

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



## **Annual Report and Accounts 2022 to 2023**

Revenue & Customs Digital Technology Services Limited  
Room 2e/09  
100 Parliament Street  
London  
SW1A 2BQ  
Company No: 09679225

HC 1874



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



## **Annual Report and Accounts 2022 to 2023**

For the year ended 31 March 2023

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

Ordered by the House of Commons to be printed on 19 October 2023

HC 1874



© Crown copyright 2023

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

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

This publication is available at [www.gov.uk/official-documents](https://www.gov.uk/official-documents).

Any enquiries regarding this publication should be emailed to us at [accountsproduction.rcdts@hmrc.gov.uk](mailto:accountsproduction.rcdts@hmrc.gov.uk)

**ISBN 978-1-5286-4238-5**

**E02926536 10/23**

## **Our purpose**

During the period it was trading, Revenue and Customs Digital Technology Services Limited (RCDTS Ltd) existed to support and deliver HM Revenue and Customs (HMRC) ambitious digital vision.

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

## **Our objectives**

The objective of RCDTS Ltd was 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 provided HMRC with managed information technology services, which directly contributed to the support and running of HMRC. The company ceased to trade as at 31 March 2023 with services previously provided having transferred either to HMRC or to a third party (IT supplier).

## **Company Information**

### **Registered Address:**

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

### **Registered Number:**

09679225

### **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

## Contents

<b>1</b>	<b>Strategic report</b>	<b>4</b>
<b>2</b>	<b>Directors' report</b>	<b>8</b>
	Statement of Directors' responsibilities	11
<b>3</b>	<b>Governance statement</b>	<b>12</b>
<b>4</b>	<b>Statement of Accounting Officer's responsibilities</b>	<b>15</b>
<b>5</b>	<b>Remuneration and staff report</b>	<b>17</b>
<b>6</b>	<b>The certificate and report of the Comptroller and Auditor General to the members of Revenue and Customs Digital Technology Services Ltd</b>	<b>21</b>
<b>7</b>	<b>Statement of Accounts</b>	<b>27</b>
	Statement of comprehensive income	28
	Statement of financial position	29
	Statement of cash flows	30
	Notes to the statement of accounts	31
	1. Statement of accounting policies	31
	2. Income	35
	3. Staff costs	36
	4. Running costs and other expenditure	37
	5. Taxation	38
	6. Property, plant and equipment	39
	7. Trade and other receivables	40
	8. Cash and cash equivalents	41
	9. Trade payables and other liabilities	42
	10. HMRC loan	43
	11. Related-party transactions	44
	12. Events after the reporting period	44

# 1 Strategic report

## Principal activities

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

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

While the company was trading, RCDTS Ltd personnel collaborated with HMRC's Chief Digital and Information Officer's group and provided a managed service to HMRC including supporting the wider transformation of HMRC's IT. This work was flexed according to the needs of HMRC.

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

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

During 2022 to 2023 all services and staff transferred to either HMRC or a third party (IT supplier) under the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 2006. The company ceased to provide services to HMRC from 1 March 2023.

The final managed service invoice was issued from RCDTS to HMRC on 31 March 2023. With effect from 1 April 2023, HMRC assumed responsibility for any liabilities of RCDTS and became entitled to receive any sums due and/or payable to RCDTS.

## Business review

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

RCDTS Ltd enhanced the enterprise monitoring capability used to support the applications it provided 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 served as an enabler for artificial intelligence operations within HMRC.

The company 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.

RCDTS Ltd supported the migration of the HMRC IT estate from legacy data centres to cloud hosting. This included the migration of its OpenText Documentum solution that supports the Digital Mail Service and Pegasystems PEGA solutions that underpin Case Management applications across multiple HMRC lines of business.

RCDTS Ltd continued to provide technical oversight for HMRC key business events including Self Assessment and EU Exit. RCDTS Service Architects ensured that multiple systems and suppliers worked together to deliver successful business outcomes during HMRC's busiest periods.

## **Performance report**

### Operational performance

Service orders were governed by the MSA and outlined the services the company provided to HMRC. The performance of HMRC's IT services was used as a measure to indicate how well the company was performing in its duty to supply these services.

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 customer. During 2022 to 2023 green days have decreased from 310 to 247 compared to 2021 2022, amber days have increased from 40 to 87 and red days have increased from 15 to 31.

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

### Financial Performance

The company directors and HMRC considered the key measure of company financial performance was 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 2023 and all costs have been fully recovered.

The company invoiced HMRC based on the actual costs for work undertaken and utilised government frameworks, where possible, to ensure the best price was sourced. Following the final invoice issued to HMRC on 31 March 2023, RCDTS Ltd ceased trading and entered dormancy. Following the period of dormancy, the company will follow the process for dissolution at Companies House.

The majority of RCDTS Ltd services were transferred into HMRC on 1 February 2023 with the other services, Help Desk and Networks, transferred on 26 September 2022 and 1 March 2023 respectively to Fujitsu and BT (British Telecommunications).

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

The directors were 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 explained the requirements of section 172 and the directors were reminded by the Chair of their statutory duties in respect of this section at board meetings.

RCDTS Ltd.'s principal stakeholders were HMRC, its employees and suppliers. The relationship with the company's only customer, HMRC, is described in the Governance statement on page 12. The Sponsor Team, within HMRC and independent of the company, played a key role in ensuring the company operated in accordance with the agreements outlined in the principal activities section above and that the needs of HMRC were met.

Information about RCDTS Ltd.'s commitment to reducing the environmental impact of its operations can be found in our Sustainability statement on page 7.

While still trading, the company aimed to work responsibly with suppliers. HMRC's Commercial directorate provided commercial contract management services to the company in line with best practice, and contracts with suppliers were managed according to size and complexity.

As described in the Governance statement on page 12, 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 the Sponsor Team briefs the HMRC Accounting Officer on the key agenda items, to enable Accounting Officer input if required. The Sponsor Team is 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.

### **Key risks**

While the company was trading, it ensured that all risks were actively managed and mitigated appropriately and employed processes and procedures which have been proven to work in HMRC to ensure that risk likelihood and impacts were minimised. The risk management structure covered the following categories of risk:

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

The board of directors were notified of any new and updated risks through the monthly performance report, and these were discussed at board meetings where appropriate.

RCDTS Ltd had some further key risks in common with HMRC, in particular the risk of capacity, capability and engagement of its people. Specifically, there was a risk that RCDTS Ltd did 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 have led to a failure to deliver business objectives. To mitigate this risk, the company contributed towards HMRC's CDIO Capability Strategy, which gave a clearer understanding of capability requirements in order to address skills and capability gaps across HMRC CDIO group.

Any related risks to closure of the company were managed under a designated project, and reported to the monthly Project Board, and where appropriate raised at the bi-monthly RCDTS Board meeting.

### **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 2022 to 2023 Annual Report and Accounts (page 64).

Key headlines from RCDTS Ltd travel in 2022 to 2023 are summarised below:

- There were no flights recorded for RCDTS colleagues in 2022 to 2023. In 2019 to 2020, RCDTS colleagues took 34 domestic flights, before reducing to less than 5 in both years affected by the Covid-19 pandemic, and none this year. This is an avoidance of around 140kg of CO<sub>2</sub>e compared to last year, and 1.7 tonnes of CO<sub>2</sub>e compared to 2019 to 2020.
- National Rail travel increased considerably in 2022 to 2023 by almost a factor of 5, increasing from 15,971 miles in 2021 to 2022, to 78,701 miles this year. This is an increase of 3.6 tonnes of CO<sub>2</sub>e compared to last year.
- Hire car travel also increased from last year, by 90%, to 18,581 miles, with resulting CO<sub>2</sub>e emissions nearly 2.5 tonnes more, at 4.95 tonnes. However, this was much reduced compared to 2019 to 2020, when hire car mileage came to nearly 114,000 miles and emitted around 31 tonnes of CO<sub>2</sub>e.

Overall, RCDTS increased its production of CO<sub>2</sub>e from travel by 5.9 tonnes in 2022 to 2023 compared with 2021 to 2022. Whilst this is a significant increase on last year, it is still considerably lower than pre-pandemic levels where in 2019 to 2020, RCDTS produced 64.3 tonnes of CO<sub>2</sub>e



**Daljit Rehal**  
**Chief Executive Officer**  
**12 October 2023**

## 2 Directors' report

The directors present their report and the financial statements for the year to 31 March 2023.

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		5/5
Martin Coombs	Chief Finance Officer	12-Apr-18	01-Aug-22	0/2
David Swainston	Chief Finance Officer	03-Nov-22		2/2
Justin Holliday	Director	09-Jul-15		5/5
Esther Wallington	Director	29-Mar-19		2/5
Sarah Goom	Director	26-Sep-19	06-May-22	0/0
Breda O'Connor	Director	02-Dec-20		5/5
Saghir Akbar	Director	04-Aug-21		4/5
Joanna Greenidge	Director	06-Oct-22		2/2

### Basis of preparation

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 was reliant on income from HMRC, its sole customer.

Following the Technology Sourcing Programme review of RCDTS Ltd and of HMRC's future IT strategy, the decision was taken in the financial year 2021 to 2022 to insource and outsource services to HMRC and other third parties respectively and to close RCDTS Ltd as a company.

RCDTS Ltd ceased trading on 31 March 2023 and the financial statements have been 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 the only change required for 2022 to 2023 is to reclassify the HMRC loan from a non-current liability to a current liability, given the company has now ceased to trade.

### 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 44) confirms that no member of the board had any related-party transactions.

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

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

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

While trading, the policy of RCDTS Ltd was to pay valid invoices within five days of being received. This is in line with both the 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 2022 to March 2023](#)

### **Political and charitable contributions**

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

### **Employment policies**

The last of the company's employees transferred out on 28 February 2023. RCDTS Ltd was committed to encouraging equality and diversity among its workforce and eliminating unlawful discrimination of protected characteristics, including disability. The company operated fair and open recruitment principles. The Equality and Diversity policy opposed discrimination in all areas of the employee lifecycle, including selection for employment, promotion, training or all other developmental opportunities. Significant guidance and support were in place to assist staff and their line managers regarding the implementation of reasonable adjustments to remove or reduce any disadvantage a disabled person faced in the workplace.

### **Informing and consulting employees**

RCDTS Ltd directors regularly engaged with employees from across RCDTS Ltd via all-staff calls, where updates were given on the Technology Sourcing Programme. The directors invited RCDTS Ltd employees to ask questions of them. They also met monthly with the company's employee forum to discuss and resolve key issues.

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

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

During 2022 to 2023, RCDTS Ltd went through three TUPE consultations. Employee forum representatives were provided with training to enable them to fully and effectively engage in the consultation, representing the views of the company

employees. The employee forum and RCDTS Ltd HR team regularly engaged with staff on matters arising from consultation, ensuring all colleagues had the opportunity to participate and have their views represented. Consultations have now come to a close with all RCDTS Ltd employees having now transferred to their new employers. All relevant policy documentation, as required by TUPE, has been provided to the new employers.

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

Details of how the company 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 (page 6).

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

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

### **Financial risk management**

RCDTS Ltd had an agreed risk management process which enabled both regular review of all risks and immediate escalation where appropriate. Company risk management focused on those risks which were attributable to the company, as a discrete legal entity, in the provision of services to HMRC. Risks impacting HMRC directorates were 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 44).

This report was approved by the board of directors on 10 October 2023 and signed on behalf of the board by:



**Daljit Rehal**  
**Chief Executive Officer**  
**12 October 2023**

## **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**  
**12 October 2023**

### 3 Governance statement

This statement covers the financial period from 1 April 2022 to 31 March 2023 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 2022 to 2023, 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. While the company traded, the Accounting Officer had 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 was responsible for HMRC's oversight of RCDTS Ltd while it operated and acted on behalf of the Accounting Officer. It did this through advising, challenging, and supporting the board and company in the achievement of their objectives. This is a normal arrangement for arm's length bodies.

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

- investigating any potential breach of the company's agreements with HMRC
- ensuring the board was well-led and functioning effectively through establishing and maintaining a strong relationship with the board
- ensuring the board was 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 was closely tied to HMRC. There was 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 team. The company also utilised HMRC's Audit and Risk Committee (A&RC). A&RC provided 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 2022 to 2023 Board and sub-committees (page 99).

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

- updates from business areas within RCDTS Ltd covering delivery, financial performance, company targets, and the key risks to performance
- reports on progress against strategic plans and the definition and mitigation of high-level risks
- financial management, resource management and recruitment
- details on progress on the closure activity and providing approvals to the project team leading on the closure where necessary

RCDTS Ltd followed the HMRC risk control framework set out in the 2022 to 2023 HMRC Annual Report and Accounts (page 105).

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

Internal Audit (IA) did not have a separate plan for RCDTS Ltd, but rather assurances are taken from the CDIO audit plan. This is primarily because RCDTS Ltd worked 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 did.

IA considered whether RCDTS Ltd specific audits were required where the company's processes differed from HMRC's.

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

HMRC's Internal Audit plan for 2022 to 2023 included two audits specific to RCDTS. A review of the project stood up to manage the closure of the company concluded that the framework of governance and control for the project was well structured and effective. Four management actions were agreed, all now implemented. A further advisory review considered processes in place to authorise pay rise proposals. As an advisory review, no opinion was provided. A number of other audits were carried out during the year that involved interviewing staff employed by the company, including Network Access Controls and IT Outage. None of the actions from these reviews were specific to RCDTS Ltd.

In addition, the CEO of RCDTS Ltd received 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, while RCDTS traded we complied with the spirit and principles of the code and by this, and other means, good governance was achieved in RCDTS Ltd. We are content that the systems of risk management, governance and control in place for RCDTS Ltd were sufficient to manage any identified risks and that an appropriate framework was in place throughout 2022 to 2023.



**Jim Harra**  
**Accounting Officer**  
**12 October 2023**



**Daljit Rehal**  
**Chief Executive Officer**  
**12 October 2023**

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

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

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

The directors have prepared the financial statements in accordance with 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 12).

The Accounting Officer for RCDTS Ltd is responsible for safeguarding the public funds held by the company and for ensuring propriety, regularity, value for money and efficiency in the handling and use of public funds. The term regularity is used to convey the idea of probity and ethics in the use of public funds - that is, delivering public sector values in the round. Regularity specifically encompasses compliance with all relevant legislation, delegated authorities and the guidance set out in HM Treasury's 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 37). The National Audit Office 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.



**Jim Harra**  
**Accounting Officer**  
**12 October 2023**

## 5 Remuneration and staff report

### Our people

The people employed by RCDTS Ltd were not civil servants; however, they were integral to managing and innovating HMRC's digital and technology services.

### Number of persons engaged

	Permanently employed staff	Contractors <sup>1</sup>	Total
Staff in post 31 March 2022	747	150	897
Joiners	40		
Leavers	(787)		
<b>Staff in post 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

RCDTS Ltd included staff who had transferred in from previous suppliers and staff who have been recruited directly by the employer:

- staff who transferred to RCDTS Ltd from Capgemini and Fujitsu had 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 joined RCDTS Ltd as new employees were subject to RCDTS Ltd policies and terms and conditions

The majority of RCDTS Ltd staff were transferred into HMRC on 1 February 2023 with the other services, Help Desk and Networks, transferred on 26 September 2022 and 1 March 2023 respectively to Fujitsu and BT (British Telecommunications).

While it was trading, RCDTS Ltd had responsibility for the recruitment, retention and management of its staff. In practice, the responsibilities of RCDTS Ltd toward its staff meant that:

- its rules for the recruitment and management of staff created an inclusive culture in which diversity was fully valued, where appointment and advancement was based on merit, and discrimination not tolerated
- the level and structure of its staffing was appropriate to its functions and the requirements of efficiency, effectiveness and economy
- the performance of its staff at all levels was satisfactorily appraised, employees were clear about what is expected of them, and the performance measurement systems were reviewed from time to time
- its staff were encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the objectives of the company

- proper consultation with staff took place on key issues affecting them
- appropriate grievance and disciplinary procedures were in place, whistle-blowing procedures were in place consistent with the Public Interest Disclosure Act 1998, and a code of conduct for staff was in place

### **Diversity and inclusion**

By 31 March 2023, all employees had transferred out of RCDTS ahead of the company's closure and consequently there are no diversity and inclusion declarations to report on for this period.

### **Sickness absence data**

The average working days lost based on the number of full-time equivalent employees for 2022 to 2023 was 5.11 days (in 2021 to 2022 it was 5.36).

### **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 was distributed in the company when it was still trading.

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

The company was a discrete unit and had its own non-consolidated pay budget. The company's Remuneration Committee governed the pay remit process and ensured the principles of equity and value for money were achieved.

### **Staff costs**

Details of staff costs are included in note 3 (page 36) of the financial statements.

### **Pensions**

The HR Team provided assurance and oversight of the RCDTS Ltd pension scheme. RCDTS Ltd had a contract-based defined contribution pension scheme which was administered by Aviva plc. A number of staff in RCDTS Ltd had contractual rights to the Civil Service Pension Schemes under Fair Deal policy. Further details of these pension arrangements are included in note 3 (page 36).

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

This information has been subject to audit.

There were no exit packages in 2022 to 2023 or 2021 to 2022.

## 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 2023 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 (page 144).

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 1 December 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 2022 and the bonuses received in the year 6 April 2021 to 5 April 2022. 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	2022	2021
Mean	9.2%	7.5%
Median	15.6%	8.5%

The distribution of our workforce drives our mean and median figures. Whilst we were striving to improve our diversity while the company was trading, including through our recruitment practices, the RCDTS Ltd workforce comprised of only 19.6% women in April 2022.

When comparing the population with the previous year's report we observe an increase in the gender pay gap due to there being a significantly greater number of men than women at the more senior end of our pay ranges.

Due to the low number of female employees that were 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.

## Read more

[Gender Pay Gap service](#)  
[RCDTS Ltd Gender Pay Gap report 2022](#)

**People off-payroll**

HMRC reports to HM Treasury about off-payroll appointments where individuals are paid more than £245 a day. RCDTS Ltd had 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 139).



**Daljit Rehal**  
**Chief Executive Officer**  
**12 October 2023**

## **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 2023 under the Government Resources and Accounts Act 2000.

The financial statements which comprise Revenue and Customs Digital Technology Services Limited's:

- Statement of Financial Position as at 31 March 2023;
- 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 2023 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 am independent of 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 relating to 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 that the accounts should be prepared on a basis other than going concern was informed by consideration of the outcome of HM Revenue and Customs' Technology Sourcing Programme review and subsequent consultation it had with the Cabinet Office and HM Treasury on the future of the Company. As set out in Notes 1.3, Revenue and Customs Digital Technology Services Limited ceased to trade at 31 March 2023, with all staff having transferred to either HM Revenue and Customs or third-party providers during the period, with any residual assets and liabilities to be settled by HM Revenue and Customs ahead of the Company being dissolved.

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 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.

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 Remuneration and Staff 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 information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of 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
- 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

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

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Revenue and Customs Digital Technology Services Limited from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Companies Act 2006; and
- assessing 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, I:

- considered the nature of the sector, control environment and operational performance including the design of Revenue and Customs Digital Technology Services Limited's' accounting policies;
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including controls relating to Revenue and Customs Digital Technology Services Limited's compliance with the Companies Act 2006, Government Resources and Accounts Act 2000 and Managing Public Money.
- inquired of management, the Revenue and Customs Digital Technology Services Limited's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with 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 and complex transactions. 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***

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I communicated relevant identified laws and regulations and potential risks of fraud 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**

**17 October 2023**

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

# **7**

## **Statement of Accounts**

**Revenue and Customs Digital Technology Services Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 March 2023**

	Note	2022-23 £'000	2021-22 £'000
<b>Income</b>			
Income from Managed IT Services	2	68,098	85,246
		<b>68,098</b>	<b>85,246</b>
<b>Expenditure</b>			
Staff costs	3	(30,432)	(39,978)
Running costs	4	(37,524)	(45,056)
Other expenditure	4	(142)	(212)
		<b>(68,098)</b>	<b>(85,246)</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 31 to 44 form part of these accounts

All service lines were discontinued in the financial year 2022 to 2023

**Revenue and Customs Digital Technology Services Limited**  
**Statement of Financial Position**  
**as at 31 March 2023**

	Note	2022-23 £'000	2021-22 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	-	493
<b>Total non-current assets</b>		<b>-</b>	<b>493</b>
<b>Current assets</b>			
Trade and other receivables	7	833	10,260
Cash and cash equivalents	8	728	4,827
<b>Total current assets</b>		<b>1,561</b>	<b>15,087</b>
<b>Total assets</b>		<b>1,561</b>	<b>15,580</b>
<b>Current liabilities</b>			
Trade and other payables	9	(1,061)	(8,580)
HMRC Loan	10	(500)	-
Current tax liability	5	-	-
<b>Total current liabilities</b>		<b>(1,561)</b>	<b>(8,580)</b>
<b>Total assets less current liabilities</b>		<b>-</b>	<b>7,000</b>
<b>Non-current liabilities</b>			
HMRC Loan	10	-	(7,000)
<b>Total non-current liabilities</b>		<b>-</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 31 to 44 form part of these accounts

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



**Daljit Rehal**  
**Chief Executive Officer**  
**Registered Company Number 9679225**  
**12 October 2023**

**Revenue and Customs Digital Technology Services Limited**  
**Statement of Cash Flows**  
**for the year ended 31 March 2023**

	Note	2022-23 £'000	2021-22 £'000
<b>Cash flows from operating activities</b>			
Profit after taxation		-	-
Adjustments for non-cash transactions:			
Depreciation	6	153	218
Profit/Loss on disposals	4	(11)	(6)
(Increase)/decrease in trade and other receivables	7	9,427	101
Increase/(decrease) in trade payables	9	(7,519)	317
Increase/(decrease) in current tax liability	5	-	-
Increase/(decrease) in provisions		-	-
<b>Net cash in/(outflow) from operating activities</b>		<b>2,050</b>	<b>630</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of Plant and Equipment		351	7
Purchase of Plant and Equipment	6	-	(97)
<b>Net cash in/(outflow) from investing activities</b>		<b>351</b>	<b>(90)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in HMRC loan	10	(6,500)	-
<b>Net cash in/(outflow) from financing</b>		<b>(6,500)</b>	<b>-</b>
<b>Net increase/(decrease) in cash in the period</b>		<b>(4,099)</b>	<b>540</b>
<b>Cash at the beginning of the period</b>		<b>4,827</b>	<b>4,287</b>
<b>Cash at the end of the period</b>	8	<b>728</b>	<b>4,827</b>

The notes on pages 31 to 44 form part of these accounts

# Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2023

---

## 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 2022 to 2023 Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent the FReM is consistent with the requirements 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.

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

#### 1.2 Accounting convention

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

#### 1.3 Basis of preparation

Following the Technology Sourcing Programme review of RCDTS Ltd and of HMRC's future IT strategy, all recommendations were accepted by HMRC, Cabinet Office and approved by HM Treasury. The outcome included the decision to insource and outsource services to HMRC and other third parties respectively and the closure of RCDTS Ltd. The company ceased to trade as at 31 March 2023 and is scheduled for dissolution in late 2023. The financial statements have therefore been prepared on a basis other than going concern in accordance with the requirements set out in IAS1 paragraph 25-26.

As both HMRC and RCDTS are within the same departmental boundary, in accordance with the FReM, the transfer of services from RCDTS to HMRC is a transfer by absorption. The assets and liabilities at the 31 March are shown at the carrying value. With effect from 1 April 2023, HMRC assumed responsibility for any liabilities of RCDTS and became entitled to receive any sums due and/or payable to RCDTS.

## **Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2023**

---

### **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 usually raised monthly in arrears and are retained as supporting documentation on the IT services delivered. HMRC pays the invoice within three working days from receipt of the invoice. In March 2023 an additional invoice was raised in month, rather than in arrears, for all remaining services provided.

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 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 2023

---

### **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. Following cessation of trade, the company deregistered for VAT with effect from 1 April 2023.

### **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 loan within 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 2023**

---

### **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 2022 to 2023 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 2023

---

### 2. Income

	2022-23 £'000	2021-22 £'000
Managed service income from HMRC	68,098	85,246
<b>Total income</b>	<b>68,098</b>	<b>85,246</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 2023

### 3. Staff costs

	2022-23 £'000	2021-22 £'000
Wages and salaries	25,044	33,387
Social security costs <sup>1</sup>	3,273	3,847
Other pensions cost	2,115	2,744
<b>Total staff costs</b>	<b>30,432</b>	<b>39,978</b>

Average number of persons employed	2022-23	2021-22
Permanently employed staff	560	767

#### Pension costs

RCDTS Ltd had a contract-based defined contribution pension scheme which was administered by Aviva plc and overseen by the HR Team. Contributions into this scheme for 2022 to 2023 were £1,832,379 (2021 to 2022 were £2,386,983).

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 had Admitted Bodies status into the scheme which was managed by the Scheme Management Executive within Cabinet Office. These staff took the option to transfer their accrued benefits from their existing pension plans to the CSPA. The CSPA schemes were unfunded multi-employer defined benefit schemes. The company's share of the underlying assets and liabilities were not identifiable. Any liabilities associated with either pension scheme do not rest with the company. As required by IAS19 Employee Benefits, the company accounted for the scheme as if it were a defined contribution scheme. Contributions into this scheme for 2022 to 2023 were £282,936 (2021 to 2022 were £357,185).

All staff were transferred under TUPE - Transfer of Undertakings (Protection of Employment) Regulations 2006 by 31 March 2023. The majority of RCDTS Ltd staff and services were transferred in-house to HMRC on 1 February 2023 with the other Help Desk and Network staff transferred on 26 September 2022 and 1 March 2023 respectively to Fujitsu and BT.

Pension benefits earned up to the time of transfer were generally preserved in the existing pension scheme. Rights to occupational pension benefits relating to old age, invalidity or survivors did not transfer to the new employer under TUPE. Employees were automatically enrolled in the new employer's pension scheme but had the right to opt out.

<sup>1</sup>Social Security Costs include the Apprenticeship Levy which is £131,084 for 2022 to 2023 (£112,725 for 2021 to 2022)

**Revenue and Customs Digital Technology Services Limited**  
**for the year ended 31 March 2023**

**4. Running costs and other expenditure**

	2022-23 £'000	2021-22 £'000
<b>Running costs</b>		
Contracted Out Services <sup>1</sup>	32,502	38,685
HMRC shared service charge	3,037	4,098
IT expenditure	1,026	1,549
General running expenditure <sup>2</sup>	761	630
Travel, subsistence and hospitality	132	31
Audit fee	66	63
<b>Total running costs</b>	<b>37,524</b>	<b>45,056</b>
<b>Non-cash expenditure</b>		
Depreciation	153	218
Loss on disposals	(11)	(6)
<b>Total non-cash expenditure</b>	<b>142</b>	<b>212</b>
<b>Total</b>	<b>37,666</b>	<b>45,268</b>

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

<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 2023**

**5. Taxation**

	2022-23 £'000	2021-22 £'000
Current tax charge	-	-
Deferred tax charge	-	-
Total tax charge	-	-
<b>Profit before tax</b>	-	-
<b>Non-deductible expenses</b>		
Depreciation	153	218
Other disallowable expenses	79	-
Profit on disposals	(11)	(6)
Adjusted profits before capital allowances	<b>221</b>	<b>212</b>
Less: capital allowances <sup>1</sup>	(221)	(212)
Total Taxable profits	-	-
Corporation Tax liability	-	-

<sup>1</sup> 2022 to 2023 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 2023**

**6. Property, plant and equipment**

	Office and computer equipment
	£'000
<b>Cost or valuation</b>	
At 1 April 2022	1,252
Additions	-
Disposals	(1,252)
Reclassifications	-
<b>At 31 March 2023</b>	<b>-</b>
<b>Depreciation</b>	
At 1 April 2022	(759)
Charged in the year	(153)
Disposals	912
<b>At 31 March 2023</b>	<b>-</b>
<b>Carrying amount at 31 March 2023</b>	<b>-</b>
<b>Prior Year</b>	
<b>Cost or valuation</b>	
At 1 April 2021	1,254
Additions	97
Disposals	(99)
Reclassifications	-
<b>At 31 March 2022</b>	<b>1,252</b>
<b>Depreciation</b>	
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>

All office and computer equipment not otherwise disposed of was sold to HMRC at Net Book Value during the financial year 2022 to 2023. 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 2023**

---

**7. Trade and other receivables**

	<b>2022-23</b>	<b>2021-22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts expected to be received within one year:</b>		
Trade receivables	833	6
Other receivables	-	23
Accrued income and recharged costs (managed service)	-	9,343
Accrued income and recharged costs (pass-through)	-	549
Prepayments	-	339
	<b>833</b>	<b>10,260</b>

**Revenue and Customs Digital Technology Services Limited  
as at 31 March 2023**

**8. Cash and cash equivalents**

	<b>2022-23</b>	<b>2021-22</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,827	4,287
Net change in cash and cash equivalent balances	(4,099)	540
<b>Balance at 31 March</b>	<b>728</b>	<b>4,827</b>
<b>Of which balances were held at:</b>		
Government Banking Service	728	4,827
<b>Balance at 31 March</b>	<b>728</b>	<b>4,827</b>

**Revenue and Customs Digital Technology Services Limited  
as at 31 March 2023**

---

**9. Trade payables and other liabilities**

	<b>2022-23</b>	<b>2021-22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts expected to be paid within one year:</b>		
Other taxation and social security	36	1,049
Trade payables (pass-through only)	-	-
Trade payables (managed service only)	65	-
Other payables	-	440
Accruals (managed service)	303	5,422
Accruals (pass-through)	-	400
Value Added Tax	657	1,269
	<b>1,061</b>	<b>8,580</b>

## Revenue and Customs Digital Technology Services Limited as at 31 March 2023

### 10. HMRC loan

	2022-23 £'000	2021-22 £'000
<b>Balance at 31 March</b>	<b>500</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 within current liabilities in the company's Statement of Financial Position.

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

Under the Master Services Agreement (MSA), HMRC has a duty to pay any residual costs incurred by RCDTS Ltd, linked to the termination of the agreement. Termination of the MSA will now coincide with dissolution of the company.

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

	2022-23 £'000	2021-22 £'000
Balance at 1 April	7,000	7,000
Amounts repaid	(6,500)	-
<b>Balance at 31 March</b>	<b>500</b>	<b>7,000</b>

Loan repayment in future periods	2022-23	2021-22
Within one year	500	nil
Between one year and five years	nil	7,000
After five years	nil	nil

## **Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2023**

---

The funding was 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 were in accordance with the agreement and HMT guidance Managing Public Money. RCDTS Ltd had the right to make voluntary early repayments and may repay the whole or any part of the funds outstanding at any time from all or any of its available surplus funds. During 2022 to 2023 a total of £6.5 million was repaid to HMRC.

---

### **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.

---

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

With effect from 1 April 2023, HMRC assumed responsibility for any liabilities of RCDTS and became entitled to receive any sums due and/or payable to RCDTS. As both HMRC and RCDTS are within the same departmental boundary, the transfer of services from RCDTS to HMRC is a transfer by absorption. There is nil gain or loss from the transfer of services, assets and liabilities from RCDTS to HMRC as the closing balance sheet reflected equal assets and offsetting liabilities, as recognised on the Statement of Financial Position above as at 31 March 2023.

The Directors intend to complete dissolution of the company and strike it off. Following the scheduled Board meeting on 10 October 2023, the application to strike off the company will be submitted to Companies House.

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.



E02926536  
978-1-5286-4238-5