

Revenue & Customs Digital Technology Services Limited

Annual Report and Accounts
for the year ended 31 March 2020

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



Our mission

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

Working with 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 the department's key priorities. These are to:

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

What we do

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

Company Information

Registered Address:

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

Registered Number:

9679225

VAT Number:

224418919

Auditors:

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

Bankers:

Barclays Bank
1 Churchill Place
London
E14 5HO

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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. It manages and develops these services.

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, communications, data protection, estates, financial, human resource, internal audit, IT, legal and security functions are undertaken by HMRC in accordance with various Service Level Agreements, 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 CDIO colleagues to help the wider CDIO group fulfil their objectives in providing digital and technological support for the successful running of HMRC.

In March 2020, the company contributed to establishing a Command and Control structure to effectively mitigate the risk posed by COVID-19 on its ability to protect the health, safety and well-being of staff and maintain business-critical functions, including forming four new working groups focussing on people, business continuity, change and customer focussed remote working.

In order for HMRC employees to work from home, the network and workplace services teams contributed to activating a planned six-week Virtual Private Network (VPN) upgrade process which was completed in just 48 hours to allow over 50,000 HMRC staff to access the office network remotely. The company also collaborated with HMRC colleagues to increase HMRC's core internet facing capacity by over 150% to support the massive change in user traffic profile, enabled web chat and IT Help desk services to be operated from home and managed a five fold increase in the use of Office 365 tools.

Working closely with suppliers, the company was able to effectively ensure the required supplier upgrades happened quickly in response to demand. RCDTS Ltd and CDIO group ran the IT situation as a Key Business Event, hence utilising experience and skills to deal with critical activities.

Performance Report

Operational performance

Service Orders are governed by the MSA and outline the services that the company provides to HMRC. A recent Service Order review was undertaken to check whether the Service Orders were still up-to-date. The review identified particular Service Orders that are no longer needed and these are due to be terminated in accordance with the provisions of the MSA.

These services are integrated into the service offer to HMRC's business and so the performance of HMRC's IT services is used as a measure to indicate how well the company is performing in its duty to supply these services. The traffic light ratings (red/amber/green) form two of HMRC's CDIO measures, "IT Unavailability" and "Daily IT Service Status" are provided to the Board on a monthly basis for this purpose. The company feeds into and contributes to these measures. A green day is one on which there are no high priority incidents. An amber day is one in which there are 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. Any month with one red day is ragged as green, with two red days is ragged as amber and with three red days is ragged as red.

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

- the overall performance of IT across HMRC has shown significant improvement compared to the prior year. This is reflected in improvements to both of the main Key Performance Indicators, with periods of IT unavailability reduced by 41%
- decreased hours lost due to IT workstations (network and power outages) being unavailable. This has reduced by 52% compared to last year and more specifically green days have doubled. There were 135 in financial year 2018 to 2019 compared to 271 in 2019 to 2020. Amber days have decreased by 67% and this is reflected in a 27% decrease in high priority incidents and an incremental improvement in the mean time to restore service
- the IT Taskforce has completed its work of investigating and fixing a range of widespread IT problems. Monitoring shows these changes have led to significant improvements in performance and reliability of network and office products
- in order to better manage supplier performance and ensure greater accuracy in the recovery of Service Credits where the terms of the contract may not have been

fulfilled, Service Level Management have developed a tighter process including closer collaboration with Commercial and CDIO Finance.

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 2020 and all costs have been fully recovered.

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

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 each Board meeting.

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 14. 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 on page 4 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 11 under the section "Informing and consulting employees". During 2019 to 2020, one of the objectives of the RCDTS Ltd Improvement Project was to improve the employee experience for the RCDTS Ltd workforce and how this has been actioned is described on page 15 of the Governance Statement.

The company aims to work responsibly with suppliers and a detailed review of all suppliers has been carried out in 2019 to 2020. HMRC Commercial continues to provide contract commercial 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 14, the sole member of RCDTS Ltd is the Treasury Solicitor who has granted power of attorney to the HMRC Accounting Officer, Jim Harra, which enables him to exercise all powers of the sole member.

The Sponsor Team supports him in this role. Before each Board meeting, currently bi-monthly, the attorney for the Sole Member is briefed by the Sponsor Team on all agenda items. They are also a standing attendee at the meetings. In addition the Sponsor Team will contact and advise him on any matters that it considers should be brought to his attention in his role as the Accounting Officer for RCDTS Ltd and also address any queries he may raise.

The company supports community volunteering activities and allows employees up to 3 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 a business benefit, such as enhanced customer understanding, provide development opportunities for staff and be appropriate to employees skills and experience, enabling the sharing of business skills with others. Eight RCDTS Ltd employees have volunteered in the last year, amounting to a total of 11 days.

Future developments

RCDTS Ltd services continue to make a valuable contribution to the way in which CDIO group works in line with the Service Orders, as directed by HMRC. The role of RCDTS Ltd going forwards will be reviewed in line with HMRC's future service requirements.

Key risks

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

The risk management structure covers the following categories of risk:

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

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

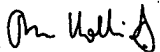
Sustainability

The 2016 to 2020 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 2019 to 2020 Annual Report and Accounts on page 64. In terms of the RCDTS Ltd travel commitment:

- domestic flights for air miles travelled have increased by 116% compared to 2018 to 2019, number of flights has risen from 17 to 34, an increase of 89% in scope 3 emissions (indirect greenhouse gas emissions)
- international flights have fared better with a decrease in air miles of 37% on 2018 to 2019 and a 76% decrease in the number flights from 25 to 6 equating to a 49% drop in scope 3 emissions
- rail travel has reduced by 18% in distance (miles), with a 13% decrease on the number of trips and a 24% decrease in the scope 3 emissions
- hire car travel has increased by 111% with scope 3 emissions increasing by 112%.

In light of COVID-19, management will be reviewing the company's travel policies accordingly.



Justin Holliday
Chief Executive Officer
23 October 2020

2 Directors' Report

The Directors present their report and the financial statements for the year to 31 March 2020.

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
Justin Holliday	Chief Executive Officer & Chair ¹	09-Jul-15		5/5
Esther Wallington	Director	29-Mar-19		4/5
Sarah Goom	Director	26-Sep-19		3/3
Natasha Harris	Director	15-Jan-20		2/2
Maurice Mattholie	Director	15-Jan-20		2/2
Martin Coombs	Chief Finance Officer	12-Apr-18		5/5
Jacky Wright	Chief Executive Officer & Chair ²	16-Oct-17	30-Sep-19	3/3
David Bunting	Director	14-Dec-18	26-Sep-19	2/2

¹ Justin Holliday was appointed Director from 9 July 2015 then Chief Executive Officer and Chair from 31 October 2019.

² Jacky Wright was appointed on a two year fixed term on assignment from Microsoft to HMRC with effect from 16 October 2017 and subsequently resigned 30 September 2019. During this time, Jacky was a Senior Civil Servant bound by the Civil Service Code and did not participate in commercial decisions specifically concerning Microsoft.

Going concern

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

No material uncertainties have been identified relating to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. This opinion is based on the principal activities of RCDTS Ltd being funded by HMRC until 2021. For more information on the funding arrangement please see note 1.10 (page 34) and note 10 (page 44).

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

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

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

Conflicts of interest

Senior managers within RCDTS Ltd are required to complete a declaration of any interests in a transaction or arrangement to ensure potential conflicts of interest can be identified. No significant company directorships or other interests were held by Board members which may have conflicted with their management responsibilities. Note 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.

These incidents were recorded centrally and are set out in the table below. Figures for 2018 to 2019 are shown in brackets.

Summary of protected personal data related incidents in 2019-20		
No	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises.	0 (0)
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1 (2)
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0 (0)
IV	Unauthorised disclosure	1 (0)
V	Other	1 (2)

General Data Protection Regulation (GDPR) in RCDTS Ltd

The General Data Protection Regulation has been in force since 25 May 2018. It provides a comprehensive, balanced and more uniform set of safeguards that can continue to protect individuals' fundamental rights. RCDTS Ltd as a 'Public Authority' under the Regulations, was required to appoint a Data Protection Officer (DPO). RCDTS Ltd and HMRC share a Data Protection Officer.

RCDTS Ltd continues to utilise the contractual arrangements in place with HMRC to engage with the HMRC GDPR programme to help it demonstrate its compliance with the principles set out in the regulation. The GDPR programme is currently helping to ensure contracts being novated from RCDTS Ltd to HMRC are GDPR compliant. Staff from the HMRC Office of the Data Protection Officer have advised the company in relation to the GDPR compliance of the Master Services Agreement and Support Services Agreement.

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

Under the Master Services Agreement HMRC is Data Controller and RCDTS Ltd is data processor. RCDTS Ltd processes personal data on behalf of HMRC as a data processor in accordance with the data processing schedule set out in the Master Services Agreement. RCDTS Ltd is satisfied that it is meeting its data processing obligations under GDPR.

Compliance with public sector payment policy

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

[RCDTS Ltd - Prompt Payment Performance](#)

Political and charitable contributions

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

Employment of disabled people

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

Informing and consulting employees

The Directors regularly engage with employees and take account of their interests. During 2019 to 2020, one of the objectives of the RCDTS Ltd Improvement Project was to improve the employee experience for the RCDTS Ltd workforce and how this has been actioned is described on page 15 of the Governance Statement. RCDTS Ltd has an intranet site that contains information regarding policy and procedures for working within the organisation. The company has recently created a Microsoft Teams site for all RCDTS Ltd staff to further share information and provide inclusivity.

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

Relationships with suppliers, HMRC and the attorney for the Sole Member

Details of how the company has fostered its business relationships with suppliers, HMRC and the attorney for the Sole Member are mentioned in the Companies Act section 172 Statement in the Strategic report at 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 17).

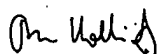
Financial risk management

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

Other material issues

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

This report was approved by the Board of Directors on 12 October 2020 and signed on behalf of the Board by:



Justin Holliday
Chief Executive Officer
23 October 2020

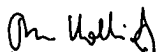
Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business
- 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.



Justin Holliday
Chief Executive Officer
23 October 2020

3 Governance Statement

This statement covers the financial period from 1 April 2019 to 31 March 2020 and up to the date of approval of the Annual Report and Accounts. RCDTS Ltd has been incorporated by, wholly controlled by and operated for HMRC, to deliver managed IT services, as directed by HMRC. Control of the company resides with HMRC's Executive Committee (ExCom). For financial year 2019 to 2020 this committee was chaired by the Accounting Officer and was responsible for setting and delivering strategy for HMRC.

The sole member of RCDTS Ltd is officially the Treasury Solicitor. The Treasury Solicitor has granted a power of attorney to the HMRC Accounting Officer which enables him to exercise all powers of the sole member. Until 30 September 2019, Sir Jonathan Thompson was the Accounting Officer of RCDTS Ltd and was succeeded by Jim Harra. 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. A Sponsor Team acts on behalf of the Accounting Officer. It does this through advising, challenging and supporting the Board and company in the achievement of their objectives, and this is a normal arrangement for Arm's Length Bodies.

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

- investigating any potential breach of agreements
- ensuring the Board is well led and functioning effectively through establishing and maintaining a strong relationship with the Board
- monitoring the business plan to ensure that the Board is effectively addressing the risks and opportunities
- providing support to the Board in the event of significant strategic changes which should impact the delivery of the business plan or the solvency of the company
- 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 and legal contracts. In addition to this the members of RCDTS Ltd's Board are drawn from HMRC's senior leadership. The company also utilises HMRC's Audit and Risk Committee which 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 2019 to 2020 HMRC Board sub-committees (page 78).

The Board met 5 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 annual Board effectiveness review was held in January 2020. The review concluded that the Board was effective in carrying out its responsibilities with no major issues to be addressed. It was noted that the results in two areas had improved over the prior year's review. Directors agreed that the Board papers were of good quality and have provided them with the required information to make effective decisions. The Board also agreed it has the right range of skills to carry out its role. There were two recommendations from the review which were as a result of the high turnover of Directors. Firstly, the Sponsor Team will contact the new RCDTS Ltd Directors to ensure they have been provided with the right level of induction and support to carry out their RCDTS Ltd Director role and to consider whether any additional support is required. Secondly, the Sponsor Team are conducting a further Board effectiveness review from July 2020.

HMRC's Internal Audit plan for 2019 to 2020 did not include any audits specific to RCDTS Ltd. However, RCDTS Ltd continues to be considered within the internal control framework of HMRC. There were several audits for HMRC which involved interviewing staff employed by RCDTS Ltd. These included reviews of IT Resilience Follow Up, Data Loss Prevention, GDPR and Agile Ways of Working but none of the findings or actions in those reviews were specific to RCDTS Ltd.

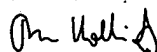
RCDTS Ltd follows the HMRC risk management and control framework set out in the 2019 to 2020 HMRC Annual Report and Accounts (page 86). RCDTS Ltd shares some of the key risks of HMRC, in particular the risk of capacity, capability and engagement of its people. Specifically RCDTS Ltd may not have the right number of highly skilled and engaged people in the right roles and professions or in the right places at the right time, which could lead to a failure to deliver business objectives. To mitigate this risk, the company is contributing towards the CDIO Capability Strategy, which will give a clearer understanding of capability requirements in order to address skills and capability gaps across the CDIO group. The RCDTS Ltd Improvement Project has been set up to improve the employee experience for the company workforce and a number of actions have been implemented as part of this project to improve engagement, such as creating an RCDTS Ltd SharePoint site, having regular Board attendance at the Employee Forum, holding a series of focus groups to gain a greater understanding of the current employee experience, and feeding this insight into the creation of a People Strategy.

There is currently only one risk which is considered to be specific to RCDTS Ltd and relates to health and safety, specifically that, as a result of a lack of health and safety awareness by RCDTS Ltd staff, there is a risk that staff suffer injuries and accidents which will result in legal action against the company and its Directors, financial loss and reputational damage to RCDTS Ltd and HMRC. As a result of COVID-19, this risk has substantially changed. In accordance with Government Guidance, a full COVID-19 risk assessment has been carried out for RCDTS Ltd. It has been published for all staff to view and there are relevant links to specific RCDTS Ltd guidance and policies. The company continues to work with the central HMRC Health and Safety Team to ensure the response to COVID-19 is fully aligned with HMRC. The Directors are updated on the RCDTS Ltd health and safety risk on a monthly basis through the performance report.

We have assessed RCDTS Ltd's compliance with the Corporate Governance in the Central Government Departments' Code of Good Practice 2017. The code focuses on governance arrangements for ministerial departments and there are elements which are not directly relevant to RCDTS Ltd. However, we comply with the spirit and principles of the code and by this, and other means, good governance is achieved in RCDTS Ltd. We are content that the systems of risk management, governance and control in place for RCDTS Ltd are sufficient to manage any identified risks and that an appropriate framework was in place throughout 2019 to 2020.



Jim Harra
Accounting Officer
23 October 2020



Justin Holliday
Chief Executive Officer
23 October 2020

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 13.

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

Accounting Officer's Responsibilities

The Accounting Officer for RCDTS Ltd is the Permanent Secretary and the Principal Accounting Officer of HMRC. This is to ensure its governance is clearly aligned with HMRC management accountabilities and HM Government financial accounting principles. The Accounting Officer for the company does not sit on the Board of the company, however, he has the full support of the Sponsor Team in order to maintain oversight of company activity at all levels. For more information on the Sponsor Team please see the Governance Statement (page 14).

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

In particular the Accounting Officer must:

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

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

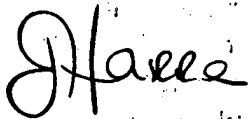
For the purposes of Whole of Government Accounts, the Accounting Officer is the Consolidation Officer for the company and will be personally responsible for complying with the requirements of the Consolidation Officer Memorandum.

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.



Jim Harra
Accounting Officer
23 October 2020

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 ¹	Total
Staff in post 31 March 2019	752	181	933
Joiners	62		
Leavers	55		
Staff in post 31 March 2020	759	116	875
Average	767	148	915

¹ 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 2020

	Total Perm
Telford	533
Newcastle	129
Worthing	76
Southend	9
London	7
Shipley	4
Reading	1
Total	759

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

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

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

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

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

Diversity and inclusion

RCDTS Ltd want a diverse workforce to deliver a high-quality service. The diversity data apart from gender is drawn from the voluntary declarations made by employees. By 31 March 2020, from a total of 759 permanently employed staff, 242 (32%) declared whether or not they were disabled, 261 (34%) had provided their ethnicity details and 211 (28%) stated their sexual orientation. As with previous years, the diversity data is incomplete and we are taking steps to improve declaration rates going forward. Steps to encourage more staff to record their information on the system include: working with the RCDTS Ltd Employee Forum; working with senior leadership teams, making declaration rates more visible and using HR site visits to explain the importance and benefits of fuller diversity information. This work started last year and will continue.

Male and female employees

	Female	%	Male	%	Total	%
Permanently employed staff	141	19%	618	81%	759	100%

Declared disability status of employees

	Disabled	%	Non-disabled	%	Total	%
Permanently employed staff	20	3%	222	29%	242	32%

Declared ethnicity category of employees

	Black/Asian/ minority ethnic	%	White	%	Total	%
Permanently employed staff	38	5%	223	29%	261	34%

Declared sexual orientation category of employees

	Heterosexual/ straight	%	Lesbian/gay/ bisexual/other	%	Total	%
Permanently employed staff	199	26%	12	2%	211	28%

Sickness absence data

The average working days lost based on the number of full-time equivalent employees for 2019 to 2020 was 5.59 days (2018 to 2019 - 4.73 days).

Remuneration Committee

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

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

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

Staff costs

Details of staff costs are included in note 3 (page 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 2019 to 2020 (2018 to 2019 there was one exit package in the £25,000-£50,000 range). The exit package information has been subject to audit.

Remuneration report

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

Two of the Directors as at 31 March 2020 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

2019	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£19.99	£25.80	22.6%
Median	£17.82	£19.45	8.4%

2018	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£19.50	£25.66	24.0%
Median	£16.88	£19.62	14.0%

Gender pay gap	2019 excl. Contractors	2018 excl. Contractors
Mean	6.2%	9.3%
Median	0.9%	9.5%

The government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap. RCDTS Ltd reported on these requirements on 24 January 2020 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 above, reported annually, show the difference in the average pay between all men and women in RCDTS Ltd, for both base pay 5 April 2019 and the bonuses received in the year 6 April 2018 to 5 April 2019. This is the most recent data available. The pay gaps are measured using both mean (total divided by employee numbers) and median (middle of the range) averages. The difference is expressed as a percentage of the average hourly rate of pay for employees.

The distribution of our workforce drives our mean and median figures. Whilst we are striving to improve our diversity, including through our recruitment practices, RCDTS Ltd workforce comprised of only 19% women in April 2019.

Our mean and median gender pay gap remains high this year due to the inclusion of contractor pay for the second time since introducing this in 2018. However, the gender pay gap has decreased slightly since last year. This is due to a larger increase in the mean hourly rate for women compared to men. Due to the gender ratio in RCDTS Ltd, any change to the hourly pay for women can have a significant effect on 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.

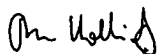
Read more:

[Gender Pay Gap service](#)

[RCDTS Ltd Gender Pay Gap Report 2019](#)

People off-payroll

HMRC reports to HM Treasury about off-payroll appointments of more than six months and more than £245 a day. RCDTS Ltd has off-payroll appointees and these individuals have been considered by HMRC as part of their disclosure, which is included in the HMRC Annual Report and Accounts (page 139).



Justin Holliday
Chief Executive Officer
23 October 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of Revenue and Customs Digital Technology Services Limited (RCDTS Ltd) for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and the related notes, including the significant accounting policies. The financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union in accordance with the provisions of the Companies Act 2006. The entity has also applied the 2019-20 Government Financial Reporting Manual (FRM) issued by HM Treasury, which interprets IFRS for the context of the public sector, where it does not contradict the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of company's affairs as at 31 March 2020; and of the income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- RCDTS Ltd's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- RCDTS Ltd have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about RCDTS Ltd's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Directors and Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RCDTS Ltd's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of RCDTS Ltd's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RCDTS Ltd's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause RCDTS Ltd to cease to continue as a going concern.

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

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

Other Information

Management is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the

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

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

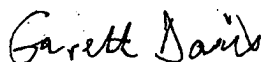
Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



Gareth Davies
Comptroller and Auditor General

Date 2 November 2020

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 2020

	Note	2019-20 £000	2018-19 £000
Income			
Income from Managed IT Services	2	71,841	73,700
		71,841	73,700
Expenditure			
Staff costs	3	(38,917)	(36,442)
Running costs	4	(32,779)	(37,050)
Other expenditure	4	(145)	(183)
		(71,841)	(73,675)
Profit before taxation		-	25
Taxation	5	-	(25)
Profit after taxation		-	-
Other comprehensive income		-	-
Total comprehensive income for the period		-	-

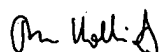
The notes on pages 32 to 45 form part of these accounts.

Revenue and Customs Digital Technology Services Limited
Statement of Financial Position
as at 31 March 2020

	Note	2019-20 £000	2018-19 £000
Non-current assets			
Property, plant and equipment	6	448	226
Total non-current assets		448	226
Current assets			
Trade and other receivables	7	10,474	13,297
Cash and cash equivalents	8	5,178	8,639
Total current assets		15,652	21,936
Total assets		16,100	22,162
Current liabilities			
Trade and other payables	9	(9,100)	(8,137)
Current tax liability	5	-	(25)
Total current liabilities		(9,100)	(8,162)
Total assets less current liabilities		7,000	14,000
Non-current liabilities			
Long-term loan	10	(7,000)	(14,000)
Total non-current liabilities		(7,000)	(14,000)
Total assets less liabilities		-	-
Total Reserves		-	-

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.



Justin Holliday
Chief Executive Officer
Registered Company Number 9679225
23 October 2020

Revenue and Customs Digital Technology Services Limited
Statement of Cash Flows
for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Cash flows from operating activities			
Profit after taxation		-	-
Adjustments for non-cash transactions:			
Depreciation	6	142	147
Loss on disposals	4	3	36
(Increase)/decrease in trade and other receivables	7	2,823	4,522
Increase/(decrease) in trade payables	9	963	2,573
Increase/(decrease) in current tax liability	5	(25)	11
Increase/(decrease) in provisions		-	(2,970)
Net cash flows from operating activities		3,906	4,319
Cash flows from investing activities			
Proceeds of disposal of Plant and Equipment		4	6
Purchase of Plant and Equipment	6	(371)	-
Net cash in/(outflow) from investing activities		(367)	6
Cash flows from financing activities			
Increase/(decrease) in long-term loan	10	(7,000)	4,300
Net financing		(7,000)	4,300
Net increase/(decrease) in cash in the period		(3,461)	8,625
Cash at the beginning of the period		8,639	14
Increase/(decrease) in cash		(3,461)	8,625
Cash at the end of the period	8	5,178	8,639

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 2020

Notes to the Statement of Accounts

1. Statement of accounting policies

1.1 Basis of accounting

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

These financial statements have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006. In addition, they have been prepared in accordance with the 2019 to 2020 Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent the FReM is consistent with the requirements of the Companies Act 2006.

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

1.2 Accounting convention

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

1.3 Going concern

The Directors expect that RCDTS Ltd will continue operations for the foreseeable future. The basis of this is continued ongoing support from HMRC in the form of a long-term loan (note 10, page 44). The going concern basis of preparation is further referenced in the Directors' Report (page 9).

1.4 Income and recharged costs

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

Invoices for services are raised twice monthly in arrears 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.

Revenue and Customs Digital Technology Services Limited

for the year ended 31 March 2020

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 5 years.

1.8 Taxation

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

1.9 Value Added Tax (VAT)

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

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2020

1.10 Funding

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

1.11 Provisions

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

1.12 Contingent liabilities

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

1.13 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 2019 to 2020 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.

To assess the impact of IFRS 16 on RCDTS Ltd, a detailed download of expenditure for 2018 to 2019 and 2019 to 2020 was extracted from the source system. The managed service expenditure was then separated from the pass-through charges and examined further for any right-of-use assets. The pass-through charges are ultimately recorded in the HMRC accounts and this expenditure will not therefore include any right-of-use assets for the company. The review of managed service expenditure found no right-of-use assets. Going forward new contracts will be reviewed by Commercial and CDIO for IFRS 16 impacts.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2020

1.14 Impending application of newly issued accounting standards not yet effective

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

1.15 Critical accounting judgements and key sources of estimation

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

Revenue and Customs Digital Technology Services Limited
for the year ended 31 March 2020

2. Income

	2019-20	2018-19
	£000	£000
Managed service income from HMRC	71,841	73,700
Total income	71,841	73,700

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 2020

3. Staff costs

	2019-20 £000	2018-19 £000
Wages and salaries	32,741	31,315
Social security costs ¹	3,636	3,484
Other pensions cost	2,540	1,643
Total staff costs	38,917	36,442

Average number of persons employed	2019-20	2018-19
Permanently employed staff	767	741

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 2019 to 2020 were £2,128,158 (2018 to 2019: £1,957,101).

A number of staff in RCDTS Ltd had contractual rights to the Civil Service Pension Arrangements (CSPA) under the 2013 New Fair Deal policy and RCDTS Ltd has Admitted Bodies status into the scheme which is managed by the Scheme Management Executive within Cabinet Office. These staff have taken the option to transfer their accrued benefits from their existing pension plans to the CSPA. Contributions into this scheme for 2019 to 2020 were £411,496 (2018 to 2019: £422,340).

¹ Social security costs include the Apprenticeship Levy which is £143,223 for 2019 to 2020 (2018 to 2019: £126,438).

Revenue and Customs Digital Technology Services Limited
for the year ended 31 March 2020

4. Running costs and other expenditure

	2019-20 £000	2018-19 £000
Running costs		
Contracted Out Services ¹	24,731	28,685
HMRC shared service charge	4,455	3,998
IT expenditure	2,138	2,825
General running expenditure ²	602	679
Travel, subsistence and hospitality	790	803
Audit fee	63	60
Total running costs	32,779	37,050
Non-cash expenditure		
Depreciation	142	147
Loss on disposals	3	36
Total non-cash expenditure	145	183
Total	32,924	37,233

¹ Number of contractors engaged is disclosed within the Remuneration and Staff report table on page 19.

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

Revenue and Customs Digital Technology Services Limited
for the year ended 31 March 2020

5. Taxation

	2019-20 £000	2018-19 £000
Current tax charge	-	25
Deferred tax charge	-	-
Total tax charge	-	25
Profit before tax	-	25
Non-deductible expenses		
Depreciation	142	147
Loss on disposals	3	36
Adjusted profits before capital allowances	145	208
Less: capital allowances ¹	(145)	(76)
Total Taxable profits	-	132
Corporation Tax liability	-	25

¹ In 2019 to 2020, capital allowances claimed have been limited to the amount of depreciation incurred and loss on disposal incurred, as RCDTS Ltd is a non-profit making company.

Revenue and Customs Digital Technology Services Limited
as at 31 March 2020

6. Property, plant and equipment

	Office and computer equipment	£000
Cost or valuation		
At 1 April 2019		597
Additions		371
Disposals		(29)
Reclassifications		-
At 31 March 2020		939
Depreciation		
At 1 April 2019		(371)
Charged in the year		(142)
Disposals		22
At 31 March 2020		(491)
Carrying amount at 31 March 2020		448
Prior Year		
Cost or valuation		
At 1 April 2018		693
Additions		-
Disposals		(96)
Reclassifications		-
		597
Depreciation		
At 1 April 2018		(278)
Charged in the year		(147)
Disposals		54
At 31 March 2019		(371)
Carrying amount at 31 March 2019		226

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 2020

7. Trade and other receivables

	2019-20 £000	2018-19 £000
Amounts expected to be received within one year:		
Trade receivables (managed service only)	2	8
Other receivables	10	11
Accrued income and recharged costs (managed service)	6,614	8,425
Accrued income and recharged costs (pass-through)	3,649	4,755
Prepayments	199	98
	10,474	13,297

Revenue and Customs Digital Technology Services Limited
as at 31 March 2020

8. Cash and cash equivalents

	2019-20	2018-19
	£000	£000
Balance at 1 April	8,639	14
Net change in cash and cash equivalent balances	(3,461)	8,625
Balance at 31 March	5,178	8,639
Of which balances were held at:		
Government Banking Service	5,178	8,639
Balance at 31 March	5,178	8,639

Revenue and Customs Digital Technology Services Limited
as at 31 March 2020

9. Trade and other payables

	2019-20 £000	2018-19 £000
Amounts expected to be paid within one year:		
Other taxation and social security	1,012	909
Trade payables (pass-through only)	27	69
Trade payables (managed service only)	18	-
Other payables	299	305
Accruals (managed service)	4,368	4,952
Accruals (pass-through)	1,979	872
Value Added Tax	1,397	1,030
	9,100	8,137

**Revenue and Customs Digital Technology Services Limited
as at 31 March 2020**

10. Long-term loan

	2019-20 £000	2018-19 £000
Balance at 31 March	7,000	14,000

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

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

10.1 Reconciliation of liabilities arising from financing activities

	2019-20 £000	2018-19 £000
Balance at 1 April	14,000	9,700
Net Loan Drawn / (Repaid)	(7,000)	4,300
Balance at 31 March	7,000	14,000

Loan repayment in future periods	£000
Within one year	nil
Between two and five years	7,000
After five years	nil

The funding is provided by HMRC for general working capital and investment purposes in each case, in relation to information technology and security services provided by RCDTS Ltd to HMRC. Funding advances are in accordance with the agreement and HMT guidance Managing Public Money. RCDTS Ltd has the right to make voluntary early repayments and may repay the whole or any part of the funds outstanding from time to time from all or any of its available surplus funds. Voluntary repayments totalling £7 million have been made during the year.

Revenue and Customs Digital Technology Services Limited for the year ended 31 March 2020

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 parties has undertaken any material transactions with the company during the year.

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

12. Events after the reporting period date

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

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

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