

# **Revenue & Customs Digital Technology Services Limited**



## **Annual Report and Accounts 2021 to 2022**

Revenue & Customs Digital Technology Services Limited  
Room 2e/09  
100 Parliament Street  
London  
SW1A 2BQ  
Company No: 9679225

HC 751



# **Revenue & Customs Digital Technology Services Limited**



## **Annual Report and Accounts 2021 to 2022**

For the year ended 31 March 2022

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

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**Our purpose**

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

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

**Our objectives**

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

- Collect the right tax and pay out the right financial support
- Make it easy to get tax right and hard to bend or break the rules
- Maintain taxpayers' consent through fair treatment and protect society from harm
- Make HMRC a great place to work
- Support wider government economic aims through a resilient, agile tax administration system

**What we do**

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

## **Company Information**

### **Registered Address:**

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

### **Registered Number:**

9679225

### **VAT Number:**

224418919

### **Auditor:**

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

### **Bankers:**

Barclays Bank  
1 Churchill Place  
London  
E14 5HO

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# 1 Strategic report

## Principal activities

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

The company's delivery focus has been on the efficient delivery of managed information technology (IT) services for HMRC.

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

The company's commercial, data protection, estates, financial, human resource, internal audit, IT, legal and security functions are undertaken by HMRC in accordance with various service level agreements (SLA), which are appended to and form part of a support services agreement (SSA) between HMRC and RCDTS Ltd. A monthly charge is raised from HMRC in respect of these shared services and other estate related expenditure.

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

## Business review

RCDTS Ltd employees work alongside personnel in the HMRC CDIO group to help the wider CDIO group fulfil their objectives in providing digital and technological support for the successful running of HMRC.

RCDTS Ltd has enhanced the enterprise monitoring capability used to support the applications it provides to HMRC through the deployment of market leading application performance management technology. In addition to providing deep full stack system observability across on-premise and multi-cloud environments, at the same time as automating manual operational tasks, the technology serves as an enabler for artificial intelligence operations within HMRC.

RCDTS Ltd continued to support HMRC in the delivery and ongoing maintenance of the Covid-19 systems, such as the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme, and a number of projects related to EU Exit. The company has worked with HMRC to rationalise software licence usage, resulting in savings for the department, and has driven increased software patch compliance across HMRC's IT estate.



## **Performance report**

### Operational performance

Service orders are governed by the MSA and outline the services the company provides to HMRC and the performance of HMRC's IT services is used as a measure to indicate how well the company is performing in its duty to supply these services.

As a result of the pandemic the company introduced a hybrid balance of home and office working. Through this period of change we maintained high levels of stability in our service performance, improving in every quarter through the year compared to financial year 2020 to 2021.

RCDTS Ltd's performance in supporting HMRC's IT targets in "IT Unavailability" and "Daily IT Service Status" is measured using a traffic light system. A green day is one in which there are no high priority incidents. An amber day is one in which there is one or more high priority incidents, with lesser impact on HMRC and/or HMRC customers. A red day is one in which there is a high priority incident of the highest level and in which there are significant outages impacting HMRC and/or HMRC customers.

The services provided by RCDTS Ltd have contributed to the following targets for HMRC:

- The overall availability of IT across HMRC has improved, meeting the target set of 15 red days.
- During 2021 to 2022 green days have decreased from 312 to 310, amber days have increased from 36 to 40 and red days have decreased from 17 to 15

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

### Financial Performance

The company directors and HMRC consider the key measure of company financial performance is for RCDTS Ltd to minimise costs and make no profit or loss. In line with these expectations the company has made no profit after tax for the year to 31 March 2022 and all costs have been fully recovered.

The company invoices HMRC based on the actual costs for work undertaken. The company utilises government frameworks, where possible, to ensure the best price is sourced.

### **Companies Act section 172 statement**

The directors are fully aware of their responsibilities to promote the success of the company for the benefit of the sole member in accordance with section 172 of the Companies Act 2006. RCDTS Ltd's Director Induction Manual explains the requirements of section 172 and the directors are reminded by the Chair of their statutory duties in respect of this section at board meetings.

RCDTS Ltd's principal stakeholders are HMRC, its employees and suppliers. The relationship with the company's only customer, HMRC, is described in the Governance statement on page 13. The Sponsor Team, within HMRC and independent of the company, plays a key role in ensuring the company operates in accordance with the agreements outlined in the principal activities section above and that the needs of HMRC are met.

The board continues to enhance its method of engagement with the workforce, and this is described in more detail in the Directors' report on page 10 under the section "Informing and consulting employees".

Last year we commenced a "you said we did campaign" to ensure RCDTS Ltd employees views were sought, heard and acted upon. During a sustained period of uncertainty for the organisation it has been vital in safeguarding employee wellbeing to also utilise the services of our employee assistance provider. Given the challenging backdrop the employee engagement index has dropped by 3 percentage points from last year, supporting employee wellbeing remains a key focus for the year ahead.

Information about RCDTS Ltd's commitment to reducing the environmental impact of its operations can be found in our Sustainability statement on page 8.

The company aims to work responsibly with suppliers. HMRC's Commercial directorate continues to provide commercial contract management services to the company in line with best practice, and contracts with suppliers are managed according to size and complexity.

As described in the Governance statement on page 13, the sole member of RCDTS Ltd is the Treasury Solicitor who has granted power of attorney to the HMRC Accounting Officer and Chief Executive, Jim Harra, and, with effect from 25 March 2021, also to the HMRC Deputy Chief Executive Angela MacDonald. This enables them to exercise all powers of the sole member. An HMRC Sponsor Team is responsible for HMRC's oversight of RCDTS Ltd and supports them in this role.

Before each board meeting, currently bi-monthly, the Sponsor Team briefs the HMRC Accounting Officer on the key agenda items, to enable Accounting Officer input if required. The Sponsor Team are also a standing attendee at the meetings. In addition, the Sponsor Team will contact and advise the HMRC Accounting Officer on any matters that it considers should be brought to his attention and address any queries he may raise.

The company supports community volunteering activities and allows employees up to 5 days special leave (pro rata for part time employees) for this activity in any 12 month rolling period. To be eligible for special leave, the community volunteering must provide development opportunities for staff and produce a positive impact on the local community.

## **Future developments**

The Technology Sourcing Programme (TSP) is a multi-year programme aiming to transform and enable how HMRC will deliver IT, utilise technology and work more effectively as an organisation. By the end of June 2022, HMRC had successfully replaced 75% of its current IT contracts by value. It will continue transforming its IT function and implementing critical enterprise skills, processes and tools needed to run and change live services.

The recommendations from the review of HMRC's future IT strategy have been approved by HMRC, Cabinet Office and HM Treasury. As a result, services currently provided by RCDTS Ltd are, in the future, to be provided by a mixture of HMRC and third parties, depending on where the service can most effectively and efficiently be delivered, to build and support HMRC's capability to manage its future strategy for IT and deliver live services.

On 12 January 2022 CDIO Group announced to employees of RCDTS Ltd that they will either move into HMRC or to a third party (IT supplier) under TUPE – Transfer of Undertakings (Protection of Employment) Regulations 2006. After these transfers are complete, the company will cease trading with closure expected to take place in 2023 to 2024.

## **Key risks**

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

The risk management structure covers the following categories of risk:

- governance and controls
- legal
- people
- security
- service and delivery

The board of directors are notified of any new and updated risks through the monthly performance report, and these are discussed at board meetings where appropriate. There is currently only one key risk which is considered to be specific to RCDTS Ltd and this relates to health and safety.

RCDTS Ltd has some further key risks in common with HMRC, in particular the risk of capacity, capability and engagement of its people. Specifically, there is a risk that RCDTS Ltd may not have the right number of highly skilled and engaged people in the right roles and professions or in the right places at the right time, which could lead to a failure to deliver business objectives. To mitigate this risk, the company is contributing towards HMRC's CDIO Capability Strategy, which will give a clearer understanding of capability requirements in order to address skills and capability gaps across the HMRC CDIO Group.

## **Sustainability**

The 2021 to 2025 Greening Government Commitments set a challenge for government departments to reduce the environmental impact of their estate and operations. As RCDTS Ltd is funded by HMRC, it must also comply with these requirements and follow the same policies regarding sustainability as HMRC.

Progress against the estates-related commitments is incorporated in HMRC's performance, which is reported in its 2021 to 2022 Annual Report and Accounts (page 58).

Key headlines from RCDTS Ltd travel in 2021 to 2022 are summarised below (percentage change comparisons are provided against 2019 to 2020 in order to offer a view compared to the last year largely unaffected by the COVID-19 pandemic).

- Air mileage from domestic flights was 92% less than in 2019 to 2020, although there was a slight increase on 2020 to 2021: RCDTS Ltd personnel took 4 flights this year, compared to 2 last year and 34 in 2019 to 2020. Scope 3 CO<sub>2</sub>-equivalent (CO<sub>2</sub>e) emissions (indirect greenhouse gas emissions) from flights this year totalled 140kg, compared to 1.7 tonnes in 2019 to 2020
- There were no international flights taken by RCDTS Ltd personnel in 2021 to 2022, avoiding the 5.4 tonnes of scope 3 emissions generated from international flying in 2019 to 2020
- National Rail travel increased nine-fold this year from last year in terms of mileage (from 1,718 miles to 15,971 miles this year), however this was still 97% less than in 2019 to 2020. The level of scope 3 emissions resulting from RCDTS Ltd rail travel was 97% less than in 2019 to 2020, a saving of over 30 tonnes
- Hire car travel also increased from last year, by 54%, to 9,740 miles, but still resulting in a 92% drop in scope 3 emissions from 2019 to 2020, saving nearly 30 tonnes of CO<sub>2</sub>e

The reduction achieved during the current year is largely due to the COVID-19 pandemic and cannot be seen as indicative of reductions going forward. However, we do expect learnings from during the pandemic period and the new hybrid ways of working to continue to produce lower levels of travel from 2022 to 2023.



**Daljit Rehal**  
**Chief Executive Officer**  
**10 October 2022**

## 2 Directors' report

The directors present their report and the financial statements for the year to 31 March 2022.

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

### Board of directors and meeting attendance

Name	Role	Date of appointment	End date of tenure	Board meeting
Daljit Rehal	Chief Executive Officer & Chair	04-Nov-20		6/6
Justin Holliday	Director	09-Jul-15		6/6
Martin Coombs	Chief Finance Officer	12-Apr-18		5/6
Esther Wallington	Director	29-Mar-19		4/6
Sarah Goom	Director	26-Sep-19		6/6
Breda O'Connor	Director	02-Dec-20		5/6
Natasha Harris	Director	15-Jan-20	28-Apr-21	0/0
Maurice Mattholie	Director	15-Jan-20	25-Aug-21	1/2
Saghir Akbar	Director	04-Aug-21		2/4

### Going Concern assessment and financial statements preparation basis

In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. RCDTS Ltd is reliant on income from HMRC, its sole customer. Under the terms of the Master Services Agreement (MSA) between RCDTS Ltd and HMRC, the agreement can be terminated, for convenience, by HMRC with 6 months' notice.

Following the Technology Sourcing Programme review of RCDTS Ltd and of HMRC's future IT strategy, all recommendations have been accepted by HMRC, Cabinet Office and approved by HM Treasury. The outcome includes the decision to insource and outsource services to HMRC and other third parties respectively and the future closure of RCDTS Ltd as an arm's length body and a limited company.

As RCDTS Ltd will cease trading in 2023 to 2024, the directors have concluded the financial statements should be prepared on a basis other than that of a going concern.

We have considered what impact this will have on presentation of the financial statements and have concluded there is no change required for 2021 to 2022, given the planned date of closure is more than twelve months after the reporting date.

### **Conflicts of interest**

Directors within RCDTS Ltd are required to complete a declaration of any interests in a transaction or arrangement to ensure potential conflicts of interest can be identified. No significant company directorships or other interests were held by board members which may have conflicted with their management responsibilities. Note 11 (page 45) confirms that no member of the board had any related-party transactions.

### **Personal data-related incidents**

RCDTS Ltd had no serious data-related incidents which needed to be reported to the Information Commissioner, either in this or the prior year.

### **UK General Data Protection Regulation (UK GDPR) in RCDTS Ltd**

Considerable work has been undertaken during the last financial year to ensure that RCDTS Ltd is meeting its legal obligations under data protection laws, both as Controller and Processor of personal data. This includes work to ensure that all company staff have undertaken mandatory data protection training, mapping our data processing activity utilising records of processing activity, aligning all relevant policies and guidance documents to reflect data protection requirements, and ensuring that data processing agreements with external suppliers are UK GDPR compliant. This work is progressing and the directors of RCDTS Ltd are satisfied that the company is meeting its data processing obligations under UK GDPR.

### **Compliance with public sector payment policy**

The policy of RCDTS Ltd is to pay valid invoices within 5 days of being received. This is in line with both HMRC and government prompt payment policy. Details of the company's performance against this policy can be found at the link below:  
[RCDTS Ltd prompt payment data April 2021 to March 2022](#)

### **Political and charitable contributions**

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

### **Employment policies**

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

### **Informing and consulting employees**

RCDTS Ltd directors regularly engage with employees from across RCDTS Ltd via all staff calls, where updates are given on the Technology Sourcing Programme. The directors invite RCDTS Ltd employees to ask questions of them. They also meet monthly with the RCDTS Ltd employee forum to discuss and resolve key issues in RCDTS Ltd.

The company has launched a new SharePoint site, which underwent accessibility checks to ensure the environment for sharing of information was accessible to all, providing a more interactive environment for staff to further share information. RCDTS Ltd have also published a Disability Matters guide in November 2021 to support candidates through the selection process. Sign language interpreters have been introduced to all-staff calls, and transcripts are also made available, to help improve communications and enhance inclusivity.

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

### **Relationships with suppliers, HMRC and the attorneys for the Sole Member**

Details of how the company has managed its business relationships with suppliers, HMRC and those granted power of attorney by the Sole Member are mentioned in the Companies Act section 172 statement in the Strategic report at page 5.

### **Disclosure of information to the auditors**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the RCDTS Ltd auditors are unaware. Each director has taken all steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the auditors of RCDTS Ltd are aware of that information. Further details can be found in the Statement of Accounting Officer's responsibilities (page 16).

### **Financial risk management**

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

### **Other material issues**

There have been no material events that have affected, or are expected to affect, RCDTS Ltd since the end of the period of this report. Further details can be found in note 12 (page 45).

This report was approved by the board of directors on 5 October 2022 and signed on behalf of the board by:



**Daljit Rehal**  
**Chief Executive Officer**  
**10 October 2022**

## **Statement of Directors' responsibilities**

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable UK law and regulations. Company law requires the directors to prepare financial statements for each financial year or period. Under that law, the directors have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and of the profit or loss for the period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the appropriate basis of accounting
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements

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



**Daljit Rehal**  
**Chief Executive Officer**  
**10 October 2022**



### 3 Governance statement

This statement covers the financial period from 1 April 2021 to 31 March 2022 and up to the date of approval of the Annual Report and Accounts. RCDTS Ltd has been incorporated by, wholly controlled by and operated for HMRC, to deliver managed IT services, as directed by HMRC. Control of the company resides with HMRC's Commissioners who, for 2021 to 2022, were led by Jim Harra as Accounting Officer, and were responsible for setting and delivering strategy for HMRC.

The sole member of RCDTS Ltd is officially the Treasury Solicitor. The Treasury Solicitor has granted a power of attorney to the HMRC Accounting Officer and Chief Executive, and to the HMRC Deputy Chief Executive, which enables them to exercise all powers of the sole member. Since September 2019, Jim Harra has been the Accounting Officer of RCDTS Ltd. The Accounting Officer has responsibility for safeguarding the public funds held by the company and for ensuring propriety, regularity, value for money and efficiency in the handling and use of public funds.

An HMRC Sponsor Team is responsible for HMRC's oversight of RCDTS Ltd and acts on behalf of the Accounting Officer. It does this through advising, challenging and supporting the board and company in the achievement of their objectives, and this is a normal arrangement for Arm's Length Bodies.

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

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

The governance structure of the company is closely tied to HMRC. There is a strong primary governance route through HMRC's control of the company, the Sponsor Team, the Framework Agreement and Master Services Agreement. In addition to this the members of RCDTS Ltd's board are drawn from HMRC's senior leadership. The company also utilises HMRC's Audit and Risk Committee (A&RC). A&RC provides independent assurance to the board on the integrity of the company's financial statements. More information on its organisation can be found in the HMRC Annual Report and Accounts 2021 to 2022 Board and sub-committees (page 92).

The board met 6 times in the year. Its regular agenda items included:

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

The board has reviewed its own effectiveness and concluded it was effective in carrying out its responsibilities, with no major issues to be addressed. The board also concluded it has the right range of skills to carry out its role and this has been agreed by the Sponsor Team. Board meetings are now scheduled bi-monthly, and the board is content that these arrangements are sufficient and appropriate. A further board effectiveness review will be conducted by the Sponsor Team in December 2022.

RCDTS Ltd follows the HMRC risk control framework set out in the 2021 to 2022 HMRC Annual Report and Accounts (page 102).

Independent assurance is provided by both internal and external audit, challenging or confirming the effectiveness of our control framework.

Internal Audit (IA) does not have a separate plan for RCDTS Ltd, but rather assurances are taken from the CDIO audit plan. This is primarily because RCDTS Ltd work very closely with CDIO to deliver IT services and broadly follow CDIO processes and procedures. That being the case, several of the audits on the CDIO plan, by default, cover the work that RCDTS Ltd do.

IA consider whether RCDTS Ltd specific audits are required where the company's processes differ from HMRCs.

A service level agreement sets out the scope of IA's services to the company and how they engage with key stakeholders. The Head of Audit meets with the HMRC Sponsor Team, Business Management Team and operational lead on a quarterly basis to share relevant information and attends the RCDTS Ltd board meetings twice a year to provide an update on audit work. An overall opinion on risk management, control and governance is derived from the annual report provided to CDIO group, rather than via a separate report.

HMRC's Internal Audit plan for 2021 to 2022 included no audits specific to RCDTS Ltd. However, several audits during the year involved interviewing staff employed by the company, including Patch Management and TSP People Impacts. None of the findings or actions from these reviews were specific to RCDTS Ltd.

In addition, the CEO of RCDTS Ltd receives assurance on risk management and governance via the CDIO Risk and Assurance Board.

We have assessed RCDTS Ltd's compliance with Corporate Governance in the Central Government Departments' Code of Good Practice 2017. The code focuses on governance arrangements for ministerial departments and there are elements which are not directly relevant to RCDTS Ltd. However, we comply with the spirit and principles of the code and by this, and other means, good governance is achieved in RCDTS Ltd. We are content that the systems of risk management, governance and control in place for RCDTS Ltd are sufficient to manage any identified risks and that an appropriate framework was in place throughout 2021 to 2022.



**Jim Harra**  
**Accounting Officer**  
**10 October 2022**



**Daljit Rehal**  
**Chief Executive Officer**  
**10 October 2022**

## **4 Statement of Accounting Officer's Responsibilities**

### **Basis of preparation of the accounts**

The basis of accounting is disclosed in the Statement of Directors' responsibilities on page 12.

The directors have prepared the Financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for the period.

### **Accounting Officer's Responsibilities**

The Accounting Officer for RCDTS Ltd is the Permanent Secretary and the Principal Accounting Officer of HMRC. This is to ensure its governance is clearly aligned with HMRC management accountabilities and HM Government financial accounting principles. The Accounting Officer for the company does not sit on the board of the company, however, he has the full support of the Sponsor Team in order to maintain oversight of company activity at all levels. For more information on the Sponsor Team please see the Governance statement (page 13).

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

In particular, the Accounting Officer must:

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

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

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

**Auditors**

The Accounts are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The charge for the audit service is disclosed in the Accounts (see note 4, page 38). The NAO was not paid for any work of a non-audit nature during the period.

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

A handwritten signature in black ink, appearing to read 'J Harra', written in a cursive style.

**Jim Harra**  
**Accounting Officer**  
**10 October 2022**

## 5 Remuneration and staff report

### Our people

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

### Number of persons engaged

	Permanently employed staff	Contractors <sup>1</sup>	Total
Staff in post 31 March 2021	786	163	949
Joiners	59		
Leavers	(97)		
<b>Staff in post 31 March 2022</b>	<b>748</b>	<b>131</b>	<b>879</b>
Average	767	146	913

<sup>1</sup> Number of contractors represents contingent labour only.

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

### Locations of persons employed as at 31 March 2022

	Permanently employed staff
Telford	513
Newcastle	132
Worthing	78
Southend	8
London	4
Shipley	4
Bristol	8
Reading	1
<b>Total</b>	<b>748</b>

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

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

RCDTS Ltd has responsibility for the recruitment, retention and management of its staff. In practice, the responsibilities of RCDTS Ltd toward its staff mean that:

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

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

### Diversity and inclusion

RCDTS Ltd wants a diverse workforce to deliver a high-quality service. The diversity data, apart from gender, is drawn from the voluntary declarations made by employees. By 31 March 2022, from a total of 748 permanently employed staff, 405 (54%) declared whether or not they were disabled, 432 (58%) had provided their ethnicity details and 386 (52%) stated their sexual orientation. Declaration rates have increased significantly from previous years due to the RCDTS Ltd employee forum, working with senior leadership teams, making declaration rates more visible and using HR site visits to explain the importance and benefits of fuller diversity information.

### Male and female employees

	Female	%	Male	%	Total	%
Permanently employed staff	149	20%	599	80%	748	100%

### Declared disability status of employees

	Disabled	%	Non-disabled	%	Total	%
Permanently employed staff	29	4%	376	50%	405	54%

### Declared ethnicity category of employees

	Black/Asian/ minority ethnic	%	White	%	Total	%
Permanently employed staff	75	10%	357	48%	432	58%

### Declared sexual orientation category of employees

	Heterosexual/ straight	%	Lesbian/gay/ bisexual/other	%	Total	%
Permanently employed staff	363	49%	23	3%	386	52%

### **Sickness absence data**

The average working days lost based on the number of full-time equivalent employees for 2021 to 2022 was 5.36 days (2020 to 2021: 4.44).

### **Remuneration Committee**

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

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

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

### **Staff costs**

Details of staff costs are included in note 3 (page 37) of the financial statements.

### **Pensions**

The HR Team provides assurance and oversight of the RCDTS Ltd pension scheme. RCDTS Ltd has a contract-based defined contribution pension scheme which is administered by Aviva plc. A number of staff in RCDTS Ltd have contractual rights to the Civil Service Pension Schemes under Fair Deal policy. Further details of these pension arrangements are included in note 3 (page 37).

### **Reporting of compensation schemes - exit packages**

There were no exit packages in 2021 to 2022 or 2020 to 2021.

### **Remuneration**

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

Three of the directors as at 31 March 2022 are also on the HMRC Executive Committee and their remuneration and pension details can be found in the HMRC Remuneration report within the HMRC Resource Accounts.

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



## Gender pay gap analysis

There is a statutory requirement for organisations with 250 or more employees to report annually on their gender pay gap. RCDTS Ltd reported on these requirements on 27 January 2022 by publishing them via the government's gender pay gap service website and uploading the report on the **GOV.UK** website.

The gender pay gap figures below, reported annually, show the difference in the average pay between all men and women in RCDTS Ltd, for both base pay as at 5 April 2021 and the bonuses received in the year 6 April 2020 to 5 April 2021. This is the most recent data available. The pay gaps are measured using both mean (total divided by employee numbers) and median (middle of the range) averages. The difference is expressed as a percentage of the average hourly rate of pay for employees.

Gender pay gap	2021	2020
Mean	7.5%	8.8%
Median	8.5%	9.2%

The distribution of our workforce drives our mean and median figures. Whilst we are striving to improve our diversity, including through our recruitment practices, RCDTS Ltd workforce comprised of only 18.7% women in April 2021.

When comparing the population with the previous year's report we observe a decrease in the gender pay gap due to a small increase in the female headcount towards the more senior end of the organisation.

Due to the low number of female employees in RCDTS Ltd, any change to the composition of the population by pay grade can have a significant effect on the mean rate of pay and therefore the gender pay gap.

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

### Read more:

[Gender Pay Gap service](#)

[RCDTS Ltd Gender Pay Gap report 2021](#)

### People off-payroll

HMRC reports to HM Treasury about off-payroll appointments where individuals are paid more than £245 a day. RCDTS Ltd has off-payroll appointees and these individuals have been considered by HMRC as part of their disclosure, which is included in the HMRC Annual Report and Accounts (page 138).



**Daljit Rehal**  
**Chief Executive Officer**  
**10 October 2022**

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

### **Opinion on financial statements**

I certify that I have audited the financial statements of Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements which comprise the Revenue and Customs Digital Technology Services Limited's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income and Statement of Cashflows for the year then ended; and
- the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of Revenue and Customs Digital Technology Services Limited's affairs as at 31 March 2022 and its profit after taxation for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of 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 for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Revenue and Customs Digital Technology Services Limited in accordance with the ethical requirements that are relevant to my audit of 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.

### **Modified conclusions on going concern**

In auditing the financial statements, I have concluded that Revenue and Customs Digital Technology Services Limited's use of a basis other than going concern in the preparation of the financial statements is appropriate.

My evaluation of the directors' assessment of the entity's basis of accounts preparation as being a going concern, included a reference to the conclusion of the Technology Sourcing Programme review and recommendations, as a result of which the company is scheduled for closures in 2023 to 2024, as set out in Note 1.3.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on management's assessment.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

### **Other Information**

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements; 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**

In the light of the knowledge and understanding of the Revenue and Customs Digital Technology Services Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic report or the Directors' report.

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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company; or
- I have not received all of the information and explanations I require for my audit.

### **Responsibilities of the Accounting Officer and Directors for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Revenue and Customs Digital Technology Services Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

### ***Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud***

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### ***Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud***

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of Revenue and Customs Digital Technology Services Limited's accounting policies;
- inquiring of management, the Revenue and Customs Digital Technology Services Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Revenue and Customs Digital Technology Services Limited's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Revenue and Customs Digital Technology Services controls relating to the Companies Act 2006, Government Resources and Accounts Act 2000 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Revenue and Customs Digital Technology Services Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Revenue and Customs Digital Technology Services Limited's framework of authority as well as other legal and regulatory frameworks in which the Revenue and Customs Digital Technology Services Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Revenue and Customs Digital Technology Services Limited. The key laws and regulations I considered in this context included the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, employment law, pensions legislation and tax legislation.

#### ***Audit response to identified risk***

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above as having direct effect on the financial statements;
- enquiring of management, HMRC's Audit and Risk Committee and Revenue and Custom Digital Technology Services in house legal team concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### ***Other auditor's responsibilities***

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.

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.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**13 October 2022**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

# **7**

# **Financial Statements**



**Revenue and Customs Digital Technology Services Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 March 2022**

	Note	2021-22 £'000	2020-21 £'000
<b>Income</b>			
Income from Managed IT Services	2	85,246	80,865
		<b>85,246</b>	<b>80,865</b>
<b>Expenditure</b>			
Staff costs	3	(39,978)	(41,093)
Running costs	4	(45,056)	(39,617)
Other expenditure	4	(212)	(155)
		<b>(85,246)</b>	<b>(80,865)</b>
<b>Profit before taxation</b>		-	-
Taxation	5	-	-
<b>Profit after taxation</b>		-	-
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		-	-

The notes on pages 32 to 45 form part of these accounts

**Revenue and Customs Digital Technology Services Limited**  
**Statement of Financial Position**  
**as at 31 March 2022**

	Note	2021-22 £'000	2020-21 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	493	615
<b>Total non-current assets</b>		<b>493</b>	<b>615</b>
<b>Current assets</b>			
Trade and other receivables	7	10,260	10,361
Cash and cash equivalents	8	4,827	4,287
<b>Total current assets</b>		<b>15,087</b>	<b>14,648</b>
<b>Total assets</b>		<b>15,580</b>	<b>15,263</b>
<b>Current liabilities</b>			
Trade and other payables	9	(8,580)	(8,263)
Current tax liability	5	-	-
<b>Total current liabilities</b>		<b>(8,580)</b>	<b>(8,263)</b>
<b>Total assets less current liabilities</b>		<b>7,000</b>	<b>7,000</b>
<b>Non-current liabilities</b>			
HMRC Loan	10	(7,000)	(7,000)
<b>Total non-current liabilities</b>		<b>(7,000)</b>	<b>(7,000)</b>
<b>Total assets less liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Reserves</b>		<b>-</b>	<b>-</b>

The notes on pages 32 to 45 form part of these accounts

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



**Daljit Rehal**  
**Chief Executive Officer**  
**Registered Company Number 9679225**  
**10 October 2022**

**Revenue and Customs Digital Technology Services Limited**  
**Statement of Cash Flows**  
**for the year ended 31 March 2022**

	Note	2021-22 £'000	2020-21 £'000
<b>Cash flows from operating activities</b>			
Profit after taxation		-	-
Adjustments for non-cash transactions:			
Depreciation	6	218	156
Loss on disposals	4	(6)	(1)
(Increase)/decrease in trade and other receivables	7	101	113
Increase/(decrease) in trade payables	9	317	(837)
Increase/(decrease) in current tax liability	5	-	-
Increase/(decrease) in provisions		-	-
Net cash flows from operating activities		<b>630</b>	<b>(569)</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of Plant and Equipment		7	2
Purchase of Plant and Equipment	6	(97)	(324)
Net cash in/(outflow) from investing activities		<b>(90)</b>	<b>(322)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in HMRC loan	10	-	-
Net cash flows from financing		-	-
<b>Net increase/(decrease) in cash in the period</b>		<b>540</b>	<b>(891)</b>
<b>Cash at the beginning of the period</b>		<b>4,287</b>	<b>5,178</b>
<b>Cash at the end of the period</b>	8	<b>4,827</b>	<b>4,287</b>

The notes on pages 32 to 45 form part of these accounts

# Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022

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## Notes to the Statement of Accounts

### 1. Statement of accounting policies

#### 1.1 Basis of accounting

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

These financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. In addition, they have been prepared in accordance with the 2021 to 2022 Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent the FReM is consistent with the requirements of the Companies Act 2006.

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

#### 1.2 Accounting convention

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

#### 1.3 Going concern

Following the Technology Sourcing Programme review of RCDTS Ltd and of HMRC's future IT strategy, all recommendations have been accepted by HMRC, Cabinet Office and approved by HM Treasury. The outcome includes the decision to insource and outsource services to HMRC and other third parties respectively and the future closure of RCDTS Ltd as an arm's length body and a limited company. The company is scheduled for closure in 2023 to 2024. The financial statements have therefore been prepared on a basis other than a going concern in accordance with the requirements set out in IAS1 paragraph 25-26.

We have considered what impact this will have on presentation of the financial statements and have concluded there is no change required for 2021 to 2022, given the planned date of closure is more than twelve months after the reporting date.

## **Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022**

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### **1.4 Revenue Recognition (Income and recharged costs)**

All income is generated directly from services to HMRC and is recognised in the Statement of Comprehensive Income on an accruals basis net of VAT. Income is recognised in accordance with IFRS15 Revenue from Contracts with Customers.

RCDTS Ltd provides a series of IT services to HMRC under an overarching Master Services Agreement. Invoices for services are raised twice monthly in arrears and are retained as supporting documentation on the IT services delivered. HMRC pays the invoice within 3 working days from receipt of the invoice. Where the invoice has not been raised but service has been provided by the year end, an estimated charge will be included as accrued income.

The company also invoices HMRC to recover pass-through charges which are not recorded as income by the company but are directly recharged to HMRC and netted off against expenditure. Since pass-through charges to HMRC are offset against associated expenditure, they do not impact the Statement of Comprehensive Income. They do impact the Statement of Financial Position as receivable and payable balances, if there are any outstanding amounts at the year end. These charges include the purchase of IT equipment, software licences and telephony equipment which are used by HMRC. Any underlying contractual commitments relating to pass-through charges, such as those that arise from operating or finance leases are excluded from these financial statements.

### **1.5 Tangible assets - property, plant and equipment**

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

IT computer equipment is capitalised regardless of cost.

### **1.6 Intangible assets**

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

### **1.7 Depreciation**

Non-current assets are depreciated at rates calculated to write them down to estimated residual values on a straight-line basis over their estimated useful lives. The estimated useful life of computer equipment is 4 to 7 years.

# Revenue and Customs Digital Technology Services Limited

## for the year ended 31 March 2022

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### **1.8 Taxation**

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

### **1.9 Value Added Tax (VAT)**

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

### **1.10 Financial instruments**

The company has two financial instruments under the scope of IFRS 9 Financial Instruments, trade receivables and loan commitments. Trade receivables are measured at undiscounted invoice price. The loan is valued at the transaction price as no interest rate is charged by HMRC. The transaction price is therefore considered equivalent to amortised cost.

### **1.11 Funding**

HMRC funds RCDTS Ltd and this is accounted for as a long-term loan within non-current liabilities in the company's Statement of Financial Position. There is a funding facility agreement in place between HMRC and RCDTS Ltd which details the terms of the agreement. The funding is provided for general working capital and investment purposes, in relation to the provision of the information technology and security services. HMRC may, from time to time, agree funding for other purposes. This will be in writing and in each case in accordance with HM Treasury guidance document, Managing Public Money. RCDTS Ltd has not requested funding for any other purposes.

### **1.12 Provisions**

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

### **1.13 Contingent liabilities**

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

## **Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022**

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### **1.14 Leases**

IFRS 16 Leases is adopted for corporate entities on or after 1 January 2019 and replaces IAS 17. This standard has had no impact on the 2021 to 2022 Annual Report and Accounts. For applicable leased agreements, IFRS 16 requires the recognition of leased asset and liabilities, representing the right to use the leased item and the respective future lease payments. This applies to all relevant leases unless the term is less than 12 months or the underlying asset has a low value.

An expenditure review has been undertaken to assess the impact of IFRS 16 on RCDTS Ltd. This review, which covered the managed service expenditure reported in these accounts, found no right-of-use assets.

### **1.15 Impending application of newly issued accounting standards not yet effective**

There are currently no impending newly issued accounting standards which will impact RCDTS Ltd.

### **1.16 Critical accounting judgements and key sources of estimation**

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies.

RCDTS Ltd undertakes a quarterly review of provisions and contingent liabilities to inform these judgments. There were no new key assumptions, or key sources of estimation uncertainty, at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year.

## Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022

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### 2. Income

	2021-22 £'000	2020-21 £'000
Managed service income from HMRC	85,246	80,865
<b>Total income</b>	<b>85,246</b>	<b>80,865</b>

#### **Passthrough charges**

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



## Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022

### 3. Staff costs

	2021-22 £'000	2020-21 £'000
Wages and salaries	33,387	34,517
Social security costs <sup>1</sup>	3,847	3,818
Other pensions cost	2,744	2,758
<b>Total staff costs</b>	<b>39,978</b>	<b>41,093</b>

Average number of persons employed	2021-22	2020-21
Permanently employed staff	767	775

#### Pension costs

RCDTS Ltd has a contract-based defined contribution pension scheme which is administered by Aviva plc and overseen by the HR Team. Contributions into this scheme for 2021 to 2022 were £2,386,983 (2020 to 2021 were £2,300,991).

A number of staff in RCDTS Ltd had contractual rights to the Civil Service Pension Arrangements (CSPA) under the 2013 New Fair Deal policy and RCDTS Ltd has Admitted Bodies status into the scheme which is managed by the Scheme Management Executive within Cabinet Office. These staff have taken the option to transfer their accrued benefits from their existing pension plans to the CSPA. The CSPA schemes are unfunded multi-employer defined benefit schemes. The company's share of the underlying assets and liabilities are not identifiable. Liability for payment of future benefits do not rest with the company. As required by IAS19 Employee Benefits, the company accounts for the scheme as if it were a defined contribution scheme. Contributions into this scheme for 2021 to 2022 were £357,185 (2020 to 2021 were £456,943).

<sup>1</sup>Social Security Costs include the Apprenticeship Levy which is £112,725 for 2021 to 2022 (£150,454 for 2020 to 2021)

**Revenue and Customs Digital Technology Services Limited  
for the year ended 31 March 2022**

**4. Running costs and other expenditure**

	2021-22 £'000	2020-21 £'000
<b>Running costs</b>		
Contracted Out Services <sup>1</sup>	38,685	32,822
HMRC shared service charge	4,098	4,325
IT expenditure	1,549	1,625
General running expenditure <sup>2</sup>	630	676
Travel, subsistence and hospitality	31	106
Audit fee	63	63
<b>Total running costs</b>	<b>45,056</b>	<b>39,617</b>
<b>Non-cash expenditure</b>		
Depreciation	218	156
Loss on disposals	(6)	(1)
<b>Total non-cash expenditure</b>	<b>212</b>	<b>155</b>
<b>Total</b>	<b>45,268</b>	<b>39,772</b>

<sup>1</sup> Number of contractors engaged is disclosed within the Remuneration and Staff report table on page 18.

<sup>2</sup> General running expenditure includes recruitment, training, company secretarial fees and insurance.

**Revenue and Customs Digital Technology Services Limited**  
**for the year ended 31 March 2022**

**5. Taxation**

	2021-22 £'000	2020-21 £'000
Current tax charge	-	-
Deferred tax charge	-	-
Total tax charge	-	-
<b>Profit before tax</b>	-	-
<b>Non-deductible expenses</b>		
Depreciation	218	156
Profit on disposals	(6)	(1)
Adjusted profits before capital allowances	212	155
Less: capital allowances <sup>1</sup>	(212)	(155)
Total Taxable profits	-	-
Corporation Tax liability	-	-

<sup>1</sup> 2021 to 2022 capital allowances claimed have been limited to the amount of depreciation incurred, as RCDTS Ltd is a non-profit making company.

**Revenue and Customs Digital Technology Services Limited  
as at 31 March 2022**

**6. Property, plant and equipment**

**Office and computer equipment**  
**£'000**

**Cost or valuation**

At 1 April 2021	1,254
Additions	97
Disposals	(99)
Reclassifications	-
<b>At 31 March 2022</b>	<b>1,252</b>

**Depreciation**

At 1 April 2021	(639)
Charged in the year	(218)
Disposals	98
<b>At 31 March 2022</b>	<b>(759)</b>

<b>Carrying amount at 31 March 2022</b>	<b>493</b>
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**Prior Year**

**Cost or valuation**

At 1 April 2020	939
Additions	324
Disposals	(9)
Reclassifications	-
<b>At 31 March 2021</b>	<b>1,254</b>

**Depreciation**

At 1 April 2020	(491)
Charged in the year	(156)
Disposals	8
<b>At 31 March 2021</b>	<b>(639)</b>

<b>Carrying amount at 31 March 2021</b>	<b>615</b>
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All assets stated above are owned by RCDTS Ltd. There are no leased assets or private finance initiative contracts held by RCDTS Ltd.

**Revenue and Customs Digital Technology Services Limited  
as at 31 March 2022**

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**7. Trade and other receivables**

	2021-22 £'000	2020-21 £'000
<b>Amounts expected to be received within one year:</b>		
Trade receivables (managed service only)	6	1
Other receivables	23	16
Accrued income and recharged costs (managed service)	9,343	9,370
Accrued income and recharged costs (pass-through)	549	639
Prepayments	339	335
	<b>10,260</b>	<b>10,361</b>

**Revenue and Customs Digital Technology Services Limited  
as at 31 March 2022**

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**8. Cash and cash equivalents**

	2021-22 £'000	2020-21 £'000
Balance at 1 April	4,287	5,178
Net change in cash and cash equivalent balances	540	(891)
<b>Balance at 31 March</b>	<b>4,827</b>	<b>4,287</b>
<b>Of which balances were held at:</b>		
Government Banking Service	4,827	4,287
<b>Balance at 31 March</b>	<b>4,827</b>	<b>4,287</b>

## Revenue and Customs Digital Technology Services Limited as at 31 March 2022

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### 9. Trade payables and other liabilities

	2021-22	2020-21
	£'000	£'000
<b>Amounts expected to be paid within one year:</b>		
Other taxation and social security	1,049	1,261
Trade payables (pass-through only)	-	58
Trade payables (managed service only)	-	-
Other payables	440	324
Accruals (managed service)	5,422	4,876
Accruals (pass-through)	400	583
Value Added Tax	1,269	1,161
	<b>8,580</b>	<b>8,263</b>

## Revenue and Customs Digital Technology Services Limited as at 31 March 2022

### 10. HMRC loan

	2021-22 £'000	2020-21 £'000
<b>Balance at 31 March</b>	<b>7,000</b>	<b>7,000</b>

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

It is a revolving loan agreement and RCDTS Ltd has the facility to draw down, or repay, funding as required. The limit is £20 million and is subject to regular review and can be increased with prior approval.

Under the Master Services Agreement (MSA), HMRC has a duty to pay any residual costs incurred by RCDTS Ltd in providing the services which are linked to the expiry and therefore specifically includes repayment of the loan. Expiry of the MSA will now coincide with cessation of the company.

#### 10.1 Reconciliation of liabilities arising from financing activities

	2021-22 £'000	2020-21 £'000
Balance at 1 April	7,000	7,000
Net Loan Drawn / (Repaid)	-	-
<b>Balance at 31 March</b>	<b>7,000</b>	<b>7,000</b>

Loan repayment in future periods	2021-22	2020-21
Within one year	nil	nil
Between one year and five years	7,000	7,000
After five years	nil	nil



## **Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2022**

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The funding is provided by HMRC for general working capital and investment purposes in each case, in relation to information technology and security services provided by RCDTS Ltd to HMRC. Funding advances are in accordance with the agreement and HMT guidance Managing Public Money. RCDTS Ltd has the right to make voluntary early repayments and may repay the whole or any part of the funds outstanding from time to time from all or any of its available surplus funds. In December 2021, £1 million was drawn down under the loan agreement to meet working capital commitments and was repaid in the same month.

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### **11. Related-party transactions**

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

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

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

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

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### **12. Events after the reporting period**

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

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

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