

**Loveday Ryder**  
**Chief Executive and Accounting Officer**  
**13 November 2018**

## 5. Governance statement

BPDTS Ltd was set up as a company limited by guarantee. The Secretary of State for Work and Pensions is the sole member of BPDTS.

BPDTS is an arm's length body of DWP, with the Chief Executive Officer appointed as Accounting Officer with accountabilities and responsibilities delegated by DWP's Principal Accounting Officer. The CEO is also the Consolidation Officer for the purpose of Whole of Government Accounts. The Accounting Officer responsibilities are set out in the Framework Document and in HM Treasury's Managing Public Money. The Chief Executive has responsibility for day-to-day operations and has specific responsibilities for BPDTS staff.

BPDTS is committed to the principles contained in the UK Corporate Governance code issued by the Financial Reporting Council. The Board has had regard to the principles set out in the code insofar as they are appropriate to BPDTS as an arm's length body of DWP and given its size and how long it has existed.

During the reporting year, the Board of BPDTS consisted of 8 Directors, of whom 3 were Executive Directors (the two CEOs and the CFO) and 5 were Non-Executive Directors (NEDs). Of the 5 NEDs, 4 were also members of DWP's Executive Team and of these, 2 were also members of DWP's Board (the Director General for Finance and the Director General for Digital). The Chair until 23 August 2018 was employed by the Government Legal Department (GLD), not DWP, but was a member of DWP's Executive Team.

The composition of the Board changed twice in-year. On the 31 December, the Chief Executive, Ray Long, retired and his successor, Loveday Ryder, was appointed on 22 January 2018. Peter Schofield, Non-Executive Director and Chair of the Audit and Risk Assurance Committee (ARAC), resigned on 18 January 2018, when he took up post as the Permanent Secretary for DWP. Peter was not replaced within the business year. Helen John became the Chair of the ARAC with Jim Arnott remaining the other member.

Since the end of the reporting year, we have begun to appoint external Non-Executive Directors, starting with Ian Wilson who will also sit on the ARAC. This will further establish the independence of the company in keeping with its expected arm's length status.

The Board is responsible for setting company strategy, approval of major items of expenditure and the establishment and monitoring of internal controls. It reviews the strategic direction of BPDTS and monitors its progress towards the achievement of its budgets and plans.

The Board met 10 times during the reporting period. The Audit and Risk Assurance Committee met five times during the year. The Remuneration Committee met four times in the year.

Board Member	Number of attended Board meetings	Number of attended RemCo Meetings	Number of ARAC meetings attended
Claire Johnston (Chair & Non-Executive Director)	10/10	N/A	N/A
Debbie Alder (Non-Executive Director)	7/10	4/4	N/A
Helen John (Non-Executive Director)	10/10	N/A	5/5
Mayank Prakash (Non-Executive Director)	7/10	4/4	N/A
Peter Schofield (Non-Executive Director)	5/7	N/A	3/4
Ray Long (Chief Executive & Accounting Officer)	7/7	N/A	3/4
Loveday Ryder (Chief Executive & Accounting Officer)	3/3	N/A	1/1
Paul Greening (Chief Financial Officer)	10/10	N/A	5/5

Jim Arnott our ARAC independent member attended three out of a possible three ARAC meetings since his appointment.



Debbie Alder is Chair of the RemCo with Mayank Prakash as the other RemCo member. Executive Directors and the BPDTS Secretariat attend both as appropriate.

In January 2018 we undertook our annual assessment of the Board's Effectiveness. Results were collated and discussed at the next available Board meeting. The key issues were induction of Board members, information around recruitment and planning and indications that Board members would like further engagement opportunities with our staff. We have taken steps to address all these key issues.

The following section sets out the system of control that the Board and Accounting Officer have put in place and the assurances which they have received from the BPDTS Executive Team (see below) and from the internal audit service provided by the Government Internal Audit Agency, on how the system of control is operating. It concludes with the Accounting Officer's assessment of the effectiveness of the system of control and sets out any control issues which the Board judges to be significant.

### ***System of control***

BPDTS is principally governed by:

- Company law and the Articles of Association;
- The Framework Agreement, Master Services Agreement, Support Services Agreement and Funding Facility Agreement between DWP and BPDTS;
- The Accounting Officer's responsibility for BPDTS' expenditure and management; and
- The BPDTS Board's collective responsibility for advice on strategic and operational issues, and for scrutinising and challenging policies and performance.

The system of control includes the Board sub-committees and work undertaken and supported by the BPDTS Executive Team, along with the control framework, which is supported by internal and external audit assurance processes.

The control framework is intended to provide appropriate and proportionate safeguards, taking into account the accountabilities of BPDTS, its relationship with DWP and its place within the DWP strategic plans.

The key elements of the control framework are:

**Business:** Processes and controls for agreeing services and deliverables with DWP, dealing with incidents and measuring performance. The key risk here was of disruption in service. This was mitigated by building on pre-existing processes and putting in place a wide range of reviews and checkpoints by BPDTS. These processes and controls have evolved over the year, as understanding of the new ways of working and customer requirements has grown.

**People:** Processes and controls for joiners and leavers, line management, performance management, pay and allowances. A key risk here during the reporting period was that the remaining transfers of staff into BPDTS were handled in compliance with the appropriate regulations. This was mitigated by extensive collaboration between BPDTS and DWP and learning and experience gained in making the initial staff transfers in 2016/17. Other key risks involved understanding customer demand, mobilising to recruit the right numbers and skills, maintaining utilisation rates and achieving operational efficiency and establishing new ways of working.

**Finance:** Processes and controls for accounts payable and receivable, financial reporting, budgetary management and procurement. A key risk is that demand profiling and clarity within the requirement for service orders continue to require additional work and can result in recruitment delays and instability in financial forecasting. We continue to work with DWP to ensure that fluctuations in forward demand are better understood, to enable BPDTS to recruit the appropriate skills and numbers to satisfy the services required by the customer, providing key services more cost effectively.

**Information security:** As a critical subset of business processes and controls, BPDTS has kept in place the pre-existing processes and controls to safeguard data and made changes only in consultation with security experts in DWP. We continue to run a default position that relies on DWP policies and processes. Where required, the Head of Governance (Senior Information Risk Owner and Data Protection Officer) will evaluate and provide permissions for exceptions and data transfers under the required legislation. BPDTS, like many organisations, has prepared for the introduction of the UK Data Protection Act 2018, which received Royal Assent on 23 May 2018 and the enforcement period for General Data Protection Regulations (GDPR) which came into force on the 25 May 2018.

## The Executive Team

As Chief Executive and Accounting Officer, I am responsible for maintaining a robust system of internal control that helps us achieve our policies, aims and objectives, while safeguarding public funds and our assets. With my Executive Team, I run and manage BPDTS, and ensure it is delivering services to the satisfaction of DWP.

The Executive Team members have appropriate delegated management and risk management authority. They escalate risks which they cannot mitigate themselves or which may affect other business areas to executive team meetings, so as to reach a collective decision.

<b>BPDTS Executive Team</b>	<b>Role/ Position</b>
Ray Long	Chief Executive and Accounting Officer (24 Aug 2016 to 31 Dec 2017)
Loveday Ryder	Chief Executive and Accounting Officer (from 22 Jan 2018)
Paul Greening	Chief Finance Officer (CEO & AO from 1 Jan 2018 to 22 Jan 2018)
Roland Knell	Head of Corporate Governance (SIRO & Data Protection Officer)
Raymond Cathline	Head of Executive Support Team
Julian Balaam	Head of Communications
Jill Moore	Head of HR (from 11 Dec 2017)
Richard McHugh	Head of Digital Delivery (from 4 Sept 2017)
Andy Lucas	Head of Digital Service Management
Jess Townsley	HR Business Partner (1 April 2017 to 8 Dec 2017)
Paul Doughty	Head of Change (1 April 2017 to 4 Sept 2017)

## Assurance about the operation of the system of control

Over the course of the year to support continuity within the business we have operated a mix of adopted commercial controls and feedback processes, along with DWP policies, controls and processes. However, we have also developed a range of people, finance, operations and governance controls and processes to support our responsibilities, our workload and our people.

These controls have been subject to our internal audit programme and one of the tasks for the ARAC is to form a view on the robustness of the design and operation of the systems of control that are in place.

The ARAC has taken assurance from the conclusions of internal audit reviews. It has also taken assurance by making enquiries of management in relation to subjects such as financial controls, risk management, whistleblowing and fraud.

The control environment of BPDTS continues to develop. There were no significant control issues during the reporting period.

In the course of the year there were no recorded incidents of fraud nor any whistleblowing cases raised.



## Internal audit

In 2017/18, our internal auditors (Government Internal Audit Agency - GIAA) carried out a programme of audits across the business.

They undertook audits on:

- Charging structure
- User access controls
- Service delivery management

They also reviewed the implementation of recommendations on

- Financial annual reporting
- Governance.

All of the recommendations made during the year have been cleared.

## Assurance Opinion of the Head of Internal Audit

The Head of Internal Audit, Robert Evans, provides independent assurance to our CEO and the Board (via the ARAC). This includes audit and advisory engagements, which help us improve our risk management, control and governance.

In the Internal Audit Annual Report and Opinion 2017/18 he provides his opinion as follows:

*“Our opinion is derived from a risk based plan of work, agreed with management and approved by the BPDTS Audit Committee. This report takes account of all audit assignments completed through the year, any observations arising from active involvement with the organisation, as well as from ad hoc support and advice work, and recommendation follow up activity. As BPDTS was only incorporated in August 2016, this opinion also takes into consideration the Governance and Financial reviews from the previous year (2016/17).*

*We judge that this is a sufficient body of work/evidence to provide a view on the strength of risk control and governance arrangements operating within BPDTS.*

*Our view is that a ‘Moderate’ assurance rating is appropriate for 2017/18”.*

**Loveday Ryder**  
**Chief Executive and Accounting Officer**  
**13 November 2018**

## **6. Statement of Directors' and Accounting Officer's responsibilities in respect of financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of BPDTS and of the profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- Make an assessment of the entity's ability to continue as a going concern;
- Make judgements and estimates on a reasonable basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain BPDTS' transactions and disclose with reasonable accuracy at any time the financial position of BPDTS and to enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors are also responsible for safeguarding the assets of BPDTS and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board of Directors and is signed by the Accounting Officer, who is also a Director, on behalf of the Board of Directors.

The Principal Accounting Officer for Work and Pensions has designated me, a Director and Chief Executive Officer, as Accounting Officer for BPDTS Ltd.

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

I confirm that this annual report and accounts 2017/18 is, as a whole, fair, balanced and easy to understand. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

**Loveday Ryder**  
**Chief Executive and Accounting Officer**  
**13 November 2018**

## 7. Remuneration and staff report

The Board set up a RemCo to plan the pay strategy for BPDTS. The BPDTS' pay strategy will be implemented within an annual pay remit, signed off by the Accounting Officer, approved by the Secretary of State and agreed by the Treasury.

### Remuneration of Directors

The Board is appointed by the Secretary of State for Work and Pensions. All the Directors in the reporting period were senior civil servants whose remuneration, like that of other senior civil servants, is set by the Prime Minister following independent advice from the Senior Salaries Review Body. Details are available on [www.gov.uk](http://www.gov.uk).

None of the Directors received additional remuneration for their work as director of BPDTS Ltd. The Non-Executive Directors undertook their roles for BPDTS in addition to their other responsibilities. Their remuneration was not paid for by BPDTS, nor was their remuneration recharged to BPDTS by the organisation that employs them.

The BPDTS Non-Executive Directors except for the Chair, Claire Johnston, were salaried and employed Senior Civil Servants for DWP. Claire Johnston was a salaried member of the Senior Civil Service employed by the Government Legal Department (GLD).

Ray Long (CEO) retired on the 31 December 2017, and was succeeded by Loveday Ryder as CEO and Accounting Officer on 22 January 2018.

Ray Long (CEO) and Paul Greening (CFO) were civil servants employed by DWP. All of Paul Greening's salary and 75% of Ray Long's salary was recharged by DWP to BPDTS. Salary recharges are based on the proportion of time spent by directors, in their BPDTS roles, subject to a de minimis limit.

Loveday Ryder (CEO) was appointed on secondment for eighteen months and is a civil servant employed by the Ministry of Justice. The CEO salary is charged at 100% to BPDTS Ltd.

The dates of appointment and contract lengths of the Directors are given in the Directors' Report above.

### Executive Directors' pay

*This information was subject to audit*

Directors' remuneration						
All figures in £000's	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17
Name	Salary	Pension Benefits	Total Remuneration	Salary	Pension Benefits	Total Remuneration
<b>Ray Long *</b> Chief Executive (Retired 31 Dec 2017)	80-85 (FYE: 105-110)	20 (FYE 27)	100-105 (FYE 130-135)	65-70 (FYE: 105-110)	7	70-75
<b>Loveday Ryder</b> Chief Executive (appointed 22 Jan 2018)	20-25 (FYE: 105-110)	6 (FYE 26)	25-30 (FYE 130-135)	-	-	-
<b>Paul Greening</b> Chief Financial Officer	80-85	21	100-105	25-30 (FYE: 80-85)	5	30-35

*The salaries stated above are solely for the period in the year when an individual served as Director for BPDTS Ltd. No bonus payments were made to the Executive Directors. \*The figures in the table for Ray Long (Chief Executive) relate to his full remuneration. Only 75% of this was recharged to BPTDS as he retained some DWP responsibilities.*

Salaries include:

- gross salary
- reserved rights to London weighting or London allowances
- any other allowances and contracted expenses to the extent that they are subject to UK taxation

## Executive Directors' pensions

*This information was subject to audit*

Directors' pensions – year ended 31 March 2018					
Name	Real increase in pension and related lump sum at pension age	Accrued pension at pension age – as at 31 March 2018 and related lump sum	CETV at date of Directors appointment	CETV at 31 March 2018	Real increase in CETV (cash equivalent transfer value)
	£'000	£'000	£'000	£'000	£'000
<b>Ray Long</b> Chief Executive (appointed 24 August 2016 to 31 Dec 2017)	0 plus lump sum of 0	50 - 55 plus a lump sum of 160 - 165	1230	1240	(7)
<b>Loveday Ryder</b> Chief Executive (appointed 22 Jan 2018)	0 - 2.5	15 - 20	225	225	(1)
<b>Paul Greening</b> Chief Finance Officer (appointed 21 November 2016)	0 - 2.5 plus a lump sum of 0 - 2.5	35 - 40 plus a lump sum of 105 - 110	782	831	(3)

Directors' pensions – year ended 31 March 2017					
Name	Real increase in pension and related lump sum at pension age	Accrued pension at pension age – as at 31 March 2017 and related lump sum	CETV at date of Directors appointment	CETV at 31 March 2017	Real increase in CETV (cash equivalent transfer value)
	£'000	£'000	£'000	£'000	£'000
<b>Ray Long</b> Chief Executive (appointed 24 August 2016)	0 - 2.5 plus a lump sum of 0 - 2.5	50 - 55 plus a lump sum of 160 - 165	1211	1230	7
<b>Paul Greening</b> Finance Director (appointed 21 November 2016)	0 - 2.5 plus a lump sum of 0 - 2.5	35 - 40 plus a lump sum of 105 - 110	752	782	5



<b>Non-executive directors' remuneration and pension arrangements</b>		
<b>Name</b>	<b>Employing organisation that pays their salary</b>	<b>Pension arrangements</b>
Claire Johnston	Government Legal Department	As part of their employment
Mayank Prakash	Department for Work and Pensions	As part of their employment
Debbie Alder	Department for Work and Pensions	As part of their employment
Helen John	Department for Work and Pensions	As part of their employment
Peter Schofield Resigned 18 Jan 2018	Department for Work and Pensions	As part of their employment

## Remuneration of employees

Remuneration of employees is set by the Board on the advice of the RemCo.

## Fair pay disclosure

*This information was subject to audit*

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

The pay band of our highest-paid Director during 2017/18 was £105-110k per annum (full year equivalent). This was 3.28 times the median pay of the workforce, which was £33k (FTE).

<b>Year</b>	<b>Pay band of highest paid Executive Director</b>	<b>Median total pay</b>	<b>Ratio</b>
2017/18	£105,000 - £110,000	£32,967	3.28 :1
2016/17	£105,000 - £110,000	£30,540	3.52 : 1

In 2017/18 no employee was paid more than the highest-paid director. BPDTS does not have "pay bands". Salary rates ranged from £14,000-£14,500 to £105,000-£110,000 (£13,500-£14,000 to £105,000-£110,000 in 2016/17).

The salary ratio has changed slightly for a variety of reasons, including the impact of the 2017 pay settlement for BPDTS staff which meant that the median salary increased by a higher percentage than that of the highest paid director.

Total pay includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.



## Staff costs

Staff costs in the year ending 31 March 2018 were as follows:

Item	31 March 2018 £000's	31 March 2017 £000's
Wages and salaries	17,222	909
Contractors	10,543	1,902
Social security costs	1,651	43
Pension costs	1,339	57
Directors' salary recharges	208	79
Fair Deal costs	481	7,440
<b>Total staff costs</b>	<b>31,444</b>	<b>10,430</b>

The Fair Deal costs represent the estimated costs to cover a probable pension deficit for those staff that have the option to transfer their accrued benefits from the EDS 1994 Scheme to the CSPA (Civil Service Pension Arrangements) (see note 11).

## Pension costs

BPDTS makes contributions to its own BPDTS workplace pension scheme. For 2017/18, employer contributions of £862k (2016/17 - £39k) were payable to the BPDTS workplace pension scheme.

Employer contributions payable to the CSPA under the 2013 New Fair Deal policy for 2017/18 were £477k (2016/17 - £18k).

## Civil Service and Other Compensation Schemes - Exit Packages

There were no civil service and other compensation schemes exit packages agreed by BPDTS during the reporting period ended 31 March 2018 (Prior period ending 31 March 2017 – no exit packages in year).

## Pension schemes

### Aviva pension scheme

Most BPDTS employees are members of a defined contribution workplace pension scheme, set up by BPDTS and operated by Aviva under a Master Trust. BPDTS meets its obligations under automatic enrolment legislation and provides a generous employer contribution for employees joining the Aviva scheme.

Under the Aviva scheme, employee and employer contributions as a percentage of salary are as follows:

Employee contribution	Employer contribution
3%	6%
4%	8%
5%	10%
Over 5%	10%

## Civil Service Pension Schemes

Some employees of BPDTS and all civil servants seconded to BPDTS are members of the Civil Service pension schemes.

From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.

All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3.8% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos a member builds up a pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

## Staff data

### Average number of people employed

The average number of people employed and engaged (or contracted) during the period of economic activity was as follows:

*This information has been subject to audit*

Period	Item	Employees	Engaged	Total
Period ended 31 March 2018	Average number of people employed and engaged	399	132	531
Period ended 31 March 2017	Average number of people employed and engaged	117	69	186

### Staff composition and policies

The initial staff composition of BPDTS and its staff policies reflected the position at the point of transfer from HPe. These are developing as BPDTS matures as an organisation.

### Off-payroll engagements

The tables below set out the off-payroll arrangements in BPDTS for the reporting period. As the company only started trading in December 2016, there was no data to report in the annual report for 2016/17. Following a change to the Intermediaries legislation on 6 April 2017, BPDTS now undertakes IR35 assessments for all off-payroll workers that are engaged via an intermediary.

<b>Table 1: All existing off-payroll engagements, as at 31 March 2018, that were paid more than £245 per day and that lasted longer than 6 months</b>	<b>2017/18</b>
No. of existing engagements as of 31 March 2018	76
Of which	
No. that have existed for less than one year at time of reporting.	27
No. that have existed for between one and two years at time of reporting.	49
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	0

<b>Table 2: All off-payroll engagements that were new or reached a length of 6 months between 1 April 2017 and 31 March 2018, where they were paid more than £245 per day</b>	<b>2017/18</b>
No. of new engagements, or those that reached six months between 1 April 2017 and 31 March 2018	76
Of which	
No. assessed as caught by IR35	3
No. assessed as not caught by IR35	73
No. engaged directly (via PSC contracted to the DWP) and are on the DWP payroll	0
No. of engagements reassessed for consistency/assurance purposes during the year.	76
No. of engagements that saw a change to IR35 status following the consistency review	0

All Board members and senior officers with significant financial responsibility during the reporting period were on payroll. As set out above, most of these were on a payroll other than BPDTS.

**Sickness data**

Our data is based on an average of **399** staff from 1 April 2017 to 31 March 2018.

For the period below our data on sickness shows the following:

	<b>Working days</b>	<b>Days lost to sickness</b>	<b>Average Working Days Lost (annual equivalent)</b>
Period ended 31 March 2018	89,708	2,082	5.2
Period ended 31 March 2017.	3,880	83	4.8

**Diversity and inclusion**

BPDTS values diversity and is committed to equality within our workforce. We want BPDTS to be a place where everyone is valued, respected, treated fairly and with dignity.

BPDTS is proud to have attained a level 2 accreditation for Disability Confident, a scheme designed to help organisations to recruit and retain disabled people and people with health conditions, to benefit both the individual and the organisation.

In December we published our first gender pay gap report. The report showed that at 2.3%, the mean gender pay gap of BPDTS is significantly smaller when compared with the Civil Service mean gender pay gap of 10.6%, as published by the Office for National Statistics in March 2017 and also in comparison to other digital and technology companies.

BPDTS has a negative median gender pay gap, at -5.5%. Whilst this represents a positive reflection of our female staff salaries, we are conscious this represents very limited data and the fuller picture will be reported in next year’s return.

**Loveday Ryder**  
**Chief Executive and Accounting Officer**  
**13 November 2018**



## **8. THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF BPDTS Ltd**

### **Opinion on financial statements**

I certify that I have audited the financial statements of BPDTS Ltd 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 Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration 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 net operating income 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.

### **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 BPDTS 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 for the financial statements**

As explained more fully in the Directors' Responsibilities Statement, the directors 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 BPDTS 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 BPDTS 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 consolidated 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 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 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 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 CE Morse**

**Comptroller and Auditor General**

**Date 14 November 2018**

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



## 9. Financial Statements

### Statement of Comprehensive Income

for the period ended 31 March 2018

	Note	Year ended	Period ended
		31 March 2018 £000's	31 March 2017 £000's
Operating income		42,435	12,112
<b>Operating expenditure</b>			
Staff costs	2	(31,444)	(10,430)
IT support and service costs		(4,980)	(453)
Non IT support services		(2,528)	(625)
Depreciation, amortisation and impairment	5 & 6	(2,047)	(513)
Other expenditure		(935)	(91)
<b>Total operating expenditure</b>		<b>(41,934)</b>	<b>(12,112)</b>
Corporation Tax		(501)	-
<b>Net operating income</b>		<b>0</b>	<b>0</b>
<b>Other comprehensive income</b>			
Net gain on revaluation of intangible assets	6	33	18
<b>Total comprehensive income for the period ended 31 March 2018</b>		<b>33</b>	<b>18</b>

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company that cover a full 12 month accounting period, reflecting the period to 31 March 2018. The previous period to 31 March 2017 represented 4 months trading activity due to a short accounting period.

The notes on pages 31 to 41 form part of these financial statements.



## Statement of Financial Position

as at 31 March 2018

	Note	31 March 2018 £000's	31 March 2017 £000's
<b>Non-current assets</b>			
Property, plant and equipment	5	439	1,206
Intangible assets	6	43	1,290
<b>Total non-current assets</b>		<b>482</b>	<b>2,496</b>
<b>Current assets</b>			
Trade and other receivables	7	5,150	12,388
Cash and cash equivalents	8	19,305	3,083
<b>Total current assets</b>		<b>24,455</b>	<b>15,471</b>
<b>Total assets</b>		<b>24,937</b>	<b>17,967</b>
<b>Current liabilities</b>			
Trade and other payables	9	(6,965)	(5,509)
Provisions	11	(7,921)	(7,440)
<b>Total current liabilities</b>		<b>(14,886)</b>	<b>(12,949)</b>
<b>Total assets less current liabilities</b>		<b>10,051</b>	<b>5,018</b>
<b>Non-current liabilities</b>			
DWP loan	10	(10,000)	(5,000)
<b>Total non-current liabilities</b>		<b>(10,000)</b>	<b>(5,000)</b>
<b>Total assets less total liabilities</b>		<b>51</b>	<b>18</b>
<b>Equity</b>			
Revaluation Reserve		51	18
General Reserve		0	0
<b>Total equity</b>		<b>51</b>	<b>18</b>

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company that cover a full 12 month accounting period, reflecting the period to 31 March 2018. The previous period to 31 March 2017 represented 4 months trading activity due to a short accounting period.

As the Company is limited by guarantee, it has no share capital.

The notes on pages 31 to 41 form part of these financial statements. These financial statements were approved by the Board of Directors on 13 November 2018, and were signed on its behalf by:

**Loveday Ryder**  
**Chief Executive and Accounting Officer**  
**13 November 2018**  
**Company registered number: 10344843**

## Statement of Cash Flows

for the period ended 31 March 2018

	Note	31 March 2018 £000's	31 March 2017 £000's
<b>Cash flows from operating activities</b>			
<b>Net operating income</b>		<b>0</b>	<b>0</b>
<b>Adjustments for:</b>			
Depreciation	5	437	75
Amortisation	6	1,280	438
Impairments	5	330	
Increase in provision	11	481	7,440
(Increase)/decrease in trade and other receivables	7	7,238	(12,388)
(Decrease)/increase in trade and other payables	9	955	5,509
(Decrease)/Increase in Corporation Tax payable	4	501	0
<b>Net cash inflow from operating activities</b>		<b>11,222</b>	<b>1,074</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	0	(1,281)
Purchase of intangible assets	6	0	(1,710)
Receipt of shareholder loan	10	5,000	5,000
<b>Net cash inflow from investing activities</b>		<b>5,000</b>	<b>2,009</b>
<b>Cash flows from financing activities</b>			
<b>Net cash inflows from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash in the period</b>		<b>16,222</b>	<b>3,083</b>
<b>Cash at the beginning of the period</b>		<b>3,083</b>	<b>0</b>
<b>Cash at the end of the period</b>		<b>19,305</b>	<b>3,083</b>

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company that cover a full 12 month accounting period, reflecting the period to 31 March 2018. The previous period to 31 March 2017 represented 4 months trading activity due to a short accounting period.

The notes on pages 31 to 41 form part of these financial statements.

## Statement of Changes in Equity

for the period ended 31 March 2018

	31 March 2018 General Reserve £000's	31 March 2018 Revaluation Reserve £000's	31 March 2018 Total £000's	31 March 2017 General Reserve £000's	31 March 2017 Revaluation Reserve £000's	31 March 2017 Total £000's
<b>Balance at beginning of period</b>	0	18	18	0	0	0
Net operating income for the period	0	0	0	0	0	0
Net gain on revaluation of intangible assets	0	33	33	0	18	18
<b>Balance at end of period</b>	0	51	51	0	18	18

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company that cover a full 12 month accounting period, reflecting the period to 31 March 2018. The previous period to 31 March 2017 represented 4 months trading activity due to a short accounting period.

As the Company is limited by guarantee, it has no share capital.

The notes on pages 31 to 41 form part of these financial statements.

## Notes to the Accounts

### Note 1: Statement of accounting policies

#### 1.1 General Information

BPDTS Limited (“BPDTS” or “the Company”) is a company that is limited by guarantee and is incorporated and domiciled in the United Kingdom. The company is registered in England at the following address: Caxton House, Tothill Street, London, United Kingdom, SW1H 9NA.

The Company is wholly owned by the Secretary of State for Work and Pensions. The Company’s principal activities are the provision of information technology and IT security services to the Department for Work and Pensions (DWP).

BPDTS was incorporated on 24 August 2016 and commenced trading on 1 December 2016. The period covered by these accounts is 1 April 2017 to 31 March 2018. As a result the period of economic activity described in the Statement of Comprehensive Income (SoCI) is 12 months. These are the first set of accounts produced for the Company that cover a full 12 month accounting period, reflecting the period to 31 March 2018. The prior year accounts only reflected 4 months of activity due to a short accounting period.

#### 1.2 Basis of preparation

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

The financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as appropriate, the 2017-18 Government Financial Reporting Manual (FRoM) and any other guidance issued by HM Treasury, where these disclosure requirements go beyond those of the Companies Act 2006.

Where IFRS permits a choice of accounting policy, the Company has selected the accounting policy that is the most appropriate to provide a true and fair view. The policies the Company has adopted are set out below. They have been consistently applied in dealing with items that are considered material to the accounts.

#### 1.3 Accounting standards, interpretations and amendments

The Company has adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2018.

The following IFRSs have been issued but are not yet effective and therefore have not been applied in preparing these financial statements, but may need to be adopted in subsequent periods;

- a) IFRS 9 Financial Instruments (effective from 1 January 2018)
- b) IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)
- c) IFRS 16 Leases (effective from 1 January 2019)

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company in future periods.



#### 1.4 Accounting convention

These financial statements have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, and intangible assets.

#### 1.5 Going Concern

The Directors have a reasonable expectation that BPDTS has adequate resources to continue operations for the foreseeable future. The basis of this is continuing on-going support from the DWP, which includes the provision of a long term loan, which is detailed in note 10. Further detail of the going concern basis for preparation of the financial statements is detailed in note 12.

#### 1.6 Areas of judgement and estimation techniques

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenditure. Actual results may differ from those estimates. Areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions and impairments.

The only material area of estimation in the 2017/18 accounts is the calculation of the value of the Fair Deal provision.

The Fair Deal Provision reflects the shortfall that arises from the differing capital assessments of how much is needed to finance the accrued pension rights where members transfer their accrued benefits from their previous scheme into the public service scheme that they have joined for future service. The estimated average shortfall was produced by Government Actuary's Department on behalf of BPDTS, based on the age, salaries and length of service of these people. These estimates are subject to significant uncertainties.

Further information in relation to the Fair Deal provision is provided in note 11.

#### 1.7 Income

All income is generated directly from services provided to the DWP and is recognised in the SoCI on an accruals basis net of VAT. Invoices for services are raised in arrears. Where the invoice has not been raised but the service was provided by the 31 March 2018, an estimated charge will be included as accrued income.

#### 1.8 Property, plant and equipment

Property, plant and equipment (PPE) are initially measured at cost. Subsequently PPE are stated at depreciated historical cost as a proxy for fair value. Where material the Company re-values PPE in accordance with IAS 16.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Where appropriate, items are pooled. The following thresholds apply:

Information technology hardware, and software	£1,000
Other tangible assets	£5,000

All expenditure on repairs and maintenance is charged to the SoCI during the financial year in which it is incurred.

## 1.9 Intangible assets

Whether the Company acquires intangible assets externally or generates them internally, they are valued initially at cost, with subsequent valuation at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists the assets are revalued using appropriate indices to reflect depreciated replacement cost as a proxy for fair value.

### Purchased software licences

Software licences and applications are capitalised at cost as intangible assets, if they are in use for more than one year and cost more than £1,000. They are subsequently revalued using the most recent Office for National Statistics published indices as a proxy for fair value.

## 1.10 Depreciation and amortisation

Depreciation is charged on property, plant and equipment, and amortisation is charged on intangible assets using the reducing balance method to reflect the consumption of economic benefits.

### Depreciation

(Estimated useful asset lives are within these ranges)

Information technology	3 to 7 years
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### Amortisation

Purchased software licences	The shorter of the licence period, or 5 years
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## 1.11 Impairment of non-current assets

At each period end, the Company reviews the carrying amounts of its PPE and intangible assets, to determine whether there is any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell, and value in use. Impairment losses are recognised as required by IAS36, which requires impairment losses to be recognised in the SoCI to the extent that the impairment loss exceeds the amount in the revaluation reserve for that particular asset.

## 1.12 Financial assets and liabilities

In line with IAS 39 (Financial Instruments), BPDTS recognises financial assets and liabilities when it becomes party to the contracts that give rise to them. The BPDTS policy is not to trade in financial instruments.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are initially recognised at fair value and subsequently held at amortised cost using the effective interest method. The fair value of trade receivables is usually the original invoiced amount. The Company recognises any changes in value in the SoCI.

### Cash and cash equivalents

Cash and cash equivalents have an original maturity of three months or less, and represent cash balances held with the Government Banking Service.

### Financial liabilities

The Company determines its financial liabilities as contractual obligations to deliver cash or other financial assets to another entity. They are recognised initially at fair value and are subsequently held at amortised cost using the effective interest method. Financial liabilities are derecognised

when the obligation to transfer cash flows is extinguished. Financial liabilities consist of trade payables and accruals.

### **1.13 Provisions**

The Company recognises provisions in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). They are valued using the best estimate of the expenditure required to settle the obligation, and are discounted to present value where the effect is material.

### **1.14 Pensions**

Employees who join the Company are eligible to participate in a defined contribution workplace pension scheme, set up by BPDTS and operated by Aviva under a Master Trust. This enables BPDTS to fulfil its obligations under automatic enrolment legislation.

The Company matches personal contributions to personal plans on a 2:1 basis. The Company will contribute £2 for every £1 contributed by the employee, up to a maximum of 10% of gross salary.

A number of staff in BPDTS have contractual rights to the civil service pension arrangements (CSPA) under the 2013 New Fair Deal policy on exactly the same Terms and Conditions as other members of the scheme.

BPDTS has Admitted Bodies status into the scheme, which is managed by the Scheme Management Executive within the Cabinet Office. The Civil Service Pension Arrangements (CSPA) is an unfunded multi-employer defined benefit scheme. The Company is unable to identify its underlying share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19, accounts for the scheme as if it were a defined contribution scheme.

Under the BPDTS workplace scheme and the CSPA, the Company accounts for the schemes as defined contributions schemes, and therefore pension liabilities do not rest with the Company.

### **1.15 Holiday entitlements**

Where an employee has annual leave accrued in the accounting period but not taken as at the date of the accounts, the amount of this is reflected in the financial statements as short term employee benefits expected to be paid in exchange for that service. These manifest as a liability on the Statement of Financial Position (SoFP).

### **1.16 Contingent liabilities**

The Company discloses contingent liabilities in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts.

For some statutory and non-statutory contingent liabilities the likelihood of transfer of economic benefit is remote. However, the Company still discloses some of these for Parliamentary reporting and accountability, where this is needed under the requirements of Managing Public Money.

### **1.17 Taxation**

BPDTS has registered for Value Added Tax (VAT), Pay As You Earn (PAYE) and Corporation Tax (CT). CT is payable to the extent that income exceeds trading losses. Tax is recognised in the SoCI. 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 SoFP date.



### 1.18 VAT

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

### 1.19 Funding

BPDTS receives its funding by way of a long term loan from the DWP detailed at note 10, which is reflected in the SoFP as a long term liability. There is a funding facility agreement in place between the DWP and BPDTS which details the terms of the agreement. The funding is provided for working capital and investment purposes, or for such purposes as agreed by the DWP.

### 1.20 Reserves

BPDTS has two reserves, the general reserve and the revaluation reserve. The general reserve's purpose is to reflect any net income received by the business including any gains on disposals of fixed assets that may arise. As at the date of these financial statements there have been no movements on this reserve since the inception of the company. The purpose of the revaluation reserve is to reflect any movement in the carrying value of intangible assets held by the business.

## Note 2: Staff & contractor costs

Staff costs during the period of economic activity ending 31 March 2018 were as follows:

	31 March 2018 £000's	31 March 2017 £000's (4 month period)
Wages and salaries	17,222	909
Contractors	10,543	1,902
Social security costs	1,651	43
Pension costs	1,339	57
Directors' salary recharges	208	79
Fair Deal costs	481	7,440
<b>Total staff costs</b>	<b>31,444</b>	<b>10,430</b>

The Fair Deal costs represent the estimated costs to cover a probable pension deficit for those staff that have the option to transfer their accrued benefits from the EDS 1994 Scheme to the CSPA (see note 11).

Details of Directors' salary recharges and the average number of persons employed are provided within the Remuneration Report.

## Note 3: Auditors Remuneration

BPDTS Ltd is audited by the Comptroller and Auditor General. No non-audit work was undertaken for the Company during the accounting period. The amount paid or payable to the auditors for the audit of the Company's 2017/18 financial statements was £50,000 (2016/17: £45,000).



#### Note 4: Taxation

	period ended 31 March 2018	period ended 31 March 2017
	£000	£000
Non-deductible expenses	273	332
Depreciation and amortisation expenditure	2,047	513
Less capital allowances	(364)	(297)
Amount subject to Corporation Tax	<b>1,956</b>	<b>548</b>
Total tax charge	<b>391</b>	<b>110</b>

The total taxation charge recognised in year was £501k, this being a combination of the current year corporation tax charge and the prior year value not previously recognised.

#### Note 5: Property, plant and equipment

	period ended 31 March 2018	period ended 31 March 2017
	£000	£000
<b>Cost or Valuation</b>		
At 1 April 2017	1,281	
Additions		1,281
<b>At 31 March 2018</b>	<b>1,281</b>	<b>1,281</b>
<b>Depreciation</b>		
At 1 April 2017	75	
Charged in year	437	75
Impairments	330	
<b>At 31 March 2018</b>	<b>842</b>	<b>75</b>
<b>Net book value at 31 March 2018</b>	<b>439</b>	<b>1,206</b>
<b>Asset financing:</b>		
Owned	439	1,206
<b>Net book value at 31 March 2018</b>	<b>439</b>	<b>1,206</b>

During 2017-18 an impairment to the Remote Secure Connectivity (RSC) production devices was recognised to reflect the plans at the date of these financial statements to migrate off the existing solution, resulting in an impairment of £330k.

## Note 6: Intangible assets

	period ended 31 March 2018 £000	period ended 31 March 2017 £000
<b>Cost or Valuation</b>		
At 1 April 2017	1,728	
Additions		1,710
Revaluations	33	18
<b>At 31 March 2018</b>	<b>1,761</b>	<b>1,728</b>
<b>Amortisation</b>		
At 1 April 2017	438	
Charged in year	1,280	438
<b>At 31 March 2018</b>	<b>1,718</b>	<b>438</b>
<b>Net book value at 31 March 2018</b>	<b>43</b>	<b>1,290</b>

## Note 7: Trade and other receivables

	31 March 2018 £000	31 March 2017 £000's
Trade receivables	500	1,653
Accrued income	4,424	10,735
Prepayments	226	
	<b>5,150</b>	<b>12,388</b>

The trade receivables are due from the Company's only customer, the DWP. Prepayments represent VAT payments on account.

## Note 8: Cash

	31 March 2018 £000	31 March 2017 £000
<b>Balance at beginning of period</b>	3,083	-
Net change in cash	16,222	3,083
<b>Balance at end of period</b>	<b>19,305</b>	<b>3,083</b>

BPDTS does not hold any cash equivalent balances. All cash holdings are held with the Government Banking Service.

## Note 9: Trade and other payables

	31 March 2018 £000	31 March 2017 £000's
<b>Amounts falling due within one year:</b>		
VAT	1,045	48
Taxation and Social Security	498	91
Accruals and Deferred income	5,313	5,321
Other payables	109	49
	<b>6,965</b>	<b>5,509</b>

## Note 10: Long term loan

	31 March 2018 £000's	31 March 2017 £000's
<b>Balance at beginning of period</b>	5,000	-
Increase in loan	5,000	5,000
<b>Balance at end of period</b>	<b>10,000</b>	<b>5,000</b>

BPDTS is a company limited by guarantee, which is wholly owned and funded by the DWP. The funding has subsequently been increased during 2017/18 to £10 million as allowed under the funding facility agreement. BPDTS has the option to repay part or, the entire loan, in order to minimise cash balances in accordance with HM Treasury requirements.

In the event that the customer (DWP) terminated their service agreement with the supplier (BPDTS) the loan would be repayable immediately.

## Note 11: Fair Deal provision

	31 March 2018 £000	31 March 2017 £000
<b>Balance at beginning of period</b>	7,440	-
Amounts written back	(379)	-
Provided in the year	860	7,440
<b>Balance at end of period</b>	<b>7,921</b>	<b>7,440</b>

### Analysis of expected timing of Discounted Flows - Fair Deal Provision

	31 March 2018 £000	31 March 2017 £000
Not Later than one year	7,921	7,440
Later than one year and not later than five years	0	0
Later than five years	0	0
<b>Balance at end of period</b>	<b>7,921</b>	<b>7,440</b>

### Fair Deal Provision

A number of staff in BPDTS have contractual rights to the CSPA under the 2013 New Fair Deal policy. The Fair Deal guidance states that members should be offered the option to transfer their accrued benefits from their previous scheme into the public service scheme that they have joined for future service – i.e. they are to be offered a bulk transfer option.

For members who take up the bulk transfer option, their previous scheme's liability will be extinguished and they will be given a service credit in the public service scheme, in respect of those transferred benefits. The bulk transfer option is designed to give transferees either a "day

for day” service credit in the public service scheme, or an actuarial equivalent where benefits in the two pension scheme differ.

To enable this, the members’ previous scheme pays a sum of money into the public service scheme in recognition of this transfer of benefits. This amount is known as the ‘bulk transfer amount’, or ‘BTV’. In order to provide the service credit offered to the member the public service scheme will require a sum of money. This is known as the ‘funding requirement’. The BTV and funding requirement are not usually the same.

If the BTV is lower than the funding requirement, then, in order for the transfer to go ahead, an additional sum is required to be paid into the public service scheme to make up the difference. This additional sum is known as the ‘shortfall’. Therefore, in order to meet the Fair Deal requirement for a bulk transfer option to be offered, BPDTS will need to ensure that any shortfall will be paid.

In this specific case, the members’ previous scheme is the HPE EDS 94 Scheme (‘EDS 94 Scheme’) and the public service scheme is the Principal Civil Service Pension Scheme (PCSPS). The eventual shortfall payable will be the difference between the PCSPS funding requirement, at the date it is met in full, and the money paid across by the EDS 94 Scheme in respect of the transfer of benefits.

The estimated average shortfall was produced by Government Actuary’s Department on behalf of BPDTS, based on the age, salaries and length of service of these staff. These estimates are subject to significant uncertainties.

### **Sensitivities to key assumptions**

During October 2018 Fair Deal exercises relating to tranches 1 and 2 of transferred in staff were concluded. This resulted in the crystallisation of almost final transfer values to give a net total shortfall relating to those individuals of £7.061m.

However there is a possibility that the actual transfer payment from the previous employer to the Civil Service pension schemes (i.e. the bulk transfer amount) may be higher than expected, in which case the shortfall payment from BPDTS would be lower than provided for. Whether this happens and, if it happens, what the change to the shortfall payment would be are entirely outside the control of BPDTS, as is the timing of the decision, however this could result in a different final settlement value.

The remaining Fair Deal exercises still to be concluded at October 2018 relate to tranches 3 and 4. The amount provided in the 2017/18 accounts for these individuals is £860k based on the latest advice from Government Actuary’s Department.

The shortfall estimate is also sensitive to the following assumptions:

(i) The number of members who opt to transfer

The number of those transferring in tranches 1 and 2 is now known, but the number for tranches 3 and 4 has yet to be finalised. In practice, it is very difficult to predict accurately what proportion of members may opt to transfer. If none of the members in tranches 3 and 4 were assumed to transfer their benefits, the estimated shortfall would reduce by £860k.

(ii) Effect of market conditions on roll-forward

This shortfall estimate has rolled forward the bulk transfer amounts and PCSPS funding requirements from their vesting dates to an illustrative payment date of 1st February 2019 for tranches 3 and 4. The illustrative payment date, is the date when the Company is assumed



to settle the shortfall that is due to the CSPA when the former members are readmitted to the CSPA. The actual shortfall payable in the future will be based on market conditions at some future time, specifically the return on the FTSE Actuaries index of index-linked gilt stocks for terms over 15 years (“index-linked gilt return”), which could differ significantly to current conditions.

**By way of example:**

Assumption		Change in assumption	Change in Fair Deal provision shortfall £m
Number of members opting to transfer		1 fewer member opts to transfer	-0.123
Index-linked gilt return		+1%	+0.079
		-1%	-0.079

**Note 12: Going concern basis**

After careful consideration, the Directors have a reasonable expectation that the Company’s only customer the DWP will continue to utilise the Company’s services for the foreseeable future. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. The factors considered in reaching this conclusion are detailed on page 11 of the Directors’ Report.

**Note 13: Financial instruments**

The Company’s cash requirements are largely met as a result of the Master Services Agreement requiring BPDTS to recover all costs through charges to its customer the DWP. The BPDTS cash requirements are supplemented by a funding facility provided by the DWP. BPDTS has very limited powers to borrow or invest funds. Financial assets and liabilities are generated by ordinary operational activities. The carrying amount of financial assets represents the maximum credit risk exposure.

Accordingly, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. As a result, the Company is exposed to minimal credit, liquidity, market or interest rate risk.

**Note 14: Contingent liabilities**

The Company has no contingent liabilities as at 31 March 2018 (2016/17: No contingent liabilities in year).

**Note 15: Related party transactions**

The Company’s sole member is the Secretary of State for Work and Pensions. The DWP is regarded as a controlling related party. BPDTS operates on a full cost recovery basis, and accordingly recovers all of its costs from the DWP, which represented income to the Company of £42.4m during the period. The Company incurred expenditure of £7.5m for a range of support services it received from the DWP. These support services included Finance, Estates, HR and Commercial.

The BPDTS Non-Executive Directors during the reporting period were all civil servants, and their salaries and pensions were paid for by the DWP except for the Chair, Claire Johnston, who was a salaried member of the Senior Civil Service employed by the Government Legal Department (GLD).

Two of the three Executive Directors during the reporting period, Ray Long (CEO – retired 31 December 2017) and Paul Greening (CFO) were civil servants employed by DWP.

All of Paul Greening's salary and 75% of Ray Long's salary was recharged by the DWP to BPDTS. Loveday Ryder (CEO) joined the company on 22 January 2018 and is a civil servant seconded into BPDTS from the Ministry of Justice (MoJ). All of Loveday Ryder's salary was recharged by the MoJ to BPDTS.

Other than their salaries and pensions, no Board member, key manager or other related party has undertaken any material transaction with the DWP during the year.

### **Note 16: Events after the reporting period**

During October 2018 Fair Deal exercises relating to tranches 1 and 2 of transferred in staff were concluded. This resulted in advice from the company's professional advisors that the total shortfall relating to those individuals was highly likely to be in the region of £7.061m. This is subject to ongoing discussions between the advisors of the respective pension schemes. These financial statements were authorised for issue by the C&AG on 14 November 2018. See also Note 11.

### **Note 17: Losses and special payments**

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300k in total and those that, individually, exceed £300k. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments, claims abandoned and frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensations.

The Company incurred no losses or special payments during the period (2016/17: No losses or special payments in year).

### **Note 18: Commitments**

The company has commitments in substance to the Department for Work and Pensions for the provision of estates and IT equipment. These forward commitments for 2018/19 are anticipated to be in the order of £2.2m (2017/18: £1.8m) for estates and £1.1m (2017/18: £0.8m) for IT equipment.

**978-1-5286-0875-6**

**CCS1118956008**