

Annual Report and Accounts 2016-17

BPDTS Ltd - Company registered number: 10344843

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BPDTS Ltd - AR&A - 2016-17

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1. The Chair's foreword

This is the first report and accounts for BPDTS Ltd, a company set up in 2016 by the Department for Work and Pensions (DWP) to provide application development, maintenance and support services to the DWP by taking in staff and services previously held under contract with Hewlett Packard Enterprises (HPE). As a result, the DWP plans to improve Digital services, reduce costs and secure more control over its digital future.

The Board is pleased to report that over 380 staff were successfully transferred into BPDTS within this reporting period, this took place in two tranches in December 2016 and in March 2017. The Board is proud that the transfers took place without disrupting the delivery of benefits and services to DWP's end customers and users.

Our staff have adapted to the changes, whilst continuing to deliver high quality and often niche technical skills that kept the DWP's critical Digital services running.

In a relatively short period of time, BPDTS staff were working with the DWP's Digital colleagues and have successfully and seamlessly delivered a number of new and technically challenging releases without issue, and carried out a number of fixes and maintenance works to support the smooth running of the DWP's Digital services.

It is of great credit to our managers and staff that they have brought to bear their essential specialist skills and experience, and continued to provide high quality collaborative digital services to support the strategic aims of the DWP. Most importantly they have sustained and improved the systems that provide support to the lives and needs of millions of our citizens.

Although this report only covers the short period of time from the start of trading on the 1 December 2016 to the end of the financial year, we look forward to being able to report on further successes in the future as BPDTS Ltd develops.



Claire Johnston
BPDTS Chair

**Please note that since the transfer of Hewlett Packard Enterprises (HPE) staff, the Company has completed a merger to become DXE Technology.*

2. Background

For a number of years there has been growing concern within government over the ability to attract and retain specialist digital staff and to gain better management control of the design, development and running of digital services, underpinning many core services and processes.

To better manage and improve this position, Her Majesty's Revenue and Customs (HMRC) established a new government company (a GovCo) which would provide information technology services. The DWP followed this model, drawing on HMRC's experience.

Following the approval of HM Treasury and Cabinet Office, BPDTS Ltd was incorporated at Companies House on 24 August 2016 as a private company limited by guarantee with the Secretary of State for Work and Pensions as the sole member.

BPDTS Ltd was set-up to supply the DWP with digital services, initially focussed on services previously supplied by HPe under commercial contract. The DWP is BPDTS' sole customer.

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

Under the Transfer of Undertakings (Protection of Employment) (TUPE) regulations 2006, the BPDTS staff transferred to the Company from HPe in five separate waves. The first two waves comprising twenty-eight (28) employees transferred on 1 December 2016 and a further three waves comprising three-hundred and fifty-six (356) on 25 March 2017. On joining BPDTS, the staff became public servants, not civil servants. In addition contractor resources were either transferred from HPe or recruited to fill vacancies, most of the staff and contractors are based in Newcastle or Blackpool.

The transfer of these essential specialist skills and services to BPDTS enables the Company to provide a dedicated collaborative service to the DWP Digital Group, where BPDTS will design, build and maintain digital, data and technology solutions that support the DWP's strategic aims and objectives and most importantly support the lives and needs of millions of our citizens.

In addition to the transfer of technically skilled digital staff, BPDTS has ensured that its staff have had access to the necessary tools and working environment to enable them to bring their skills to bear.

BPDTS has entered into some significant support contracts for staff payroll and accounting with Liberata. The Company has also engaged a commercial pension and life cover provider (Friends Life/ Aviva) for BPDTS staff. To support the Board, the Company appointed Ashford's to act as the Company Secretary.

3. Strategic report

The strategic objectives of the Company, set out in the articles of association are to deliver information technology and related security services required to support the Department in fulfilling its mission and objectives and carrying out its statutory functions and other responsibilities, in accordance with the DWP's priorities and in compliance with its governance arrangements.

The performance priority during the period covered by this report was to successfully transfer staff and services from HPe, minimising the risk of disruption to live services. This was the principal risk and uncertainty faced by the Company during this reporting period. For this reason, the Company decided not to change structures and processes during the transfer but to bring them across, as they had operated in HPe, with the intention of reviewing them subsequently in order to maximise efficiency and effectiveness.

The transfers were carried out in a series of waves, starting with a relatively limited number but wide range of application development services and building on that experience. In the event, the transfers took place across five waves with the majority of staff transferring close to the end of the business year.

BPDTS Ltd began trading on 1 December 2016 when the first two stages of transfers of staff took place. The remaining waves and functions transferred from HPe to BPDTS on 25 March 2017, including maintenance and support for several critical applications. The transfers from HPe to BPDTS were achieved with no material adverse consequences.

By the end of the reporting period BPDTS was responsible for development and maintenance services for several critical IT services for the DWP.

The costs set out in this annual report relate only to operating BPDTS and the assets owned and used by BPDTS to deliver its services. The operating costs therefore only relate to 4 months for some services, with just a week, after the arrival of the majority of staff, when more BPDTS services were delivered.



Ray Long
Chief Executive and Accounting Officer
7th December 2017

4. Directors' report

The Directors of the Company from 1 April 2016 to 31 March 2017 were:

Name	Role/ Position	Date appointed and term
Claire Johnston	(Chair of the Board & Non-Executive Director)	from 24 August 2016 for 3 years
Ray Long	(Chief Executive & Accounting Officer)	from 24 August 2016 to 31 December 2017
Debbie Alder	Non-Executive Director	from 21 November 2016 for 3 years
Paul Greening	(Chief Finance Officer)	from 21 November 2016 until 30 June 2018
Helen John	Non-Executive Director	from 21 November 2016 for 3 years
Mayank Prakash	Non-Executive Director	from 21 November 2016 for 3 years
Peter Schofield	Non-Executive Director	from 21 November 2016 for 3 years

Note:
The Chair and Chief Executive were appointed as Directors when the Company was incorporated. The CEO will retire on 31 December 2017, the CFO appointment has been agreed to 30 June 2018 to provide flexibility within the Executive Team.

The Directors present their first annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 March 2017. The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual (FRM) and other guidance issued by HM Treasury and the Secretary of State for Work and Pensions where the disclosure requirements of these go beyond the requirements of the Companies Act 2006.

In accordance with the International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) and International Financial Reporting Interpretations Committee Interpretations, the financial statements have been prepared and approved by the Directors.

The Governance statement and the Remuneration and staff report following this section form part of this report.

Principal activities

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

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

Going concern basis

During the reporting period, the Company's expenditure was £12.1m, matched by income of £12.1m from the DWP. Expenditure and income match because the Company is required, under agreements with the DWP, to operate on a full cost recovery basis, without making a profit. As at 31 March 2017 the Company had assets less current liabilities of £5m, mainly in the form of income due from the DWP.

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

In accordance with their responsibilities, the Directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. They have been provided with assurance from the DWP's Permanent Secretary regarding demand and current and future funding for BPDTS Ltd. These assurances provide the Directors with reasonable expectation that:

- Demand and therefore funding will increase in 2018-19;
- The DWP will provide sufficient notice if there were anticipated changes in demand; and
- To address concerns about funding shortfalls, the DWP will work with the Company to ensure that it always has sufficient cash to meet its liabilities.

Therefore after consideration of the assurances provided by the DWP's Permanent Secretary and feedback from HM Treasury's review of progress, the Directors are satisfied that BPDTS Ltd is a going concern.

Dividends

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

Information security

The Directors recognise their responsibilities under the Data Protection Act to ensure that personal and commercial information is protected against internal and external threats, loss or misuse.

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

Subsequent changes are reviewed on an ongoing basis to ensure they comply with the DWP Security standards.

Personal data related incidents

There were no personal data related incidents in 2016/17 reported to the Information Commissioner.

Environmental matters

The Company operates out of the DWP locations and supports the DWP's strategies in relation to sustainability.

Health and safety

In the year 2016/17 we reported no accidents under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) to the Health and Safety Executive (HSE).

Auditor

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

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

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

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

The internal audit programme is designed to evaluate conformance with the Public Sector Internal Audit Standards (PSIAS).

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

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

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

Approved by the Board and signed on its behalf by:



Ray Long
Chief Executive and Accounting Officer
7th December 2017

5. Governance statement

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

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

Although BPDTS is not yet formally classified by the Office of National Statistics (ONS) and the Cabinet Office, the structure and relationships of BPDTS to the DWP are set out in its Framework Agreement.

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

During the reporting year the Board of BPDTS consisted of 7 Directors, of whom 2 were Executive Directors (the CEO and CFO) and 5 were Non-Executive Directors. Of the 5 Non-Executive Directors, 4 were also members of the DWP's Executive Team and of these, 2 were also members of the DWP's Board (the Directors General for Finance and Digital). The Chair is employed by the Government Legal Department (GLD), not the DWP, but is a member of the DWP Executive Team.

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

The Board met 6 times during the reporting period. It also took steps to set up a Remuneration Committee and an Audit and Risk Committee. The Remuneration Committee met once during the period, while the Audit and Risk Committee met for the first time after the end of the reporting period.

Board Member	Number of attendances at meetings of the Board	Number of attendances at the Remuneration committee
Claire Johnston (Chair & Non-Executive Director)	5/6 *	N/A
Ray Long (Chief Executive & Accounting Officer)	6/6 *	1/1
Debbie Alder (Non-Executive Director)	4/4 **	1/1
Paul Greening (Chief Financial Officer)	4/4 **	1/1
Helen John (Non-Executive Director)	4/4 **	N/A
Mayank Prakash (Non-Executive Director)	4/4 **	1/1
Peter Schofield (Non-Executive Director)	4/4 **	N/A

Please note: The Chair and Chief Executive * were appointed at incorporation on 24 Aug 2016
The remaining Directors ** were appointed on 21 November 2016.

Peter Schofield chairs the Audit and Risk Committee (ARC), with Helen John as an ARC member. The Board of Directors agreed to appoint Jim Arnott as an additional ARC member - his appointment took effect 25 September 2017. Debbie Alder chairs the Remuneration Committee (Rem Com) with Mayank Prakash as a Rem Com member. Executive Directors and the BPDTS Secretariat attend both as appropriate.

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

System of control

BPDTS is principally governed by:

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

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

The control framework is intended to provide appropriate and proportionate safeguards, taking into account the accountabilities of the Company, its relationship with the DWP Digital Group and its place within the DWP family.

The key elements of the control framework are:

Business: Processes and controls for agreeing services and deliverables with the DWP, dealing with incidents and measuring performance. The key risk here was of disruption in service in the transition from HPe and this was mitigated by retaining HPe processes and putting in place a wide range of reviews and checkpoints by BPDTS and the DWP programme.

People: Processes and controls for joiners and leavers, line management, performance management, pay and allowances. A key risk here during the reporting period was that the transfers of staff into the Company did not ensure appropriate application of TUPE provisions. This was mitigated by extensive collaboration between the Company and the DWP programme.

Finance: Processes and controls for accounts payable and receivable, financial reporting, budgetary management and procurement. A key risk here was that appropriate financial controls were not built into BPDTS processes from the beginning. This was mitigated by contracting with Liberata to perform a number of standard transactional processes for the Company and the adoption of the DWP controls as a default.

Information security. As a critical subset of business processes and controls, BPDTS has kept in place the processes and controls operated by HPe to safeguard data and made changes only in consultation with security experts in the DWP.

The Company's systems and controls were in the course of development in the period covered by this report. Many of those in operation while the services were provided by HPe were continued after the transfer. Others, such as those relating to the financial systems and controls of the Company itself, needed to be developed afresh. Progress has been made on these and they continue to develop.

The Executive team

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

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

BPDTS Executive Team	Role/ Position
Ray Long	Chief Executive Officer and Accounting Officer
Paul Greening	Chief Finance Officer
Jess Townsley	HR Business Partner
Roland Knell	Head of Corporate Governance
Paul Doughty *	Operations Change
Andy Lucas	Operations Run
Raymond Cathline	ET Support Team Leader
Julian Balaam	Communications
<i>Richard McHugh from 4 September 2017 *</i>	

Assurance about the operation of the system of control

The bulk of services and staff only transferred from HPe at the very end of the reporting period, so appropriate systems for providing assurance on the operation of the system of control were still developing. For business processes, management relied on the controls and feedback mechanisms already put in place by HPe. For HR and finance processes, key assurances were derived by the executive team from management information provided by Liberata as well as through the line management chain.

One of the roles of the Audit and Risk Committee is to form a view on the robustness of the design and operation of the system of control. The Committee met for the first time after the end of the reporting period, but has taken assurance from the conclusions of internal audit reviews on the Company's financial systems, its charging processes and its governance. It has also taken assurance by making enquiries of management in relation to subjects such as financial controls, whistleblowing and fraud.

Assurance opinion of the Head of Internal Audit

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

Based on the findings and recommendations from a small number of reviews to date, and therefore internal audit's limited knowledge and experience of the Company's operations, in their opinion, the governance, risk management and control arrangements during the reporting period have provided reasonable assurance at this point of BPDTS's development.

This is defined by a review of Governance which confirmed that the Company has been incorporated as a company limited by guarantee in line with the requirements of the Act and a review of financial reporting has also confirmed that many of the fundamental financial controls are in place, or are planned for introduction.



Ray Long
Chief Executive and Accounting Officer
7th December 2017

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

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

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

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

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

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

The control environment of the Company is still developing, but there were no significant control issues during the reporting period. BPDTS has adopted and intends to adopt the DWP policies where appropriate, for example, in relation to whistleblowing and fraud.

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

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

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



Ray Long
Chief Executive and Accounting Officer
7th December 2017

7. Remuneration and staff report

Our people

The BPDTS staff transferred to the Company from HPe in five separate waves. The first two waves comprising twenty-eight (28) employees transferred on 1 December 2016 and a further three waves comprising three-hundred and fifty-six (356) on 25 March 2017. On joining BPDTS, the staff became public servants, not civil servants. Most of the staff are based in Newcastle or Blackpool.

They transferred on their existing terms and conditions under the TUPE (Transfer of Undertakings (Protection of Employment)) regulations. As a result, BPDTS staff are on a range of different terms of conditions, depending on those that applied to each of them at the date of transfer.

In addition BPDTS engaged off payroll personnel and staff seconded from the DWP. BPDTS has processes in place to ensure that tax and national insurance are correctly calculated.

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

Remuneration of Directors

The Board comprises seven (7) Directors, appointed by the Secretary of State for Work and Pensions. All the Directors are senior civil servants whose remuneration, like that of other senior civil servants, is set by the Prime Minister following independent advice from the Senior Salaries Review Body. Details are available on www.gov.uk.

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

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

The Executive Directors, Ray Long (CEO) and Paul Greening (CFO), are civil servants who are employed by the DWP. From 1 December 2016, all of Paul Greening's salary and 75% of Ray Long's salary was recharged by the DWP to BPDTS. Salary recharges are based on the proportion of time spent by directors, in their BPDTS roles, subject to a de minimis limit.

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

Executive Directors' pay

This information has been subject to audit

Directors' remuneration - 2016-17			
Name	Salary £'000	Pension Benefits £'000	Total Remuneration £'000
Ray Long * Chief Executive (appointed 24 Aug 2016)	65-70 (105-110 full year equivalent)	7	70-75
Paul Greening Finance Director (appointed 21 Nov 2016 for one year)	25-30 (80-85 full year equivalent)	5	30-35

The salaries stated above are solely for the period in the year when an individual served as Directors for BPDTS Ltd. No bonus payments were made to the Executive Directors.

**The figures in the table for the Chief Executive relate to his full remuneration. Only 75% of this was recharged to BPTDS as he retained some DWP responsibilities*

Salaries include:

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

Executive Directors' pensions

This information has been subject to audit

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

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

Remuneration of employees

BPDTS has adopted the transferred staff remuneration environment from HPe as the workable and understood starting point. BPDTS is developing a job architecture and remuneration policy appropriate for its objectives and the labour market in which it operates. Remuneration of employees is set by the Board on the advice of the Remuneration Committee.

Fair pay disclosure

This information has been subject to audit

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

The pay band of our highest-paid Director during 2016-17 was £105-110k (FTE). This was 3.52 times the median pay of the workforce, which was £30,540 (FTE).

Pay band of highest paid executive Director 2016-17	Median total pay	Ratio
£105,000-110,000	£30,540	3.52:1

In 2016-17 no employee was paid more than the highest-paid director. Pay bands ranged from [£13,500-14,000] to [£105,000-110,000].

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

Staff costs

Staff costs during the four months of economic activity ending 31 March 2017 were as follows:

Item	Permanent Staff £000	Other £000	Total £000
Wages and salaries	909		909
Contractors		1,902	1,902
Social security costs	43		43
Other pension costs	57		57
Directors' salary recharges	79		79
Fair Deal costs	7,440		7,440
Total staff costs	8,528	1,902	10,430

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

Other staff costs represent the cost to the Company of contractors.

Pension costs

The Company makes contributions to its own BPDTS workplace pension scheme. For 2016/17, employer contributions of £39,209 were payable to the BPDTS workplace pension scheme.

Employer contributions payable to the CSPA under the 2013 New Fair Deal policy for 2016-17 were £18,207.

Civil Service and Other Compensation Schemes - Exit Packages

There were no civil service and other compensation schemes exit packages agreed by the Company during the four month reporting period ended 31 March 2017.

Pension schemes

Friends Life pension scheme

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

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

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

Civil Service Pension Schemes

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

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

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

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

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

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

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

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

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

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

Staff data

Average number of people employed

Our data is based on twenty-eight (28 FTE) staff from December 2016 to 31 March 2017 and three-hundred and fifty-six (356 FTE) staff for the last week of March 2017.

This information has been subject to audit

The average number of people employed and engaged during the four months of economic activity was as follows:

Item	Employees	Engaged	Total
Average number of people employed and engaged	117	69	186

Staff composition and policies

The staff composition of the Company and its staff policies reflected the position at the point of transfer from HPe. These will develop as BPDTS matures as an organisation.

Off-payroll engagements

As at 31 March 2017 BPDTS had no off-payroll engagements that were paid more than £220 per day and that had lasted more than 6 months at that date, as the Company had not been in operation for 6 months. For the same reason BPDTS did not enter into any new off-payroll engagements during the reporting period that were paid more than £200 per day that had lasted more than 6 months by the end of the reporting period.

BPDTS relies on a significant number of off-payroll staff and third party services in order to meet the varying demand for services required by the DWP Digital Group.

As at 31 March 2017 BPDTS had one hundred and twenty-three (123) off-payroll engagements. Most of the contractors involved had transferred from engagements with HPe.

The bulk of transfers of contractors took place shortly before the introduction of changes to the tax treatment of off-payroll staff. BPDTS carried out the necessary assessments of its off-payroll staff for tax and national insurance and ensured the arrangements were compliant within the required timescales.

Sickness data

Our data is based on twenty-eight (28 FTE) staff from December 2016 to 31 March 2017 and three-hundred and fifty-six (356 FTE) staff for the last week of March 2017. Although the sickness levels over the reporting period were relatively low, we have also inherited through the March transfer a number of long-term sick staff from HPe.

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

	Working days	Days lost to sickness	Average Working Days Lost (annual equivalent)
Days available to 31 March 2017	3880	83	4.8
This is based on 28 FTE Dec to March and 356 FTE for 5 working days in March 2017			

Diversity and inclusion

BPDTS is committed as an employer to promoting diversity and inclusion. As the workforce composition and its terms and conditions were the product of the transfers to the Company under TUPE, the priority for BPDTS during the reporting period was ensuring that the staff transfers were carried out as efficiently and effectively as possible with minimal risk to the existing contractual position of staff.

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

8. Independent auditor's report to the Members of BPDTS Ltd

I have audited the financial statements of BPDTS Ltd for the year ended 31 March 2017 which comprise the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union.

Respective responsibilities of the Directors and the auditor

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Chair's Forward, Background, Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on financial statements

In my opinion:

- The financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of the net operating income for the year then ended;
- The financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by 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 expenditure and income 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.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 and these reports have been prepared in accordance with the applicable legal requirements; and
- In light of the knowledge and understanding of the group and the Company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to 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 are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.



Peter Morland (Senior Statutory Auditor)

11 December 2017

For and on behalf of the

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

9. Financial Statements

Statement of Comprehensive Income

for the period ended 31 March 2017

	Note	Period ended 31 March 2017 £000's
Operating income		12,112
Operating expenditure		
Staff costs	2	(10,430)
IT support and service costs		(453)
Non IT support services		(625)
Depreciation and amortisation	5&6	(513)
Other expenditure		(91)
Total operating expenditure		(12,112)
Net operating income		0
Other comprehensive income		
Net gain on revaluation of intangible assets	6	18
Total comprehensive income for the period ended 31 March 2017		18

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company, reflecting the period to 31 March 2017. Further detail on the accounting period is described in note 1.

The notes on pages 29 to 39 form part of these financial statements.

Statement of Financial Position

as at 31 March 2017

	Note	31 March 2017 £000's
Non-current assets		
Property, plant and equipment	5	1,206
Intangible assets	6	1,290
Total non-current assets		2,496
Current assets		
Trade and other receivables	7	12,388
Cash and cash equivalents	8	3,083
Total current assets		15,471
Total assets		17,967
Current liabilities		
Trade and other payables	9	(5,509)
Provisions	11	(7,440)
Total current liabilities		(12,949)
Total assets less current liabilities		5,018
Non-current liabilities		
DWP loan	10	(5,000)
Total non-current liabilities		(5,000)
Total assets less total liabilities		18
Equity		
Revaluation Reserve		18
General Reserve		0
Total equity		18

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company, reflecting the period to 31 March 2017. Further detail on the accounting period is described in note 1.

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

The notes on pages 29 to 39 form part of these financial statements. These financial statements were approved and authorised for issue by the Board of Directors on 7th December 2017, and were signed on its behalf by:



Ray Long
Chief Executive & Accounting Officer
7th December 2017
Company registered number: 10344843

Statement of Cash Flows

for the period ended 31 March 2017

	Note	31 March 2017 £000's
Cash flows from operating activities		
Net operating income		0
Adjustments for:		
Depreciation	5	75
Amortisation	6	438
Impairments		
Creation of provision	11	7,440
(Increase)/decrease in trade and other receivables	7	(12,388)
(Decrease)/increase in trade and other payables	9	5,509
Net cash inflow from operating activities		1,074
Cash flows from investing activities		
Purchase of property, plant and equipment	5	(1,281)
Purchase of intangible assets	6	(1,710)
Receipt of shareholder loan	10	5,000
Net cash inflow from investing activities		2,009
Cash flows from financing activities		
Net cash inflows from financing activities		0
Net increase/(decrease) in cash in the period		3,083
Cash at the beginning of the period		0
Cash at the end of the period		3,083

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. These are the first set of accounts produced for the Company, reflecting the period to 31 March 2017. Further detail on the accounting period is described in note 1.

The notes on pages 29 to 39 form part of these financial statements.

Statement of Changes in Equity

for the period ended 31 March 2017

	General Reserve £000's	Revaluation Reserve £000's	Total £000's
Balance as at 1 December 2016	0	0	0
Net operating income for the period	0	0	0
Net gain on revaluation of intangible assets	0	18	18
Balance at 31 March 2017	0	18	18

BPDTS Ltd was incorporated on 24 August 2016 and commenced trading on 1 December 2016. As the Company is limited by guarantee, it has no share capital. These are the first set of accounts produced for the Company, reflecting the period to 31 March 2017. Further detail on the accounting period is described in note 1.

The notes on pages 29 to 39 form part of these financial statements.

Notes to the Accounts

Note 1: Statement of accounting policies

1.1 General Information

BPDTS Limited (“BPDTS” or “the Company”) is a company that is limited by guarantee and is incorporated and domiciled in the United Kingdom. The Company is wholly owned by the Secretary of State for Work and Pensions. The Company’s principal activities are the provision of information technology and IT security services to the Department for Work and Pensions (DWP).

BPDTS was incorporated on 24 August 2016 and commenced trading on 1 December 2016. The period covered by these accounts is therefore 7 months and 7 days, however the Company undertook no activity until 1 December 2016. As a result the period of economic activity described in the Statement of Comprehensive Income (SoCI) is 4 months. These are the first set of accounts produced, reflecting the period to 31 March 2017.

1.2 Basis of preparation

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

The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the 2016-17 Government Financial Reporting Manual (FReM) and any other guidance issued by HM Treasury, where these disclosure requirements go beyond those of the Companies Act 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

As a newly formed company these are the first set of accounts published by BPDTS Ltd and therefore there are no prior year comparatives.

1.3 Accounting standards, interpretations and amendments

The Company has adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2017.

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

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

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

1.4 Accounting convention

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

1.5 Going Concern

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

1.6 Areas of judgement and estimation techniques

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

The only material area of estimation in the 2016-17 accounts is the calculation of the value of the Fair Deal provision. Further information in relation to the Fair Deal provision is provided in note 11.

Placing a capital value upon income streams over many future years requires certain estimates to be made, both demographic and financial. It is the differences in these financial and demographic estimates (i.e. how long members will live, what salary increases active members will receive etc.) that lead to a difference in the amount of money that is required at the transfer date to provide the benefits that have been promised. The company has based these estimates largely on advice received from Government Actuaries.

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

The actual shortfall payable will depend on a number of conditions, including:

(i) The number of members who opt to transfer

The shortfall estimate has been based on the assumption that all 62 members opted to transfer their benefits. The estimated number of transferees is based on the assessment that the terms and conditions of the Civil Service Pension Arrangements (CSPA) are relatively more attractive than the members' previous scheme, the HPE EDS94 Scheme. This assessment was based on the level of required contributions from the employee and employer, and the expected benefits to be ultimately received by the member.

(ii) Effect of market conditions on roll-forward of shortfall

The actual shortfall will be payable in the future and will be based on market conditions at some future time, specifically the return on the FTSE Actuaries index of index-linked gilt stocks for terms over 15 years (“index-linked gilt return”), which could differ significantly to current conditions.

1.7 Income

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

1.8 Property, plant and equipment

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

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

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

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

1.9 Intangible assets

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

Purchased software licences

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

1.10 Depreciation and amortisation

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

Depreciation

(Estimated useful asset lives are within these ranges)

Information technology	3 to 7 years
------------------------	--------------

Amortisation

Purchased software licences	The shorter of the licence period, or 5 years
-----------------------------	---

1.11 Impairment of non-current assets

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

1.12 Financial assets and liabilities

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

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

The Company determines its financial liabilities as contractual obligations to deliver cash or other financial assets to another entity. They are recognised initially at fair value and are subsequently held at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation to transfer cash flows is extinguished. Financial liabilities consist of trade payables and accruals.

1.13 Provisions

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

1.14 Pensions

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

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

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

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

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

1.15 Holiday entitlements

Where an employee has rendered service during an accounting period, the undiscounted amount of short term employee benefits expected to be paid in exchange for that service is shown as a liability on the Statement of Financial Position (SoFP), after deducting any amounts paid.

1.16 Contingent liabilities

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

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

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

1.17 Taxation

BPDTS has registered for Value Added Tax (VAT), Pay As You Earn (PAYE) and Corporation Tax (CT). CT is payable to the extent that income exceeds trading losses. Tax is recognised in the SoCI. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the SoFP date.

1.18 VAT

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

1.19 Funding

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

Note 2: Staff & contractor costs

2.1 Staff costs

Staff costs during the four months of economic activity ending 31 March 2017 were as follows:

	Permanent Staff	Other	Total
	£000	£000	£000
Wages and salaries	909		909
Contractors		1,902	1,902
Social security costs	43		43
Other pension costs	57		57
Directors' salary recharges	79		79
Fair Deal costs	7,440		7,440
Total staff costs	8,528	1,902	10,430

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

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

Other staff costs represent the cost to the Company of contractors.

Note 3: Auditors Remuneration

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

Note 4: Taxation

	four months ended 31 March 2017
	£000
Current tax charge	-
Deferred tax charge	-
Total tax charge	-
Profit before tax	-
Non-deductible expenses	
Depreciation and amortisation expenditure	513
Less capital allowances	(513)
Total tax charge	0

Note 5: Property, plant and equipment

	Information Technology	Total
	£000	£000
Cost or Valuation		
At 1 December 2016	0	0
Additions	1,281	1,281
At 31 March 2017	1,281	1,281
Depreciation		
At 1 December 2016	0	0
Charged in year	75	75
At 31 March 2017	75	75
Net book value at 31 March 2017	1,206	1,206
Asset financing:		
Owned	1,206	1,206
Net book value at 31 March 2017	1,206	1,206

BPDTS acquired £1.28m of remote secure connectivity (RSC) devices during the period. The (RSC) solution aims to provide a secure and contractually compliant mechanism by which staff can connect to the DWP network in order to carry out development, testing, support or maintenance of the DWP estate.

Note 6: Intangible assets

	Purchased Software Licences	Total
	£000	£000
Cost or Valuation		
At 1 December 2016	0	0
Additions	1,710	1,710
Revaluations	18	18
At 31 March 2017	1,728	1,728
Amortisation		
At 1 December 2016	0	0
Charged in year	438	438
At 31 March 2017	438	438
Net book value at 31 March 2017	1,290	1,290

BPDTS acquired £1.01m of ADMS tooling service licences and £0.7m of Windows server enterprise licences during the period.

Note 7: Trade and other receivables

	£000
Trade receivables	1,653
Accrued income	10,735
Balance at 31 March 2017	12,388

The trade receivables are due from the Company's only customer, the DWP.

Note 8: Cash

	£000
Balance at 1 December 2016	-
Net change in cash	3,083
Balance at 31 March 2017	3,083

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

Note 9: Trade and other payables

	£000
Amounts falling due within one year:	
VAT	48
Taxation and Social Security	91
Accruals and Deferred income	5,321
Other payables	49
Balance at 31 March 2017	5,509

Note 10: Long term loan

	£000
Balance at 1 December 2016	0
Increase in loan	5,000
Balance at 31 March 2017	5,000

BPDTS is a company limited by guarantee, which is wholly owned and funded by the DWP. The Company had the facility to draw down up to £5 million as at 31 March 2017. The funding has subsequently been increased to £10 million as allowed under the funding facility agreement. BPDTS has the option to repay part or, the entire loan, in order to minimise cash balances in accordance with HM Treasury requirements.

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

Note 11: Fair Deal provision

	Gross Provision
	£000
Balance at 1 December 2016	0
Provided in the year	7,440
Balance at 31 March 2017	7,440

Analysis of expected timing of Discounted Flows - Fair Deal Provision

	Fair Deal Provision
	£000
Not Later than one year	7,440
Later than one year and not later than five years	-
Later than five years	-
Balance at 31 March 2017	7,440

Fair Deal Provision

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

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

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

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

In this specific case, the members' previous scheme is the HPE EDS94 Scheme ('EDS94 Scheme') and the public service scheme is the Principal Civil Service Pension Scheme (PCSPS). The eventual shortfall payable will be the difference between the PCSPS funding requirement, at the date it is met in full, and the money paid across by the EDS94 Scheme in respect of the transfer of benefits.

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

A provision of £7.44m has been made to cover the probable pension shortfall.

Sensitivities to key assumptions

The two key assumptions to which the shortfall estimate is most sensitive are:

- (i) The number of members who opt to transfer
In arriving at the shortfall estimate, it has been based on the assumption that all 62 members opt to transfer their benefits. In practice, it is very difficult to predict what proportion of members may opt to transfer. If no members were assumed to transfer their benefits, the estimated shortfall would be 0.
- (ii) Effect of market conditions on roll-forward
This shortfall estimate has rolled forward the bulk transfer amounts and PCSPS funding requirements from their vesting dates to an illustrative payment date of 25 July 2017. The illustrative payment date, is the date when the Company is assumed to settle the shortfall that is due to the CSPA when the former members are readmitted to the CSPA. The actual shortfall payable in the future will be based on market conditions at some future time, specifically the return on the FTSE Actuaries index of index-linked gilt stocks for terms over 15 years (“index-linked gilt return”), which could differ significantly to current conditions.

By way of example:

Assumption	Change in assumption	Change in Fair Deal provision shortfall £m
Proportion of members opting to transfer	-2%	-0.148
Index-linked gilt return	+1%	+0.074
	-1%	-0.074

Note 12: Going concern basis

After careful consideration, the directors have a reasonable expectation that the Company’s only customer the DWP will continue to utilise the Company’s services for the foreseeable future. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. The factors considered in reaching this conclusion are detailed on page 9 of the Directors’ Report.

Note 13: Financial instruments

The Company’s cash requirements are largely met as a result of the Master Services Agreement requiring BPDTS to recover all costs through charges to its customer the DWP. The BPDTS cash requirements are supplemented by a funding facility provided by the DWP. BPDTS has very limited powers to borrow or invest funds. Financial assets and liabilities are generated by ordinary operational activities. The carrying amount of financial assets represents the maximum credit risk exposure. Accordingly, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. As a result, the Company is exposed to minimal credit, liquidity, market or interest rate risk.

Note 14: Contingent liabilities

The Company has no contingent liabilities as at 31 March 2017.

Note 15: Related party transactions

The Company's sole member is the Secretary of State for Work and Pensions. The DWP is regarded as a controlling related party. BPDTS operates on a full cost recovery basis, and accordingly recovers all of its costs from the DWP, which represented income to the Company of £12.1m during the period. The Company incurred expenditure of £0.63m for a range of support services it received from the DWP. These support services included Finance, Estates, HR and Commercial.

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

The Executive Directors, Ray Long (CEO) and Paul Greening (CFO), are civil servants who are employed by the DWP. From 1 December 2016, all of Paul Greening's salary and 75% of Ray Long's salary was recharged by the DWP to BPDTS. Salary recharges are based on the proportion of time spent by directors, in their BPDTS roles, subject to a de minimis limit.

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

Note 16: Events after the reporting period

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

Note 17: Losses and special payments

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

The Company incurred no losses or special payments during the period.