



**Welcome to OGCbuying.solutions' Annual Report and Accounts for 2005/06. Over the past year we have delivered or exceeded all of the targets set for us by Ministers. Working closely with customers from throughout the public sector, we have managed procurement arrangements on their behalf amounting to £2.7 billion of public expenditure, delivering savings of more than £412 million.**

The accounts of OGCbuying.solutions for the year 1 April 2005-31 March 2006, together with the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament thereon prepared pursuant to Section 4(6) of the Government Trading Funds Act 1973 (as amended by the Government Trading Act 1990).

Presented to Parliament pursuant to Section 4(6A)(b) of the Government Trading Funds Act 1973 (as amended by the Government Trading Act 1990).

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# About OGCbuying.solutions

**OGCbuying.solutions is an Executive Agency of the Office of Government Commerce in the Treasury. We provide our customers in the public sector with the reassurance of a tried and tested route to the products and services they need.**

In this way, we help to deliver savings which can be used to improve front line services. Our framework agreements and managed services are available to all publicly funded organisations, large or small, and our customers enjoy a range of benefits when doing business with us.

Our people have extensive expertise in purchasing across a wide range of goods and services. We have contracts and framework agreements with more than 600 suppliers, providing access to more than 500,000 products and services.

## **SAVING TIME AND MONEY**

In addition to the substantial savings that can be enjoyed through significant buying power, economies of scale and strategic partnerships, we take the heat – and delays – out of the procurement process itself.

Each of our existing contracts has been through a rigorous tendering and evaluation process to ensure that products and services are audited and we can vouch for their quality, fitness for purpose, sustainability, compliance with statutory requirements and price competitiveness.

Having to start from scratch with the competitive tendering process can take several months if full compliance with the Official Journal of the European Union is required. We remove the need for our customers to take out advertisements and deal with tenders and negotiations – we take care of those ourselves.

## **PROVIDING SKILLED SUPPORT**

We provide skilled, professional support when it matters, advising on technical

matters, energy saving potential and environmental considerations.

We estimate that we can save our customers, on average, 77 days – and all the associated costs – by enabling them to bypass these pre-purchase stages.

Our work with public sector procurement professionals does not end there. Our account management and customer liaison teams constantly discuss and review their ongoing needs. We also closely monitor our suppliers' performance to ensure ongoing service quality and best practice.

We know that delivering value for money and competitive prices is vital for customer confidence. This is why we make a considerable investment in benchmarking our products and services and publishing the results.

## **SUSTAINABILITY**

We support the Government's commitment to sustainable development in all our decision making, by providing access to a wide range of environmentally friendly products through our framework agreements and by offering advice and guidance to customers looking for sustainable solutions.

## **CATALIST AND MANAGED SERVICES**

In order to make our products and services simple to understand, transparent and accessible, we have brought them together as either Catalist Framework Agreements or Managed Services. Catalist replaces all of our previously used framework brands including GCat, S-Cat, Portfolio, PCS and BroadbandSolutions. For 2006/07 onwards our products and services are grouped as follows:

## **Catalist**

- Information Technology
- Consultancy Services
- Resourcing Services
- Business Solutions
- Facilities Support
- Payment Cards

## **Managed Services**

- Managed Telecommunications Service (Mts)
- Energy
- Government Secure Intranet (GSI)
- eProcurement Solutions
- Travel Services

We recognise the increasingly significant role that technology will play in achieving efficiencies and meeting Government targets. We are playing an active role in the implementation of the eGovernment and eProcurement agendas and have developed a range of web-based solutions for transactional purchasing for the public sector.

We derive most of our income from a commission on frameworks, recovered from suppliers or service providers. Across all our products and services, on average, this commission rate is now 0.9%.

## **COLLABORATION**

We believe that collaboration lies at the heart of effective public sector procurement and delivering sustainable value for money savings. Our key partnerships, for example with NHS Purchasing and Supply Agency, are regarded as models of best practice.

# The Board

Our Board is comprised of five Executive Directors and four Non-Executive Directors. A brief profile of each is provided below.



## Executive Directors

2 **Jane Moorhouse**, is OGCbuying.solutions' Director of Managed Services. A Chartered Surveyor, Jane has held senior positions with Coopers and Lybrand and the Navy, Army and Airforces Institute (Naafi). In recent years she has specialised in Interim Management roles with Deloitte Touche and RBS.

4 Director of Procurement **Derek Rothwell** joined OGCbuying.solutions in February 2006 after heading up the Metropolitan Police's Outsourcing and Infrastructure Procurement Development Directorate. He has a pharmaceutical (GlaxoSmithKline) and defence (BAe Systems) background.

5 Director of Customer Relations **Stephen Heard** joined OGCbuying.solutions on April 1 2003 from TXU Europe (now Powergen). Stephen has long experience of senior operational and service delivery management posts in insurance, financial services, payment cards, mobile telephony, energy and retail.

6 Director of Corporate Services **David Murray** was Vice Principal of Wirral Metropolitan College before joining OGCbuying.solutions in June 2003. David joined the College as Director of Finance and Resources in 1998 and was previously Chief Management Accountant at Salford Royal Hospitals NHS Trust.

9 Chief Executive **Hugh Barrett** took up his post in November 2002 having joined OGC in April 2001 following a career with a number of major private sector organisations including British Airways, BT and Mars. During his career he has worked in procurement, IT service delivery, international business development and technical management.

## Non-Executive Directors

1 **Keith Girling** has 30 years general management experience with Co-operative Financial Services where he has directed human resources, information systems, and major change for the Co-operative Bank, and is now Claims Director for the general insurance business of Co-operative Insurance.

3 **Martin Sykes** became Supplier and Government Marketplace Development Executive Director at the Office of Government Commerce in November 2002. He was previously Commercial Director (covering Estates, Procurement, PFI and Project Management) at the DTLR.

7 **Chris Lamb** is an experienced private sector marketing professional, a Fellow of the Chartered Institute of Marketing and a former Marketing Director at Bernard Matthews. He is now Consumer Marketing Manager at the Meat and Livestock Commission.

8 **Colin Thwaite OBE** is a retired Chief Executive with a career in finance and general management. His previous experience includes over 23 years at the leisure division within The Littlewoods Organisation where he started as Chief Accountant in 1977 and left after spending seven years as Chief Executive.

# Chief Executive's report

## Highlights at a glance

### £412 million

Procurements worth £2.7 billion delivered savings of £412 million

### £82 million

Saved £82 million on IT goods and services

### 92%

92% of customers are satisfied or very satisfied with our service

### £2.7 billion

Total spend of £2.7 billion through our framework agreements and managed services

### new frameworks

Launched new frameworks covering postal services, property and facilities management

### travel services

Conducted a major procurement exercise related to travel services in preparation for the launch of new frameworks in June 2006

## Targets for 2006/07

- 1 We will facilitate at least £500 million value for money improvements for the public sector
- 2 We will achieve an overall customer satisfaction level of above 90%
- 3 We will make a Return on Capital Employed (ROCE) of 6.5%
- 4 We will reduce by 5% the ratio of internal costs over value for money improvements compared with the outturn for the same ratio in 2005/06

“As this is my final performance report as Chief Executive of OGCbuying.solutions, I am pleased it is one that shows significant achievements that have directly supported the Office of Government Commerce’s target of delivering value for money gains for the public sector.”



#### Over the last year we have:

- » Delivered, or exceeded, all of the targets set for us by Ministers
- » Worked closely with our customers in managing procurement arrangements on their behalf amounting to £2.7 billion of public expenditure with savings of £412 million
- » Implemented a major programme to deliver a series of EU compliant framework agreements that have redesigned our customer offering making them easier to use and more competitive
- » Developed our business and organisation to ensure that we can rise to the challenge of delivering increased savings in the future

#### FRAMEWORKS FOR THE FUTURE

We initiated a major programme to deliver a series of framework agreements to replace our existing offering under the GCat, S-Cat, GTC and GTM brands, all of which are moving towards the end of their current terms. The programme will do more than simply replace the existing frameworks; it will redesign the customer offering. There are a number of reasons for this change:

- To make the frameworks easier for customers to use, by clarifying which frameworks are most appropriate in which circumstances
- The need for continued legal compliance, given the introduction of the EU Consolidated Directive
- To continue to provide the broad range of framework agreements to meet customers’ requirements

These new and upgraded frameworks are being developed in four major categories – information technology, consultancy services, business solutions and resources services. Many are already in place with the full programme due for completion in the summer of 2006.

#### NEW AND INNOVATIVE SERVICES

We have worked very closely with our Efficiency Review team colleagues in OGC to support the delivery of their initiatives, particularly in the area of commodities. We launched major new frameworks relating to property and facilities management which offer a comprehensive range of services to customers wishing to manage their property and facilities more efficiently. To further develop our offering in this area, a groundbreaking Buildings Materials and Associated Products framework was introduced which offers huge flexibility for customers to buy one off items at discounted prices or outsource their entire stock management requirements.

In March, in response to the deregulation of the postal market, we launched our Postal Services framework agreements. This suite of EU compliant frameworks recognises that the market is still evolving so are flexible enough to be tailored to customers needs whilst also offering ‘off the peg’ products.

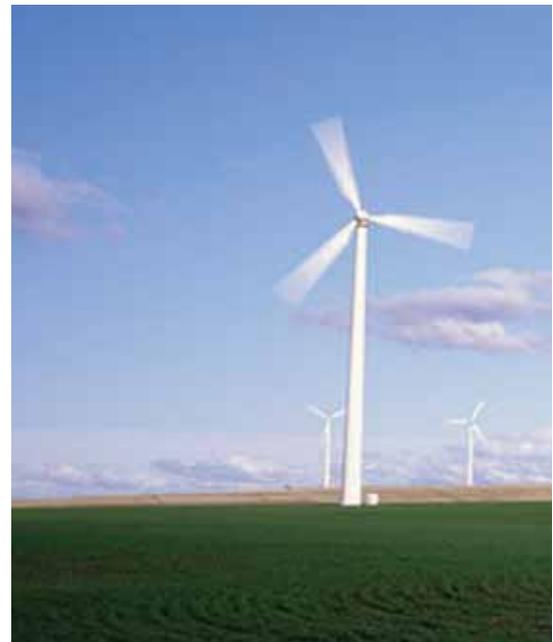
Opportunities to improve procurement in travel and accommodation have also been realised with the development of a range of frameworks covering air, ferry and train travel, hotel accommodation, vehicle hire and conference venues. These new services were launched at our annual Procurement Solutions conference and exhibition (PSO6) in June this year.

*continued overleaf*

# Chief Executive's report

## *continued*

“We have put in place arrangements to purchase electricity from renewable sources and a range of services are now available to help reduce consumption of both energy and water.”



The need to help our customers deliver efficiencies through the use of technology prompted the introduction of a range of 'e' services including eAuctions, eSourcing and an eProcurement and marketplace system called Zanzibar. Although only launched in February 2006, Zanzibar has seen significant growth in customer take-up with a very healthy pipeline for 2006/07.

### **PROCUREMENT PARTNERSHIP**

All of our procurements, including our 'e' services, have involved customers at both strategic and service development levels to ensure our offerings meet their current and future needs. Partnerships with the Department for Work and Pensions, the Home Office and the NHS Purchasing and Supply Agency have been particularly fruitful and we have engaged with the Regional Centres of Excellence to ensure our colleagues in local government can take advantage of our services. We have also worked with a number of local government consortia, including the Yorkshire and Eastern Shires Purchasing Organisations, to fill any gaps they may have in their own offerings and investigate areas for collaboration.

### **SUSTAINABLE PROCUREMENT**

Sustainable procurement is at the forefront of everything we do both internally and for procurements arranged on behalf of our customers. Joint initiatives with Defra, such as the Quick Wins area on our own website, where sustainable goods and services may be readily sourced, and our partnership to stage the very successful Leading by Example: Sustainable eProcurement in the Public Sector conference are just two examples where our combined efforts have made

a positive contribution in terms of raising awareness and providing practical help.

Energy consumption is a major contributor to climate change and is an area where we have focussed a lot of attention. We have put in place arrangements to purchase electricity from renewable sources and a range of services are now available to help reduce consumption of both energy and water.

We also led the way in reducing carbon emissions across Whitehall when the Financial Secretary to the Treasury, John Healey MP, turned on our Whitehall energy-saving combined heat and power (CHP) system. This system, which was purchased as part of the Whitehall Systems, not only provides heat to 18 Government Departments, including Number 10 and the Treasury, but also produces electricity which is sold back to the National Grid. It is estimated this will save £140,000 a year in net running costs and reduce carbon emissions by 2,600 tonnes.

Our relationship with the MoD's Disposal Services Agency has helped promote both sustainable procurement and sustainable disposal of surplus or unwanted equipment and materials. The signing of a Memorandum of Understanding between us commits our two organisations in working more closely together to help customers to operate a 'cradle to grave' approach to procurement.

### **BENCHMARKING**

We have engaged a number of benchmarking organisations to carry out an independent analysis of our price

competitiveness in order to demonstrate rigour in the calculation of the savings we deliver to customers. As examples of the savings performance evidenced by the benchmarking results, our customers have saved an average of nearly 15% on PCs, 21% on financial consultancy services, and just under 25% on managed telecommunications services.

### **WORKING WITH SUPPLIERS**

Engagement with suppliers has been a top priority. During the course of the year we held a series of conferences to inform suppliers of the processes and systems used to ensure our tender evaluations are fair and accurate. Successful suppliers have also attended induction events to ensure expectations on both sides are communicated and positive working relationships are formed at the outset. Our annual suppliers' conference in December also gave suppliers the opportunity to network with each other and update themselves on developments relating to OGCbuying.solutions and wider public sector procurement issues.

### **INVESTING IN PEOPLE**

During the year, we strengthened our Board with the appointment of Derek Rothwell as Director of Procurement. I would like to thank Dr Clare Poulter, who left our organisation in August 2005 after 11 years, for her support and the outstanding contribution she has made to the success of the organisation. I have valued the support and advice from the non executive members of the Board over my tenure. Colin Thwaite (a non executive for seven years) was awarded an OBE in the Queen's Birthday Honours for services to Corporate Governance and I would like to



congratulate him on this honour. Thanks also to Mark Gladwyn, a non-executive director, who left in April 2006.

The Investors in People (IIP) standard continues to sit at the heart of our strategy for improving business performance through our people and I'm pleased that this has been recognised through successful IIP re-accreditation.

Commitment to our internal values has continued apace through our 'TORCH' initiative – Trust, Outward looking, Rigour, Can-do and Helpfulness. A series of TORCH events took place throughout the year for all staff to gain a better understanding of the values and the types of behaviour required to support them. These values have also been embedded in our staff appraisal system so behaviour in the achievement of objectives is assessed alongside the actual outcome.

The relocation of our Managed Telecommunication Service from London to our Norwich office has been achieved. This reduction in expensive accommodation, coupled with a reduction in support services, will save us over £500,000 per annum from April 2006.

#### LOOKING FORWARD

A priority for the forthcoming year will be the completion and embedding of the new framework agreement programme. A series of regional roadshows has taken place to assist this process followed by presentations and advice clinics at our annual major event PS06.

“Our range of new travel, postal, property and FM services were promoted at PS06, which kick started a number of marketing campaigns to raise awareness levels and interest.”

Our range of new travel, postal, property and facilities management services were promoted at PS06, which kick started a number of marketing campaigns to raise awareness levels and interest.

We will continue to work closely with our colleagues in OGC to investigate ways in which we can assist further to achieve savings and efficiency gains particularly in the commoditised areas.

Confirming our commitment to sustainable development and procurement, we will be implementing an Environmental Management System and will be seeking certification to ISO 14001.

Although I will not be leading OGCbuying.solutions as it goes forward, I am confident that the new Chief Executive will build on the firm foundations we have laid to achieve the ambitious targets for the year ahead. I would like to thank all the staff at OGCbuying.solutions for the support they have given to me over the last four years.

**HUGH BARRETT**  
CHIEF EXECUTIVE, OGCbuying.solutions  
23 JUNE 2006

# Management Commentary

## 1 STATUTORY BACKGROUND

The accounts have been prepared in accordance with the direction given by the Treasury in pursuance of Section 4(6A) (b) of the Government Trading Funds Act 1973 updated 13 January 2004.

The financial objectives of OGCBuying.solutions are detailed in a Treasury Minute laid before the House of Commons and reproduced on page 52 of this report.

## 2 HISTORY

OGCBuying.solutions was originally established as a Trading Fund, known as The Buying Agency (TBA) on 1 April 1991 under the Government Trading Funds Act 1973. TBA was launched as an Agency on 31 October 1991.

Following the Gershon review of Central Government Procurement in 1999 a new organisation, the Office of Government Commerce (OGC), was set up within HM Treasury, TBA was transferred to OGC as an Executive Agency on 1 April 2000 and the Managed Services Division of Central Computer and Telecommunications Agency (CCTA) merged on 1 April 2001 to form a new Executive Agency of OGC. The Agency changed its name to OGCBuying.solutions on 3 April 2001.

## 3 FINANCIAL AND ACCOUNTING ARRANGEMENTS

The OGCBuying.solutions Trading Fund Order 2001 gives effect to the change of name from The Buying Agency Trading Fund. The Buying Agency Trading Fund Order 1991 imposes a limit of £10 million on the sums that may be issued to the fund by way of a loan; within its total borrowing power OGCBuying.solutions may also negotiate loans of up to 12 months duration.

Our Trading Fund status affords OGCBuying.solutions financial stability and a degree of flexibility, so that we can invest and take considered risks as appropriate in order to maximise the savings for the nation that we are able to deliver.

On 1 January 2005 OGCBuying.solutions took a loan of £8,274,000 to partly finance the acquisition of Whitehall Systems. The loan is to be repaid by December 2010. Interest on the loan is levied at a fixed rate of 6.5%, which ensures no down-side exposure from increases in interest rates. At 31 March 2006 £5,894,774 was outstanding.

OGCBuying.solutions is able to generate its own cash via supplier commission and managed services fees and, as such, does not receive funding from the public purse. Any surplus cash is, in the short-term, invested in a high interest deposit account and, longer term, invested to generate further savings for the nation. A certain level of liquidity also needs to be maintained to fund the working capital requirements of the Managed Telecommunication Service (Mts). A "dividend" equal to 6.5% of capital employed is paid annually to OGC.

Our main tangible asset is Whitehall Systems which is detailed in the Notes to the Accounts. During 2006/07 we will be going through a procurement exercise to rationalise three current managing agents into one.

There have been no changes in accounting policies this year.

## 4 PRINCIPAL ACTIVITIES

OGCBuying.solutions provides a professional procurement service to the public sector to enable organisations to deliver improved value for money in their commercial activities. It does this by providing a range of services designed to achieve measurable cost savings and guaranteed quality and service levels through simple, quick and effective procurement routes.

OGCBuying.solutions' operations break down into two major areas of activity, namely framework agreements, delivered under the Catalyst brand, and Managed Services.

Framework agreements are a set of pre-tendered contracts with a range of suppliers from which public sector customers can purchase goods and services with ease. A small commission (averaging less than 1%) is collected from the suppliers for each sale they make under our frameworks. Catalyst pre-tendered framework agreements cover over 500,000 individual products and services.

Managed Services are ongoing services managed by OGCBuying.solutions on behalf of public sector customers with OGCBuying.solutions acting as the "intelligent customer" to a range of strategic partners. The economic model here varies by business area ranging from commission to traditional purchase and sale at a small margin designed to cover the cost of managing the service.

The operations are wholly UK-based and are carried out at two main locations, Liverpool and Norwich. For 2006/07 onwards, our products and services are grouped as follows:

### Catalist Framework Agreements

- **Information Technology** – Including hardware, software, associated products, infrastructure, maintenance and management
- **Consultancy Services** – Including ICT, finance, functional, property & construction, environmental and organisational consultancy, as well as legal services.
- **Resourcing Services** – Including Specialist Contractors, Training, Interim Managers and HR recruitment.
- **Business Solutions** – Including Mobile Solutions, Specialist Solutions and Broadband
- **Facilities Support** – Including property and facilities management services, catering equipment, office equipment, furniture and furnishing, health and hygiene, postal services and the Retail Trade Framework
- **Payment Cards** – Including the Government Procurement Card (GPC) and a number of fuel procurement cards.

## Managed Services

- **Managed Telecommunications Service (Mts)** – Offers Datalink Remote, Datalink Direct, including LAN and WAN connections, voice telephony, voicemail and non-geographic numbers supported by a 24 hour customer service desk
- **Energy** – Arranges and manages the supply of gas, electricity and other fuels via contracts awarded through competitive tender plus a range of energy and water management and conservation services. Whitehall Systems provides heating and stand-by power generation to various Government departments in the Whitehall district of London
- **Government Secure Intranet (GSI)** – Allows customers to exchange and publish information in a secure environment separated from the public internet thus protecting its confidentiality, integrity and availability
- **eProcurement Solutions** – A suite of collaborative, web-based tools that enable procurement professionals and suppliers to conduct the strategic activities within the procurement lifecycle over the internet
- **Travel Services** – Offers substantial savings on business travel and related services, including hotel accommodation, air, rail and ferry travel and car hire.

Working closely with our parent organisation, OGC, OGCBuying.solutions ensures that its services fully meet the requirements of public procurement policy. In particular, we play an important role in helping to facilitate the delivery of the Government's e-procurement agenda by developing for the public sector a range of web based technologies for transactional purchasing.

## 5 KEY STRENGTHS AND RESOURCES

Our key strengths and resources are as follows:

- A highly skilled workforce maintained by rigorous recruitment and performance management processes, appropriate reward and recognition and a commitment to training and professional development
- Technical knowledge – we act as the “intelligent” customer on behalf of the public sector
- Great deals for the public sector, as evidenced by stringent independent benchmarking
- A clear vision (“Savings for the Nation”) and strong supporting organisational values
- Increasing strength and reputation of the trusted OGCBuying.solutions brand
- Supplier management expertise
- Rapid response to customer demand, for example the setting up of the Postal Services framework after deregulation in January 2006
- Robust internal control and governance

## 6 PRINCIPAL RISKS AND OPPORTUNITIES

The Directors' comprehensive and robust approach to Risk and Opportunity Management is laid out in the Statement on Internal Control. The key risks and opportunities currently being managed are:

- Closer working with OGC to deliver the Government's Efficiency Review
- Responding to the growing demand for sustainable products and services
- Educating customers about the new re-categorised frameworks, in order to provide a platform for sustained growth
- The hosting of “competitor” offerings alongside our own on the new Zanzibar electronic marketplace means that we will have to continue to offer the very best deals to ensure we are the preferred option for customers
- Successful migration of services to alternative locations following the closure of the London office in light of Lyons Review recommendations to relocate public servants out of London and the South East

## 7 PRINCIPAL OBJECTIVES

OGCBuying.solutions' objectives are:

- 1 To provide efficient and effective procurement and contract management services, complying with relevant public procurement regulations, which offer better value for money than customers could achieve otherwise;
- 2 To bring about a progressive improvement in the cost effectiveness and quality of service its customers receive from OGCBuying.solutions suppliers and from OGCBuying.solutions itself;
- 3 To maximise the savings potential of taxpayers' money by continuing to offer its arrangements and services across the wider public sector;
- 4 To promote and facilitate quick and easy access to a range of sustainable and “environmentally friendly” products and services wherever possible in its business activities;
- 5 To be a good employer, managing OGCBuying.solutions' business efficiently and effectively, seeking continuous improvement, in line with our corporate values.

## 8 PERFORMANCE AGAINST TARGETS

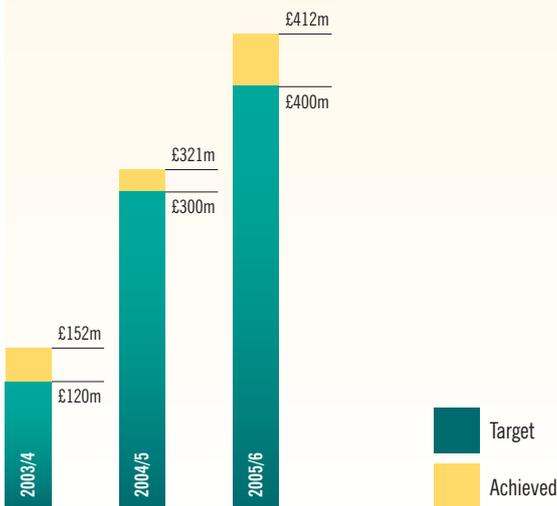
Performance against targets are shown overleaf. Directors use a Balanced Scorecard approach to measure progress against these targets during the year (more details of this approach can be seen in the Statement on Internal Control). Targets for 2006/07 are shown on page 6.

# Performance against targets

## Target 1

### Savings

To facilitate at least £400 million value for money improvements for the wider public sector.



### Target achieved...

The target has been met and exceeded. We estimate that as a result of using our services during the year, the public sector has made value for money gains of £412 million.

#### HOW PERFORMANCE WAS MEASURED

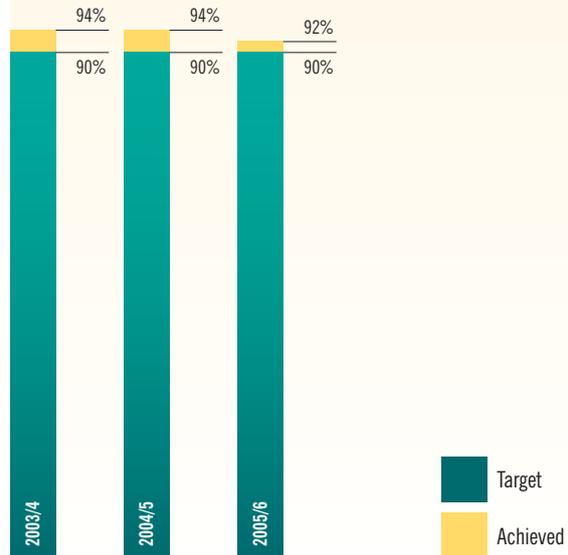
Our estimate of gains includes price savings, where reliable price comparisons can be made, and the process cost savings. Process savings are estimated on a full cost basis, using OGCbuying.solutions calculations of its own costs of letting and managing framework agreements and contracts as an estimate of the savings made by our customers in using our services.

\*Calculations for 2003/4 are based on the value for money improvements within central government only. Figures for 2004/5 and 2005/6 represent value for money improvements across the wider public sector.

## Target 2

### Customer satisfaction

To achieve levels of customer satisfaction above 90%.



### Target achieved...

The target has been met and exceeded with satisfaction levels of 92%.

#### HOW PERFORMANCE WAS MEASURED

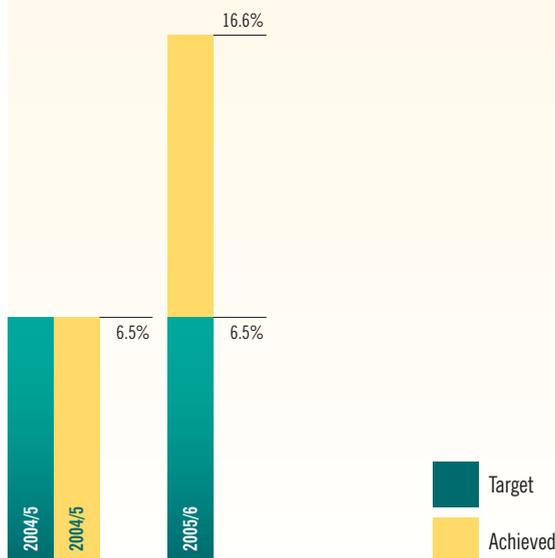
We measured our performance through two customer satisfaction surveys carried out in June/July 2005 and January/February 2006.

Data was gathered using a telephone questionnaire. 521 customers participated in the research.

### Target 3

#### ROCE

To make a Return on Capital Employed of 6.5%.



#### Target achieved...

The target has been met and exceeded. OGCbuying.solutions' surplus of £4 million represents an ROCE of 16.6%.

##### HOW PERFORMANCE WAS MEASURED

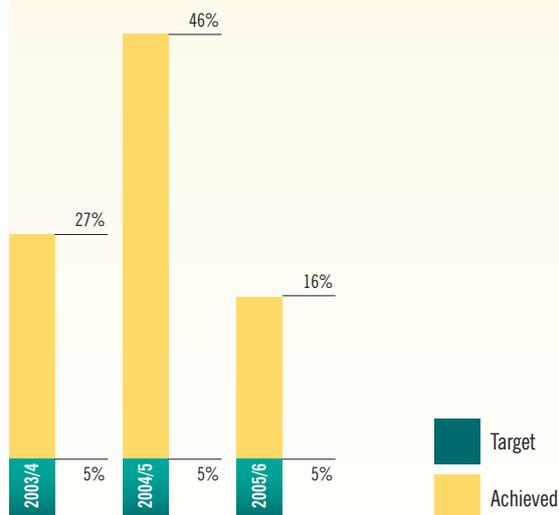
ROCE is measured as OGCbuying.solutions' surplus for the year before dividend, as a percentage of the average of opening and closing net assets.

A new Treasury Minute was issued with effect from 1st April 2004 requiring the Agency to make an average return of 6.5% over a five year period (see page 52). Prior years were calculated on an 8% average.

### Target 4

#### Internal efficiency

To reduce by 5% the ratio of internal costs over value for money improvements compared with the outturn for the same ratio in the previous year.



#### Target achieved...

The target has been met and exceeded. The cost per £ saving is £0.050 compared to £0.059 in 2004/05.

##### HOW PERFORMANCE WAS MEASURED

The cost per £ saving is OGCbuying.solutions' estimated value for money gain for central civil government, divided by the operating costs expenditure for the year.

In 2004/05, vfm gains were £321 million and operating cost expenditure was £19 million, representing a cost per £ saving of £0.059. In 2005/06, vfm gains were £412 million and operating expenditure was £21 million, representing a cost per £ saving of £0.050, a 16% improvement on 2004/05.

\*Calculations for 2003/4 are based on value for money improvement within central government only. Figures for 2004/5 and 2005/6 represent value for money across the wider public sector.

# Management Commentary

## continued

### 9 FINANCIAL PERFORMANCE

The financial objective equivalent to a 6.5% return on capital employed was exceeded for the year ended 31 March 2006.

The operating surplus for the year amounted to £4,131,000 (£1,350,000 for 2005).

Interest receivable was £374,000 (£432,000 for 2005).

Surplus on ordinary activities for the period was £4,013,000 (£1,647,000 for 2005).

Due to the successful achievement of our targets (see section 6 above for more details of the performance against key targets) a staff bonus is payable (see note 4.2 in the Notes to the Accounts).

We made an early repayment of £1m of the loan taken out from OGC to purchase the Whitehall Systems.

A dividend of £1,130,000 (£1,225,000 for 2005) for the year to 31 March 2006 is payable to the Office of Government Commerce. The dividend is based on an annual average of 6.5% return on capital employed (ROCE).

The retained surplus of £2,883,000 has been taken to the General Reserve (£422,000 for 2005).

### 10 CUSTOMER SPEND

	Year ended 31 March 2006 £million	Year ended 31 March 2005 £million
Framework agreements	2,460	1,956
Managed Services	60	48
Memorandum of Understanding	151	-
	<b>2,671</b>	<b>2,004</b>

The above table shows the total value of public sector transactions with OGCBuying.solutions suppliers, through framework agreements and enabling contracts. The 2005/06 value is £667m above the 2004/05 level.

### 11 REVIEW OF ACTIVITIES

OGCBuying.solutions has continued with its principal activity of providing a range of procurement services to achieve measurable cost savings and value for money. A review of the year's activities and future prospects, together with the performance over time, are provided in this report. Achievements can be summarised as follows:

- OGCBuying.solutions has achieved its four Ministerial targets (see pages 12 and 13)
- The volume growth on 2004/05 of sales influencing public expenditure is 33%
- Average commission rate on our framework agreements was just 0.9%
- Successfully retained our "Investors in People" accreditation as measured against the new, more rigorous, criteria
- Continued the process of embedding our corporate values TORCH – Trust, Outward-looking, Rigour, Can-do, Helpful – in every aspect of what we do
- Introduced a staff recognition scheme (see section 16 for details)
- Managed a major programme of work to deliver a series of new Catalyst framework agreements to replace those expiring during 2006/07
- Launched a range of new framework agreements including retail trade, electronic reverse auctions, multifunctional products, photocopiers, an expanded range of furniture and property-related services
- Launched the Zanzibar electronic marketplace
- Turned on the energy-saving Combined Heat and Power (CHP) system, which was purchased as part of the Whitehall Systems, providing heat across Whitehall as well as reducing carbon emissions and saving money for customers
- Conducted a major procurement exercise related to travel services
- Launched Postal Services frameworks following deregulation of this marketplace from 1 January 2006

## 12 FUTURE DEVELOPMENTS

OGCbuying.solutions' future developments are set out in its Business Plan 2006-2007. The main elements of the strategic programme include:

- Delivering £500 million savings for the public sector by:
  - Offering the best deals
  - Delivering the products and services that our customers require
  - Providing procurement, technical and supplier management expertise
- Launching, in response to customer requirements, new framework contracts for travel
- Confirming our commitment to sustainable development and procurement by implementing an Environmental Management System and seeking accreditation to ISO 14001.
- Managing the transition of, and educating customers on, the new Catalist branding
- Using our new customer value monitor, an ongoing customer research process aimed at generating a broader understanding of our customers' needs and to enable us to improve the services we offer
- Working with the OGC Efficiency Review team in shaping the future of the wider public sector procurement landscape
- As part of the Comprehensive Spending Review, a zero based review is being undertaken on both OGC and OGCbuying.solutions to establish the requirement for a central procurement body and its structure. This is due to report in summer 2006

## 13 CONTRACTUAL ARRANGEMENTS

OGCbuying.solutions has framework agreements with around 600 suppliers.

It also has managed services contract agreements with the following strategic partners:

- **For GSi:**  
Cable and Wireless UK
- **For Managed Telecoms:**  
Global Crossing (UK) Telecommunications Limited
- **For Energy:**  
Corona Energy Retail 4 Limited, EDF Energy PLC, British Gas
- **For E-Commerce:**  
PA Shared Services Limited, BravoSolution Limited

## 14 PAYMENT OF CREDITORS

OGCbuying.solutions is committed to complying with the Late Payment of Commercial Debts (Interest) Act 1998, Confederation of British Industries (CBI) Prompt Payers Code and British Standards (BS) 7890.

During the year 1 April 2005-31 March 2006 OGCbuying.solutions paid 96% of payments due (96% in the year ended 31 March 2005) within the credit period allowed.

## 15 EMPLOYMENT OF PEOPLE – VALUING DIVERSITY AND PROMOTING EQUAL OPPORTUNITIES

It is OGCbuying.solutions' aim to provide a supportive working environment where employees treat each other with dignity, courtesy and respect. To this end the management structure endeavours to make sure that equality runs through everything we do as an employer. OGCbuying.solutions is committed to upholding the guidance provided in accordance with Civil Service Policy Statements, National Equality of Opportunity and Equal Pay legislation, Anti Discrimination and related legislation and European Union Law.

OGCbuying.solutions operates a policy of full and fair consideration to applications received from people with a disability, having due regard to their individual aptitudes, skills and capabilities. All applicants who meet the minimum criteria for a job vacancy are guaranteed an interview and the Employment Services "Positive about Disabled" symbol is displayed on all recruitment advertisements.

OGCbuying.solutions recognises that the ethos of valuing diversity and promoting equality relies on good equal opportunities practice. It is a firm belief that every individual is entitled to fair and equitable treatment, and no one should be subject to discrimination or unreasonable behaviour. To raise awareness and communicate its policy to all members of staff, in addition to helping promote a culture of an inclusive, open and fair organisation in all aspects, appropriate training programmes are provided on an on going basis.

# Management Commentary

## *continued*

### 16 EMPLOYEES

OGCbuying.solutions is committed to continuing communication and dialogue with employees and considers staff and their involvement, feedback and commitment to be vital to its effective running, development and future success.

Among the methods of communication in regular use are monthly Chief Executive core briefs, quarterly staff presentations from senior management, monthly team meetings and Spotlight, an in-house newsletter which focuses on staff successes, both inside and outside of work. The OGCbuying.solutions intranet provides a daily source of information on strategic and operational issues. This has recently been redeveloped to ensure staff across the organisation can easily access up-to-date information.

In addition, employees are encouraged to say how they view the organisation and their employment through confidential staff opinion surveys. Results are fed back to staff and action plans are put in place to address concerns. Through their participation staff help to shape future employment developments.

A graduate recruitment scheme, which included an assessment centre, was introduced placing two graduates into key business areas.

This year a Recognition Scheme has been introduced which allows staff to receive non-pay rewards to help underpin organisational values, aims and objectives. This scheme encompasses:

- Long service awards
- Staff suggestions
- Recognition of special effort or performance in line with the behaviours that OGCbuying.solutions is seeking to embed and which our TORCH values are designed to encourage

Effective two-way communication with staff is essential to ensure everyone in the organisation is fully involved with and can influence its current and future activities and developments. The Chief Executive is committed to continuing to improve communications and participates in the Whitley arrangements with staff representatives which are supplemented by informal contact on an ongoing basis as issues arise.

During the year the number of individuals holding a professional qualification increased by 15%. These included key areas such as Leadership and Management, Procurement, Project Management and Marketing.

Ongoing programmes of internal safety inspections, risk assessments and audits, along with annual health events, are part of the development and maintenance of effective corporate health strategies, demonstrating a real commitment to the well being of our staff.

No cases were reported against RIDDOR (Report of Injuries, Diseases and Dangerous Occurrences).

During the year a total of 32 posts were filled through external recruitment, with an even split of 16 female and 16 male. One was of ethnic minority origin.

#### Breakdown by grade:

Band 1	Administration	16
Band 2	Executive	6
Band 3	Management	0
Band 4	Management	5
Band 5	Senior Management	4
SCS	Senior Civil Servant	1

Details of pension benefits provided to employees are contained in 1.7 of the Notes to the Accounts.

### 17 COMMUNITY AND SOCIAL RESPONSIBILITY

OGCbuying.solutions takes its responsibility to the wider community very seriously. Examples of this include:

- Merseyside Diversity Mentoring – this programme aims to support and enhance the employability of black, Asian and disabled students, including those with specific learning difficulties. Over the past four years we have supported this and a number of managers have acted as mentors to students within the programme
- Charity Fund Raising – staff are encouraged to fund raise for local charities, including an active Sports and Social Committee, which regularly raises money for charity. Awareness is raised across the sites through Spotlight, the staff magazine
- Consip Exchange Programme – we have engaged in an on-going training and staff exchange programme with Consip, our Italian equivalent, to promote awareness of the European dimension of public procurement set against EU Community legislation and the increasing sustainability agenda, sharing our best practice
- The Special Leave policy allows staff to take paid time off for voluntary activities such as jury service and local government responsibilities
- We operate a Childcare Voucher scheme for employees
- We host work experience placements

## 18 SUSTAINABILITY

Sustainable procurement is and will continue to be of significant importance to the future of our planet. OGCbuying.solutions is at the forefront of this, delivering products and services in support of this agenda. Sustainability is a key selection criteria when considering potential suppliers. Joint initiatives during the year with Defra such as the Quick Wins area on the OGCbuying.solutions website where “sustainable” goods and services may be readily sourced and our partnership to stage a very successful “Leading by Example: Sustainable Procurement in the Public Sector” conference are just two examples where our combined efforts have made a positive contribution. Energy is a major contributor to global warming and is an area on which we have particularly focused. An increasing amount of electricity from renewable sources is being purchased and significant efforts are being made in providing advice for substantial energy conservation and efficiencies. Stressing the importance of considering sustainability in procurement decisions forms a major part of our marketing messages. During 2005 significant progress was made in preparing for evaluation in order to achieve ISO 14001 certification in the coming year. We were short listed for a CIPS award for the Sustainable Furniture Framework. On this foundation we will ensure sustainability is embedded throughout all internal and external activities.

## 19 EXTERNAL ENVIRONMENT AND COMPETITIVE POSITION

OGCbuying.solutions operates within a complex market environment. There are many competitors in our marketplace. Our total market share at 12% is higher than any other organisation reflecting the fact that the market is very fragmented.

Price is always going to be a major factor in any purchasing decision. As such OGCbuying.solutions ensures a competitive position by benchmarking our entire framework and managed service offerings throughout the year against offerings from both public and private sector counterparts. By undertaking such regular analysis we are able negotiate from a position of strength and knowledge in securing the best prices.

This approach is part of an ongoing strategy to secure the best deals for the public sector. Other strands to our approach includes the aggregation of demand thus ensuring significant volume discounts are available to all regardless of size of order placed, the use of technology such as electronic reverse auctions and other

innovative solutions. An example of this last approach is that taken to address the need for photocopying, scanning and printing of documents. By awarding a contract for multi-functional devices (MFD) all such requirements may be met from one piece of equipment making significant savings not only in terms of cost but also environmental impact.

We will continue to work with the OGC Efficiency Review team in helping shape the wider public sector procurement landscape.

## 20 REGISTER OF INTERESTS

OGCbuying.solutions maintains a Register of Interests and any relevant interests are also declared by Directors at the start of meetings as appropriate.

## 21 HEALTH AND SAFETY

OGCbuying.solutions recognises and accepts its legal responsibility as an employer for ensuring that, as far as is reasonably practicable, every employee has a place of work which is both safe and without risk to health. The Chief Executive takes overall responsibility for health and safety matters. He takes responsibility, for the development, implementation and reporting of health and safety policies. A new policy has been implemented this year covering lone workers and as part of this programme panic alarms have been provided to staff.

The Board has devised and developed a positive programme which ensures the continued and systematic development of health, safety and welfare activities. The Health and Safety Committee, which includes equal representation from management and trade unions, meets quarterly and brings to the attention of senior management any areas of concern which should be addressed within the health and safety programme. There is an ongoing programme of internal safety inspections and risk assessments and action plans are put in place to address any findings.

## 22 SIGNIFICANT CHANGES IN FIXED ASSETS

There have been no significant changes in fixed assets during the year.

Movements in fixed assets are disclosed in Note 8 in the Notes to the Accounts.

# Management Commentary

## *continued*

### **21 RESEARCH AND DEVELOPMENT**

OGCbuying.solutions does not currently undertake pure research.

We carry out a programme of development relevant to the present and future requirement of its activities and the needs of its customers.

### **22 POST BALANCE SHEET EVENTS**

There are no post balance sheet events.

### **23 DISCLOSURE OF AUDIT INFORMATION TO THE AUDITORS**

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

### **24 AUDITORS**

The Comptroller and Auditor General is the auditor of OGCbuying.solutions accounts. The charge for the year is £57k. All of this cost is related to audit services.



**H.A. BARRETT**  
ACCOUNTING OFFICER  
23 JUNE 2006

# Performance report

# Catalist Framework

# Agreements



**Catalist**

**Choose with confidence  
use with ease**

»» Using the considerable procurement expertise and buying power of OGCBuying.solutions, our Framework Agreements have been established to provide colleagues in the public sector with the best possible range of goods and services, aligned to their particular requirements, and offering sustainable value for money.

All our suppliers have been rigorously checked on your behalf for their suitability, supported by a process that is fully EU compliant, so that whatever you may be looking for, you can be confident of finding it quickly, easily and at a competitive price.

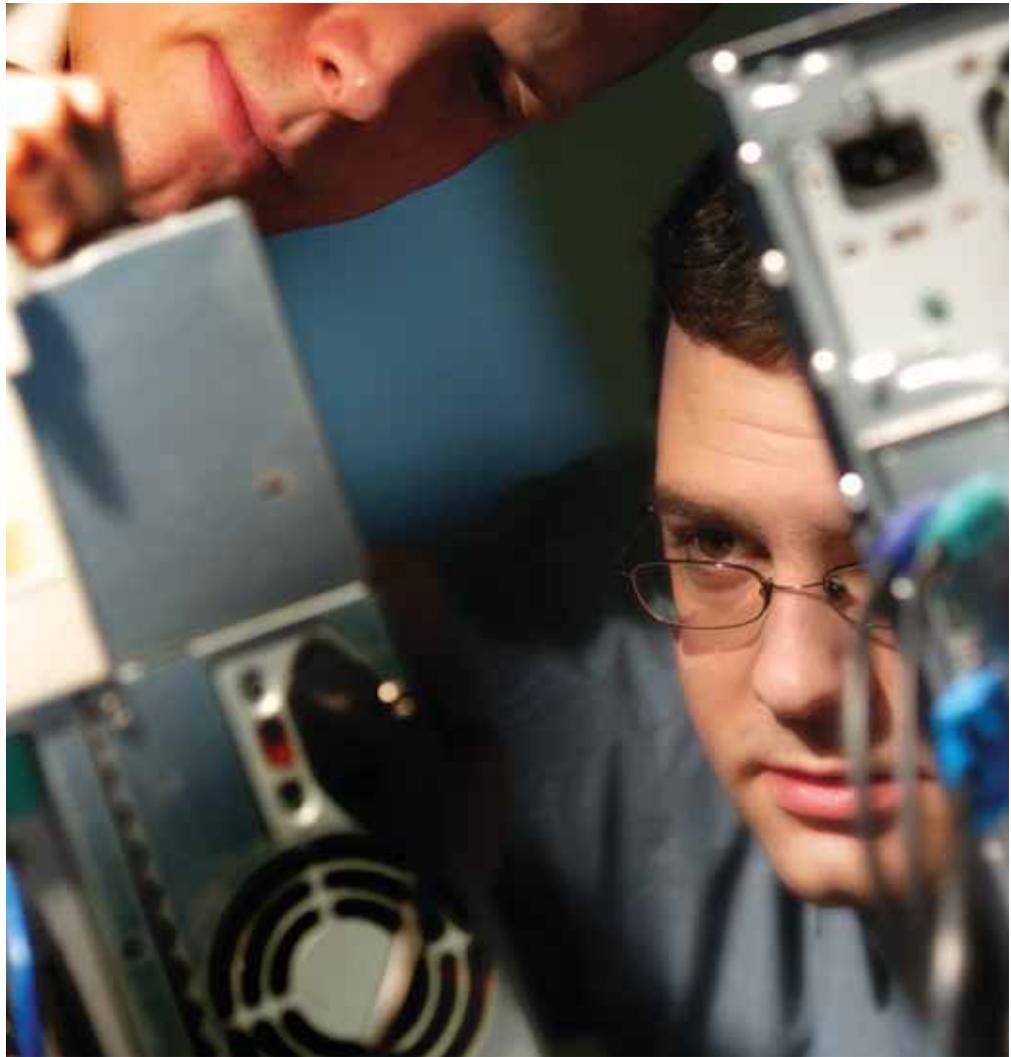
## CASE STUDY

In 2006, Doncaster College selected OGCbuying.solutions to assist with the procurement of IT infrastructure and Network Services for its new £90 million Doncaster Education City, one of the most exciting education and training initiatives ever seen in the UK.

This enabled the College to save valuable time and money by accessing a high quality supplier that had already been selected after a rigorous, OJEU compliant process.

Graeme Tizard, Director of IT at Doncaster College said: "OGCbuying.solutions gave us support at the initial stages of our project which was invaluable, responding quickly and professionally to our requests for procurement advice. They came in to meet with senior colleagues, providing advice and guidance which helped us to achieve best value in what was a very complex and demanding, time constrained project.

"With OGCbuying.solutions help, we were able to satisfy senior financial officers and our auditors that we had been able to achieve best value, and also a very quick route for our procurements."



# Information Technology

The year was dominated by a major programme to replace most of the current framework agreements previously operated under the GCat brand. This exercise, requiring several thousand man-hours, included significant input from customers.

The result was a new structure featuring IT framework agreements which, we feel, reflects more closely the major areas of the IT industry, namely goods and associated services, ICT Consulting and Specialist Solutions.

The last of these, Specialist Solutions, will provide a new series of arrangements covering a broad range of ICT solutions in four main areas including Managed Desktop Solutions, eBusiness Solutions, Applications Solutions and Communications Solutions.

## HIGHLIGHTS OF THE YEAR

Although much of our focus was on the development of our new framework agreements, our existing arrangements still performed strongly.

»» Software sales increased by just under 90% to £62.4 million compared with last year's figure of £33.2 million.

»» An improved Memorandum of Understanding (MOU) with Microsoft now provides a new discount threshold on desktop software and support packages under Enterprise and Select Agreement licences. The additional discount is set to deliver a further £1.5 million savings.

»» Our MOU with Oracle was renegotiated for a further three years providing additional pricing arrangements and enhanced discounts for technology and application products. This is expected to produce savings in excess of £30 million.

»» New benchmarking figures, collated independently showed that our GCat framework agreements delivered in excess of 10% cash savings for PCs, 8% savings for accessories, and significant savings for printers, servers and other IT goods.

## CASE STUDY

By summer 2006, a fully managed BT data network service, procured through OGCBuying.solutions framework agreements, will connect around 100 Norfolk County Council sites and 450 schools, providing staff with the tools and support they need to carry out their jobs effectively.

Using the Telecoms Services framework the Council made substantial savings in both time and resource. OGCBuying.solutions worked closely with the Council to advise on the terms and conditions of the contract adding service specific items to those incorporated as standard.

Said Karen O’Kane, Norfolk County Council’s Head of ICT: “The use of an OGCBuying.solutions framework provided us with a high degree of confidence that we were entering into an agreement that was based on equitable contractual terms.”



# Telecoms Services

Developments in the telecommunications sector continue to come thick and fast – and with them come increasing opportunities for public sector organisations to improve their quality of service and for their people to operate more efficiently and effectively.

Telecoms Services covers a diverse range of products and services in the categories of broadband, mobiles, pagers, telecoms equipment and telecoms services. During the year a review of Telecoms Services resulted in the creation of a new Catalyst category entitled Business Solutions which will include an extensive range of new and innovative telecoms products and services.

These were launched in June 2006.

## HIGHLIGHTS OF THE YEAR

» Since 2002 users of the Mobile Phone Framework Agreement have grown from 250,000 to, in excess of, 700,000, each taking advantage of competitively priced tariffs and an extensive range of mobile voice and data services from the country’s leading network operators. Savings through this framework agreement this year exceeded £16 million.

» The BT Premier Value programme provides public sector organisations with access to BT’s best permanent voice call rates. This is achieved through a commitment made by OGCBuying.solutions to BT on behalf of the whole public sector, guaranteeing a minimum spend of £8 million per year, triggering eligibility for BT’s most advantageous permanent business call tariff – Premier Value Band G.

This is an example of true public sector aggregation. It is estimated that customers using Premier Value typically save between 10% and 30% on their voice calls compared with other commonly used permanent tariffs. In all, the programme has saved the public sector almost £29 million.

## CASE STUDY

The Foreign and Commonwealth Office (FCO) owns numerous properties at home and abroad. The FCO wished to explore how it might secure private sector investment in its property portfolio to reduce the proportion of Government money required for building projects.

A number of deals were proposed including a 'build then lease' of a property to FCO, sale and lease back of an existing FCO property to the private sector and a 'build and lease' of an overseas embassy building. After an initial consultation with the National Audit Office (NAO) on the accounting implications of the proposals, the FCO then sought an independent view on accounting for these transactions in order to achieve the most advantageous deal.

They used OGCbuying.solutions' Financial Services framework agreement to engage Deloitte's specialist PFI accounting team. Deloitte's comprehensive report provided FCO with a detailed understanding of the relevant accounting standards, the implications of each of the options and the NAO's attitude on this type of financing arrangement. As a result FCO was in a much stronger position to make informed decisions on the way forward for its property portfolio.



# Professional Services

Professional Services covers a broad range of offerings including IT and management consultancy, financial and legal services, human resourcing – especially temporary staffing – and property services.

Of these the IT and management consultancy element accounts for the majority of activity, some 58% of the total. Typical projects span subjects which include organisational strategy, IT architecture, interim management placements, audit services, building design advice and commercial contract services.

A major programme to replace expiring S-Cat and GCat framework agreements was carried out. The new structure for these framework categories reflects the changing market dynamics and is expected to deliver real benefits for our customers.

## HIGHLIGHTS OF THE YEAR

»» Total Professional Services business grew from £317 million in 2004/05 to £563 million in 2005/06. The transfer of the mainstream property and construction services framework agreements (£60 million) and the 'bodyshopping' category of S-Cat (£70 million) to provide a more coherent set of consultancy and resourcing services, accounted for £130 million of this increase. The balance was produced by organic growth of 26% across all business areas.

»» Use of our Legal Services framework by all parts of the public sector doubled from £6 million in 2004/05 to more than £12 million this year.

»» The property services section continues to innovate in a very traditional sector and increased business by 22% over last year.

»» Property Services is also the first category to carry out a major consultancy reverse eAuction. In conjunction with Defence Estates, £2.1 million was saved over framework prices on a final contract value of £9.7 million over four years. We have also created one of the first cross-framework offerings with a relocation service to meet the requirements of the Lyons Review.

## CASE STUDY

A housing company in Warrington is set to make both cash and efficiency savings by using a ground breaking Catalyst framework agreement for all its building materials needs.

Through the Building Materials and Associated Products framework, Golden Gates Housing (GGH) has appointed Jewson to set up a dedicated Jewson branch in a central location in the town to improve the procurement and management of building materials required for the repairs of its 9,000 properties. The branch, to be used exclusively by GGH employees, will hold a bespoke stock range to meet all requirements and use a comprehensive stock management system and e-business solutions to reduce paperwork and time spent procuring materials so that more resources can be diverted into making repairs.

Peter Mercer, Chief Executive of Golden Gates Housing said: "After a short but rigorous evaluation we chose Jewson as our partner and together we have been working closely with OGChousing.solutions to develop a bespoke stores arrangement for our response repairs team. The arrangement is projected to bring significant efficiency savings to the business."



# Facilities Support

Facilities Support covers a diverse range of framework agreements including catering equipment, furniture and furnishings, hardware and buildings, health and hygiene, office equipment, property and facilities management, and newly introduced early in 2006, postal services.

## HIGHLIGHTS OF THE YEAR

Following the deregulation of the postal market on 1 January 2006 we developed a series of postal services framework agreements in collaboration with the Department for Work and Pensions and Her Majesty's Revenue and Customs. The National Audit Office estimates that savings of more than £30 million a year are a realistic prospect.

Further collaboration with the Office of Government Commerce, Department of Health and Registers of Scotland has led to the award of a major new Property and Facilities Management framework agreement. This brings together a number of facilities management and property management services designed primarily to assist with the day to day management of property estates either as a Management Agent or Direct Deliverer.

With the social housing market in mind, we renewed our Building Materials and Associated Products framework. The new framework, which attracts more than £30 million of public sector spend per annum, includes new features and services to provide more flexible options for customers.

Following our involvement with the emergency services in the procurement of £100 million worth of equipment and services to enable a prompt, effective response to chemical, biological, radiological or nuclear attack, we continued to provide support by sourcing additional specialist equipment for use in the case of major incidents.

As part of a NATO programme, we conducted a procurement exercise for the building and commissioning of an Aircraft Surface Finishing Facility at RAF Cottesmore. This complex project, which cost a little over £4 million, was successfully handed over to the RAF on time and to budget. Described as a NATO benchmark it is an example of professional procurement coupled with customer collaboration which has produced an excellent result.

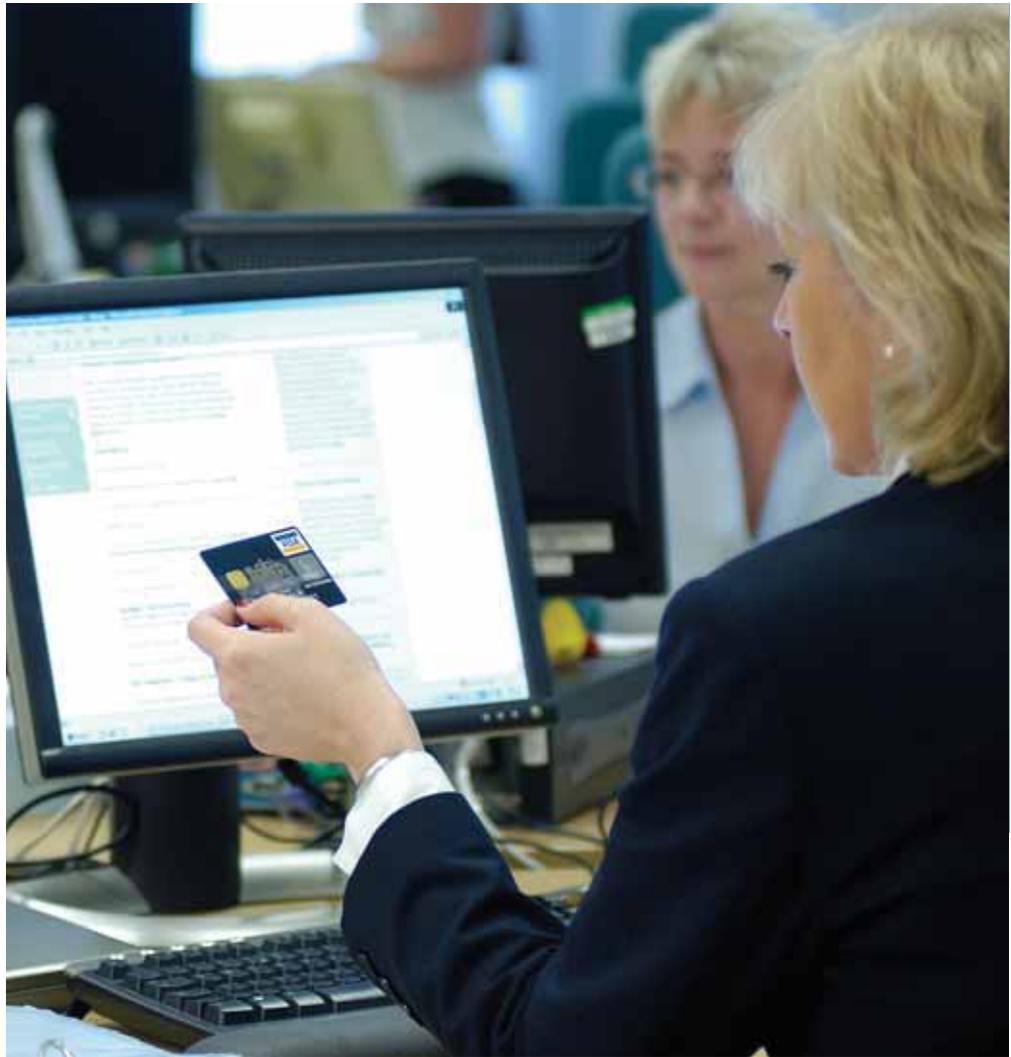
## CASE STUDY

Local authorities are among the increasing numbers of organisations embarking upon GPC programmes.

One of these, Bristol City Council, has been using cards to good effect since 2003.

Account Services Manager Russell Darling reports: "The use of procurement cards has been very successful and is popular with both suppliers and Council departments. The supplier is paid by the bank within four days of processing the transaction and the line item detail ensures both the supplier and ordering department has sufficient detail to maintain a high level of accountability.

"We have 215 cards in use with a spend of £2.3 million. With restructuring, two clerical posts and a principal officer post have been removed resulting in £160,000 worth of direct savings. We are now transferring our arrangements onto GPC and would anticipate that in 2006/7 there will be an expansion of the programme and that a further 100 cards will be issued with a target spend of £3.5 million."



# Payment Cards

Results for 2005/6 confirm that payment cards are now an essential tool in the public sector's drive for efficiency savings.

They provide organisations with a highly flexible and effective system with which to control and manage spend on a huge range of usually low value products and services.

Over the year use of payment cards has continued to expand with significant growth in spend on both the Government Procurement Card (GPC) and Fuel Card programmes.

## HIGHLIGHTS OF THE YEAR

### GPC

» There are now almost 70,000 cards in use. In 2005/6 more than half a billion pounds was spent using GPC, delivering savings of more than £80 million.

» GPC cards have also enhanced the performance of a number of OGCBuying.solutions framework agreements by making it easier to access discounts. In particular, customers using arrangements with Argos or Comet, which are part of OGCBuying.solutions Retail Trade Framework, can enjoy the added benefit of a 5% and 10% discount respectively when purchasing through GPC.

### Fuel Cards

» Sales using fuel cards exceeded £177 million, delivering savings of £28 million. In all some 1,400 programmes are in operation within the public sector with more than 135,000 individual cards in use.

» New fuel card business came from the Metropolitan Police, the Scottish Executive, Highways Agency and Central Buying Consortium (CBC), adding a further £20 million of spend.

» The Esso fuel card arrangement, which was originally set up solely for the NHS Purchasing and Supply Agency, has now been opened up to the wider public sector.

» The Morrison's supermarket chain has agreed to offer a fuel rebate to all MonitorCard customers that use their filling stations. MonitorCard, delivered through Arval, is one of our most successful fuel card programmes.

# Performance report

## Managed Services



**Managed**  
Services

Dependable solutions  
for the public sector

»» Collective management of key services is becoming an increasingly important arm of public sector procurement, which demands significant levels of expertise, commitment and commercial/technical support.

With its experience and knowledge of public sector procurement, and its select network of partnerships with major third party service providers, our Managed Services have been expressly established to provide, and take responsibility for, a range of value for money business solutions that can help your organisation to realise its requirements and goals.

In doing so, you are able to directly benefit from, and contribute to, the collective skills and thinking that comes from being part of a focused public sector community, with all the back-up and support you need, whenever you need it, with the active help of a public sector champion.

## CASE STUDY

In February 2006 the Learning and Skills Council confirmed that it is to extend its Mts voice service to its offices throughout England for a further three years, and to further enhance these services by signing up for Mts IPVPN and Managed Video Services.

Said Malcolm Whyte, LSC Director of Operational Services: "The continuation of our relationship with Global Crossing and OGCBuying.solutions will usher in new IP services and enable us to work more flexibly. We are delighted to announce the renewal of this contract, which we hope will allow us to make significant cash savings and efficiency gains."



# Managed Telecommunications Service (Mts)

Our Managed Telecommunications Service (Mts), delivered in conjunction with our partner Global Crossing, is a highly efficient service covering voice, data convergence and a variety of value added services including hardware, infrastructure and support.

## HIGHLIGHTS OF THE YEAR

»» The Mts Standard Voice Tariff remained unchanged for an eighth successive year despite rising call minute volumes, including calls to mobiles, and an increasing number of service/information providers using premium rate numbers.

»» Furthermore, following the restructuring of call tariffs with Global Crossing and internal efficiency savings, from 1 April 2006, the Mts Standard Voice Tariff was reduced by 6.25%.

»» Additional improvements and cost savings were achieved with the introduction of the Internet Protocol Virtual Private Network (IPVPN) service which has been taken up by most of our existing data customers and is being considered by potential new data customers. IPVPN will deliver secure networked Voice Over Internet Protocol (VOIP) services to central civil government. Three customers are already using Mts VOIP, delivered either over the Commercial IPVPN or their own Wide Area Networks. These are the London Borough of Tower Hamlets, Sport England Regional Offices and the Nuclear Decommissioning Agency.

»» More than 60 customer sites are taking advantage of the benefits of the Mts Mobility Service. This allows users to either work remotely or to hot desk at any enabled Mts site via a personal number, providing flexibility for users and potential cost benefits for customers. The Department of Trade and Industry has enabled this facility for its London estate, providing an opportunity to save up to 30% in accommodation costs.

»» Availability of Mobility and IP-enabled services has been enhanced by the major software upgrade to all Mts Private Automatic Branch Exchange (PABX) which was completed to schedule in September 2005.

»» Use of Mts voice services has grown throughout the period. This includes expansion in Wales with the Welsh Tourist Board and Welsh Development Agency joining the Mts, to bring the Mts total voice count to over 125,000 extensions. Mts provides services to 96 individual customer organisations at more than 700 sites throughout the UK.

## CASE STUDY

Further reductions in carbon emissions were achieved when Financial Secretary to the Treasury, John Healey, MP, turned on Whitehall's energy-saving Combined Heat and Power (CHP) system.

This energy efficient plant, which provides heat to 18 Government departments including 10 Downing Street and the Treasury, will save taxpayers a projected £140,000 a year in net running costs and reduce carbon emissions by 2,600 tonnes.

Switching on the system, John Healey said: "This is the largest energy-saving CHP plant in the Government estate which not only provides heat and light across Whitehall, but also reduces carbon emissions and saves money.

"CHP is making a key contribution to the Government's drive to promote energy efficiency and reduce carbon emissions and the very fact that Whitehall uses such a system reflects the Government's continuing commitment to tackling climate change."



# Energy

Energy procurement takes place against a background of major international events such as wars, climate change, global economics and politics. This year these influences have conspired to increase energy costs by about 50%.

In this volatile marketplace, OGCBuying.solutions' wholesale energy procurement model has provided control over the timing of going to market and the prices secured.

The Energy team has delivered 12% growth in volume purchased through delivery of a constantly improving model of procuring energy and providing value added services, often at no additional cost.

Energy and water management and conservation continues to be an important element of our portfolio of services as a means of meeting sustainability targets and offsetting the impact of price rises.

## HIGHLIGHTS OF THE YEAR

»» OGCBuying.solutions is now the preferred route for the procurement of electricity by public sector organisations in Northern Ireland.

»» The Department for Constitutional Affairs began migrating up to 800 Crown Courts and Magistrates Courts on to our contract over a 12 month period from October 2005.

»» We continue to procure approximately 30% of electricity from renewable sources – considerably in excess of Government targets.

»» The transfer of a number of Scottish sites onto our wholesale procurement arrangements was completed.

»» Procurement of liquid fuels was transferred to the MOD. This partnership approach plays to the strengths of each organisation with the MOD responsible for the procurement whilst OGCBuying.solutions retains the customer service elements of the service.

»» Communication with customers was improved through monthly e-bulletins, roadshows and customer forums.

We continued to develop our procurement model with a view to obtaining longer term commitments in order to give us greater procurement power when the market provides opportunities.

## CASE STUDY

The Knowledge Network, part of the GSi, provides government departments with a secure and easy-to-use system which allows the speedy exchange and sharing of information. Delivered through GSi supplier Cable & Wireless, with application development and hosting support provided by subcontractor SciSys, the enhanced Knowledge Network service is available to the existing 156 government departments and 350,000 civil servants who currently use the GSi.

Beverley Bryant, CIO for the Department of Health and chair of the Knowledge Network Governance Board, said: "The new GSi Knowledge Network makes the concept of shared services a reality and delivers benefits, savings and quality of service for customers. There is a real and ongoing requirement for Government Departments to share knowledge and information. Although the Knowledge Network has moved a long way towards addressing this need, the move to a commercial partnership will improve the experience for customers from the perspective of cost and improved certainty of delivery."



# Government Secure Intranet (GSi)

The Government Secure Intranet (GSi) provides a value for money, fully managed telecommunications solution that allows connected public sector organisations – and approved suppliers and partners – to exchange and publish information in a secure online environment.

It also enables secure communication with other systems including the Criminal Justice and NHS networks. The past year's activities have been in three main areas, namely ongoing migration from legacy to new systems, scaling of bandwidth and new product development.

## HIGHLIGHTS OF THE YEAR

»» The migration of the entire GSi customer base from the legacy system to the new, an intensive and time-consuming process, was finally completed by the end of July 2005, one year ahead of schedule.

»» With the completion of migration it became necessary to scale the platform in line with much greater than anticipated demand. The legacy service used around 450Mb bandwidth in total, whilst the new service, on migration, has already exceeded 1Gb. The increase in bandwidth reflects a growing requirement from customers for this type of secure online communication.

»» A number of new strategic initiatives commenced during 2005, the main ones being Government Connect, Knowledge Network and Remote Worker. Government Connect could see the connecting together of all English local authorities with the core infrastructure to be provided by Cable & Wireless via the GSi. The provision of Knowledge Network through GSi is also under way.

Meanwhile the 'Remote Worker' service is due to be rolled out in April 2006 after development work in late 2005 and early 2006, and is expected to fulfil a long awaited service requirement for remote access.

»» A fundamental review of processes and procedures resulted in the implementation of a Continuous Service Improvement Plan to address service issues and to provide for on-going improvements. Implementation of the plan has resulted in measurable improvements in service delivery. We also began a benchmarking exercise around the GSi service, creating models based on GSi components and comparing where possible like-for-like costs.

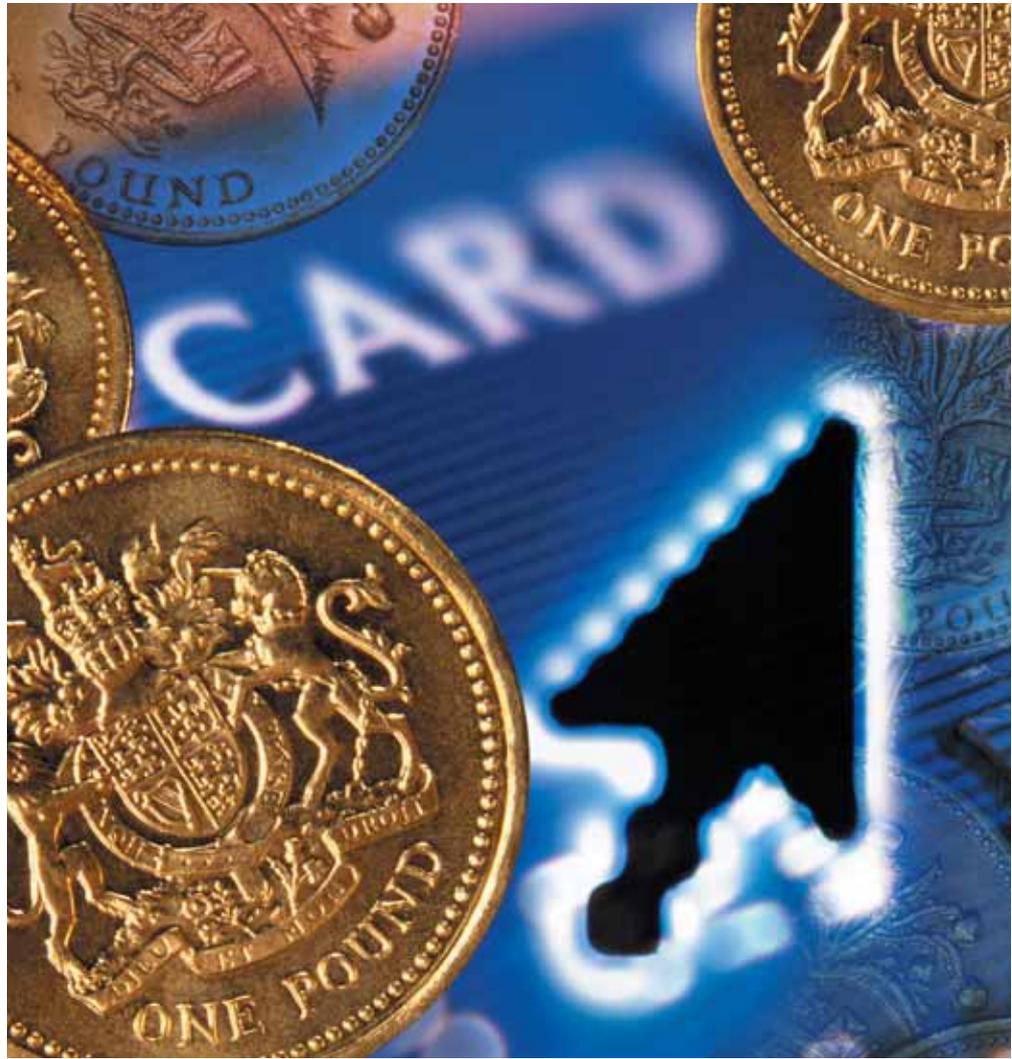
»» In November 2005, GSi supplier Energis was bought by Cable & Wireless plc, and since then the companies have been integrating their activities. We expect to see significant benefits from the acquisition with increased service capability and pooling of combined experience.

## CASE STUDY

An early adopter of eSourcing has been the British Library, the national library of the United Kingdom and a major research resource in the information revolution taking place in the 21st century.

The Library has taken the eTendering element of eSourcing. Contracts already awarded via eTendering include those for IT training services and several consultancies for technical projects.

“There are huge benefits with this new system,” says the Library’s Head of Procurement John Kitching. “It’s going to reduce tender cycle time and administrative costs. It removes the huge amounts of e-mailing, faxing, printing and postage normally needed to process new tenders.”



# eProcurement Solutions

eProcurement Solutions provides public sector organisations with access to a suite of leading eProcurement tools which can reduce expenditure and process times, improve controls and compliance and drive procurement best practice.

These tools are:

- eSourcing, including eTendering, eEvaluation, eCollaboration and eContract Management
- eAuctions
- Zanzibar marketplace and purchase to pay system

The service also includes change management consultancy advice to ensure that the transformation to eProcurement is a success.

## HIGHLIGHTS OF THE YEAR

Following the eSourcing Managed Service launch in June 2005, 25 public sector organisations and 800 procurement professionals have conducted over 400 tenders, representing more than £2 billion of spend. This service was awarded runners-up place for Best Project in the Government to Government category of the BT sponsored Government Computing Awards.

Major customers include BBC, ValueWales, NHS Purchasing and Supply Agency, Department for Work and Pensions (DWP), Financial Services Authority, two NHS collaborative hubs and two police forces. The types of procurements have been diverse including emergency flu vaccine supplies, scene of crime supplies, broadcast equipment hire and mining chemicals.

The recently announced West Midlands Centre of Excellence eTendering portal will provide a solution for 14 local authorities, police forces and housing associations in the area, with the largest

being Birmingham City Council. Time savings of between 30% and 40% have been achieved, compared to similar procurements carried out manually.

Since the Zanzibar Managed Service was launched in February 2006, DWP, Department for Education and Skills, Environment Agency, Kirklees Council and NHS NW London have signed subscription agreements. All OGcbuying.solutions suppliers will be registered onto the marketplace so that Zanzibar subscribers can make it easier for their internal requisitioners to access OGcbuying.solutions framework agreements and pricing.

Over £152 million of savings have been delivered through the eAuction framework and eSourcing service.

# Remuneration Report

## 1 INTRODUCTION

This report sets out the policy and disclosures on Directors' remuneration as required by the Companies Act section 234B and schedule 7A and as interpreted in the Government Financial Reporting Manual (the FReM – paras 7.2.18-26). The Companies Act requirements include some disclosures that are not likely to be relevant in OGCBuying.solutions (such as those on shareholdings, share options, long-term incentive schemes and excess pension benefits paid). However the report has been prepared to be compliant so far as is practicable and appropriate.

## 2 SENIOR SALARIES REVIEW BODY

The Executive Directors are all Senior Civil Servants and the precise funding available to departments each year is decided by the Government in response to recommendations of the independent Senior Salaries Review Body (SSRB), taking account of the Government's overall approach to public sector pay. SSRB recommendations cover the level of uplift to the SCS pay bands and progression target rates in the light of economic evidence and movements in the private and wider public sector markets for senior executives. SSRB also gives a view on performance awards for base salary and the minimum bonus payment. In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## 3 SERVICE CONTRACTS

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the Directors covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. The Chief Executive is employed on a Fixed Term Appointment basis.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

## 4 SENIOR MANAGEMENT SALARY AND PENSION ENTITLEMENTS

The following table provides details of the remuneration and pension interests of the Executive Directors employed by OGCBuying.solutions.

	Salary inc perf pay Year ended 31 Mar 06 (2004/05 comparative in brackets) £000	BIK rounded to nearest £100 (Note 1)	Real increase in pension at 60 and related lump sum at age 60 £000	Total accrued pension at 60 £000	CETV nearest £000	Real increase in CETV after adj. for inflation and changes in market invest. factors £000	Employer contribution to partnership pension account inc. risk benefit cover nearest £000
<b>H Barrett</b> Chief Executive	110-115 (105-110)		0-2.5 (0-2.5)	8 (6)	124 (70)	22 (19)	- -
<b>Dr CE Poulter</b> Deputy Chief Executive (Note 2)	35-40 (80-85)		0-2.5 (0-2.5)	33 (31)	515 (386)	13 (10)	- -
<b>S Heard</b> Director of Customer Relations	70-75 (70-75)		0-2.5 (0-2.5)	5 (3)	77 (37)	16 (12)	- -
<b>D Murray</b> Director of Corporate Services	80-85 (70-75)		0-2.5 (17.5-20.5)	22 (19)	230 (155)	16 (85)	- -
<b>J Moorhouse</b> Managed Services Director	75-80 (100-105)		2.5-5.0 (-)	3 (-)	35 (-)	32 (-)	- -
<b>G Lander</b> Director of Frameworks (Note 3)							- -
<b>D Rothwell</b> Director of Procurement (Note 4)	10-15 (-)	33.3k	0-0.5 (-)	0.5 (-)	3 (-)	3 (-)	- -

**Note 1** The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Mr Rothwell received a relocation payment.

**Note 2** Dr CE Poulter left the Agency on 31 August 2005.

**Note 3** Mr G Lander was appointed to the Executive on 1 August 2005 and his Interim Management contract expired on 10 February 2006. Permission has not been received to disclose remuneration information.

**Note 4** Mr D Rothwell was appointed to the Board on 31 January 2006.

Pension benefits are provided through the Civil Service pension arrangements (see Note 1.7 in the Notes to the Accounts).



**HUGH BARRETT**  
CHIEF EXECUTIVE, OGCBuying.solutions  
23 JUNE 2006

# Statement of OGCbuying.solutions and Chief Executive's responsibilities

Under Section 4(6A) (b) of the Government Trading Funds Act 1973, the Treasury has directed OGCbuying.solutions to prepare a statement of Accounts for the 12 month period from 1 April 2005 to 31 March 2006. The Accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at 31 March 2006 and of its income and expenditure, total recognised gains and losses and cash flows for the 12 months then ended.

In preparing the Accounts the Agency is required to:

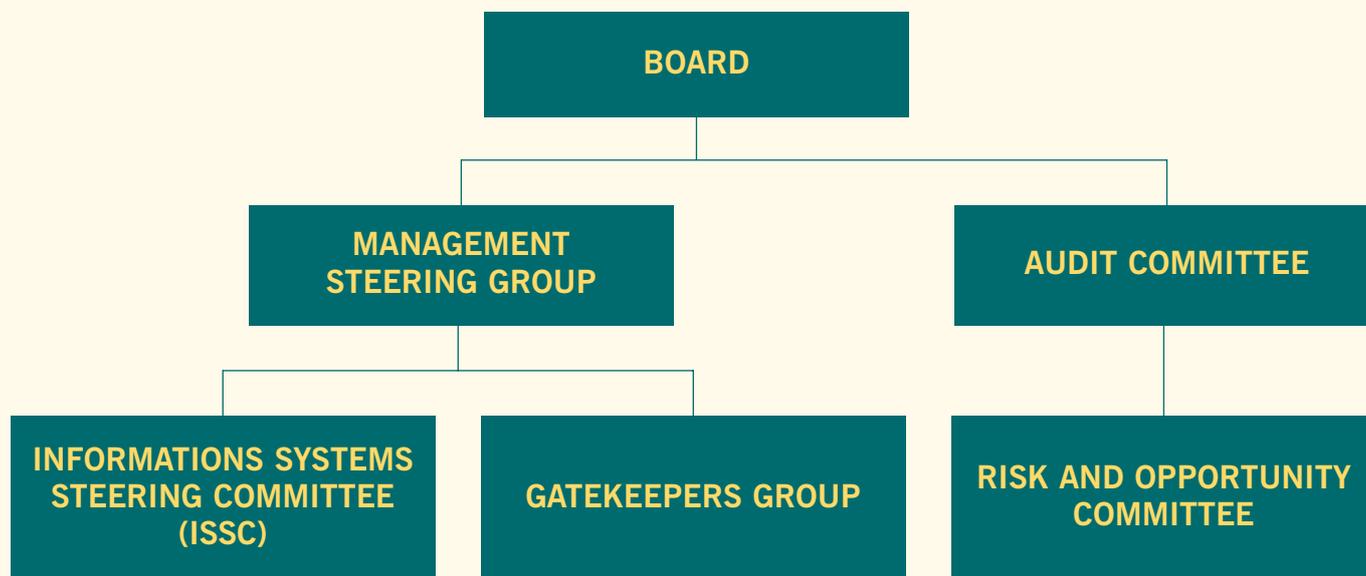
- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and to disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Agency will continue in operation

The Treasury has appointed the Chief Executive of OGCbuying.solutions as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

The Chief Executive's responsibilities as Accounting Officer for the keeping of proper records includes the responsibilities for the maintenance, integrity and upkeep of financial records (including the financial statements) on OGCbuying.solutions website.

# Corporate Governance

## Structure



### THE BOARD OF OG**C**buying.solutions

The terms of reference of the Board include the following:

- Provides advice to the Chief Executive on matters of strategic importance to the organisation
- Reviews and agrees the Annual Business Plan prior to submission to OGC and Treasury
- Monitors the operational performance of the business and any actions needed to keep performance on plan
- Reviews the Annual Report and Accounts prior to sign-off by the Chief Executive

In addition, it:

- Reviews the following items on a regular basis through the year: the Risk Register; the results of staff surveys; the results of customer satisfaction surveys; the review of Health and Safety; and major projects
- Considers major business cases (>£500,000 total expenditure) prior to sign-off by the Chief Executive
- Meets bi-monthly (although members will receive monthly management information packs) and will have a rolling programme of agenda items. An additional Board meeting is called if requested by one or more Non-Executive Directors. The Board met seven times during the period.

The Board consists of the Chief Executive (Chair), four Executive Directors and five Non-Executive Directors (of whom one is nominated by the Chief Executive of OGC).

During 2005/06 the following Directors were members of the Board of OG**C**buying.solutions:

		No of meetings attended
Mr HA Barrett	Chief Executive	7/7
Mr DJ Murray	Director of Corporate Services	7/7
Mr SP Heard	Director of Customer Relations	7/7
Miss J Moorhouse	Director of Managed Services	7/7
Mr D Rothwell	Director of Procurement	1/1
Mr G Lander	Director of Frameworks	5/5
Mr JC Thwaite OBE	Non-Executive Director	6/7
Mr M Sykes	Non-Executive Director	6/7
Mr KR Girling	Non-Executive Director	6/7
Mr C Lamb	Non-Executive Director	7/7
Mr M Gladwyn	Non-Executive Director	6/7

Dr CE Poulter left the Agency on 31 August 2005 and Mr D Rothwell was appointed Director of Procurement on 31 January 2006.

Mr M Gladwyn resigned on 19 April 2006.

Mr G Lander left the Agency on 10 February 2006.

### THE MANAGEMENT STEERING GROUP

The Management Steering Group is chaired by the Chief Executive and meets monthly. Its role is to manage the business within the parameters of the approved Business Plan. It monitors the performance of the business and takes corrective action if required. It also considers issues of policy that do not require full Board consideration. Minutes of the monthly meetings are copied to the Non-Executive Directors for information.

In addition to the Chief Executive and Executive Board Directors, the Management Steering Group members during 2005/06 were:

Mr L Barnett	Marketing Services Director
Miss S Cotgreave	Head of e-Commerce
Mrs H Freeman	IT Director
Mr C Illman	Head of GSI
Mr S Lawlor	Human Resources Director
Mrs J Murray	Account Management Director
Mr J O'Neill	Facilities Frameworks Director
Miss S Salisbury	IT Frameworks Director
Mr K Cahill	Supplier Management Director

Mr K Cahill replaced Miss S Salisbury with effect from November 2005.

### THE AUDIT COMMITTEE

The Audit Committee's role is to advise the Accounting Officer on the adequacy of the internal control arrangements including risk, governance and in particular, the findings and recommendations emerging from the work of internal audit to provide the associated assurance. During 2005/06 its membership consisted of three Non-Executive Directors and, in addition, the Chief Executive, Corporate Services Director, representatives from OGC, the Internal and External Audit organisations were invited to attend. The Audit Committee has met four times during the period.

At 31 March 2006 the following were members of the Audit Committee:

	No of meetings attended
Mr JC Thwaite - Chair	3/4
Mr KR Girling	4/4
Mr C Lamb	4/4

### INFORMATION SYSTEMS STEERING COMMITTEE

The Information Systems Steering Committee meets every three months to oversee the development, maintenance and implementation of OGCBuying.solutions information strategy. In support of the vision and strategic direction of the Agency, it ensures that the information systems strategy is responsive to business needs and reflects best IT practice.

To achieve the above the Committee's terms of reference include the following:

- Regularly review the alignment of the IT Strategy in relation to the Agency's business plan.
- Act as a referral point on issues of a strategic nature

- Explicitly review and agree project management arrangements for particularly large, sensitive or complex projects that involve IT infrastructure
- Ensure that completed IT infrastructure projects are reviewed for their attainment of business objectives and that post implementation reviews are carried out effectively
- Review arrangements for IT service, security and resilience, business continuity plans, the operation of partnership agreements (service level agreements) and long-term arrangements for resources, (staff, services, software and hardware)
- To review the Agency's Risk Register as it pertains to IT/IS and ensure that adequate controls are put in place
- To discuss and review developments in the IT marketplace which may impact upon the Agency

### GATEKEEPERS GROUP

The Gatekeeper Group's role is to consider at an early stage new products and services, allocating resources where appropriate.

### RISK AND OPPORTUNITY COMMITTEE

The Agency views the careful management of risk as a key management activity. Much of the Agency's work in the area of risk management is facilitated by the Risk and Opportunity Committee, which is chaired by the Director of Corporate Services and comprises the Risk Improvement Manager together with Directorate Risk Coordinators and Internal Audit representation. The Risk and Opportunity Committee meets formally at least four times a year to raise awareness of risk generally across the Agency and to ensure a consistent and efficient approach to risk management is maintained. The Risk and Opportunity Committee operates under formal terms of reference established by the Board and accords with HM Treasury guidance.

The Risk and Opportunity Committee supports and advises the Agency's Board on the implementation and monitoring of the risk management strategy and ensures that appropriate mechanisms, structures and processes are in place to identify and evaluate key risks that threaten achievement of Agency objectives. It is the role of management to implement Board policies on risk and control and all employees have responsibility for internal control as part of their accountability for achieving objectives.

# Statement on Internal Control

## SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

Links with OGC are maintained by my membership of the OGC Board and through their representation at Audit Committee level.

The conditions under which I discharge all these responsibilities are specified in the Agency Framework Document, which establishes both my direct accountability to Ministers for the Agency's operation and performance as well as the limits of delegation that the Departmental Accounting Officer affords me as Trading Fund Account Officer.

## THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts accounts, and accords with Treasury guidance.

## CAPACITY TO HANDLE RISK

The risk management process has the endorsement of the Board via the Agency's Risk and Opportunity Management Strategy which was subject to a major review and re-launched in April 2005. The importance of senior leadership in this process is recognised and specific responsibility for strategic risks is assigned to Board members and responsibility for operational risks is assigned to the directorates. This ensures central control while ensuring local ownership in managing and controlling all elements of risk to which the Agency may be exposed. As required by the Agency's Risk and Opportunity Management Strategy and Policy, each directorate has a risk leader who is responsible for coordinating risk management processes within the directorate including management of the directorate risk register and maintaining the directorate's risk reduction plan. Best practice is highlighted and shared across directorates through directorate risk coordinators and the Risk and Opportunity Committee.

The Agency has in place an effective reporting system which enables trends to be identified and a computerised risk register populated by risks identified from local risk assessments and with risks associated with the key objectives in the Agency performance management system. The risk register operates as the focal point of the Agency's risk management activities. The risk register allows the Board to consider risk treatment plans and gain assurance about the management of risk.

The Agency's principal objectives, drawn from across the range of the key business areas, are identified and reported to the Board via a balanced scorecard. A director owns each objective and they determine the controls needed to manage the objective and make an assessment to determine the likelihood and consequence of failure to achieve the delivery of the objective. The Board reviews the balance scorecard performance and where appropriate requests further action to investigate controls and reassess risk. During the past year the Agency has continued to develop its Assurance Framework, which is the system used by the Board to ensure that all principal risks are controlled, that the effectiveness of those key controls has been assured, and that there is sufficient evidence to support this statement on internal control. The Assurance Framework model links together the Agency's performance management and risk management systems to provide the Board with these assurances. The Board has mapped its assurance needs and identified sources for providing them. Independent assurance, from a wide variety of sources, is provided on the process of risk identification, evaluation and control. The Assurance Framework allows the Board to review the internal controls in place to manage the principal risks and to examine the assurance mechanisms which relate to the effectiveness of the system of internal control. With this information the Board is able to identify and address potential gaps in control and assurance.

I believe that good risk management is an integral part of an efficient and effective organisation and as such, training is provided for all staff in risk management relevant to their grade and situation to ensure they have the necessary skills and knowledge and are competent to identify, control and manage risk within their work environment. This is delivered at induction, through mandatory updates and through the policies and procedures in place. To support staff through the risk assessment process, guidance and facilitation is available from members of the Risk and Opportunity Committee who are responsible for disseminating good risk management practices across the Agency. They regularly meet with staff to support them in their evaluation and management of risk.

### THE RISK AND CONTROL FRAMEWORK

The main features of the Agency's risk management process which I have established to identify, evaluate and control risk are:

- An organisation-wide business planning process produces a business plan that identifies risks associated with the achievement of the Agency's targets, which are cascaded down to the appropriate owners
  - The Agency has a comprehensive risk and opportunity management strategy and policy which is reviewed annually by the Risk and Opportunity Committee and approved by the Board and Management Steering Group. The most recent review of the strategy and policy was undertaken in April and September 2005 respectively
  - A risk register has been developed linking bottom up with top down risks. Ownership has been taken of strategic risks by named members of the Board
  - A monthly risk reporting process that includes risk reports that flow upwards and feed into the corporate risk report and are underpinned by corporate and operational risk registers. These are reviewed by the Management Steering Group at each monthly meeting, by the Board quarterly and by the Audit Committee at each meeting to ensure controls have been applied and the result of risk management is effectively monitored
  - Directors are required to review their registers on a monthly basis and sign a separate annual assurance statement, declaring to the best of their knowledge risks have been adequately identified and managed through the implementation and monitoring of appropriate controls
  - The introduction of a new risk management software application which is in essence a data warehouse designed to manage risk information within the Agency. This has standardised and streamlined existing working procedures, in the risk management area and is the authoritative and single source for a variety of risk management reporting and information requirements
- A formal corporate governance and internal control system detailing the aims and principles through which the Agency conducts its business. This includes manuals setting out operational and financial procedures and delegated authorities, an anti-fraud strategy and response plan and a whistle blowing policy to enable staff to report concerns over any aspect of the Agency's business
  - Comprehensive budgeting and forecasting systems, provide the current forecasting model which represents good practice by empowering the business units to make their own forecasts instead of this being solely the remit of the Finance team
  - The performance monitoring information is used regularly by management to identify and address emerging issues and the balanced scorecard, which contains monthly assessment of its performance against key targets, is reviewed and reported each month
  - A change management process that monitors and controls projects and programmes and includes a change control procedure for all IS/IT infrastructure items. The majority of the Agency's projects are categorised as 'low risk' as determined by the Risk Potential Assessment constructed by OGC. However as an additional control mechanism they can be subject to internal Gateway reviews. The Board and Audit Committee receive reports on business critical projects and monitor the associated risks
  - Business critical processes and systems have been reviewed and updated and the business continuity plans have been updated to reflect this. Training requirements for personnel with responsibility for business continuity have been assessed and the training they have received has been formally documented. Critical data is stored off-site and arrangements are in place to allow incident control and the most critical functions to be accommodated elsewhere

# Statement on Internal Control

## *continued*

### REVIEW OF EFFECTIVENESS

As Agency Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, KPMG and the managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors, in their management letter and other reports. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives has been reviewed. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control was maintained and reviewed through:

- An Audit Committee, with internal and external audit representation, meeting four times each year under the chairmanship of a Non-Executive director, at which all assurance activities are reviewed including internal and external audit, risk management, functional compliance audit and other reviews as appropriate
- A Board, which meets regularly to consider the plans, progress and strategic direction of the Agency. The Board comprises myself, Executive Directors of the Agency and four Non-Executive directors – one of whom is Chair of the Audit Committee
- A Risk and Opportunity Committee who meet quarterly and whose role is to support and advise the Agency's Board, on the implementation and monitoring of the risk management strategy
- Managers within the organisation, who have responsibility for the development and maintenance of the system of internal control and the Assurance Framework and the submission of regular reports on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- The work of Internal Audit through the year, including advice and support on the development of the Board Assurance Framework and the results of external audit's work on the Agency's annual accounts
- Annual internal control certificate of assurances are completed by each of my directors covering the key systems for which they are responsible
- Regular reports by Internal Audit to standards defined in the Government Internal Audit Standards (GIAS). The work of internal audit is informed by an analysis of the risk to which the Agency is exposed. The analysis of risk and the internal audit plans are endorsed by the Audit Committee, Board and approved by me
- Establishment of key performance indicators which are monitored as part of the Business Performance Scorecard derived from the Business Plan

- Detailed risk registers, are maintained for Directorates, operations and projects. The risk register's most significant risks are incorporated into a corporate register, which is reviewed quarterly by the Board and any changes reported to the Audit Committee on a quarterly basis
- An Information Systems Steering Committee meets every three months in order to oversee the development, maintenance and implementation of OGCBuying.solutions information systems strategy, ensuring that it is responsive to business needs and reflects best IT practice
- The Agency's internal auditors submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The opinion stated in the Annual Internal Audit Report for 2005/06 was that OGCBuying.solutions:

*"I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, control and governance processes."*

*In my opinion, OGCBuying.solutions has adequate and efficient management, control and governance processes to manage its achievement of the organisation's objectives."*

No internal control issues were identified during the year apart from the following:

- Concerns have been noted in respect of Project Zanzibar, the eProcurement marketplace, which had received three 'red' Gateway Reviews. All issues have now been appropriately addressed
- An Internal Audit report raised control issues on the new Travel and Subsistence process. A follow-up review subsequently confirmed that all recommendations have been appropriately addressed
- A recent Internal Audit report raised concerns on certain aspects of Health and Safety. These are currently being addressed

During the year periodic reviews of both the corporate and directorate risk registers have been conducted by the Board, Management Steering Group, Audit Committee and Internal Audit, as well as by management and staff teams. Internal Audit has performed risk-based audits, including reviews of internal control, which supports my conclusion that there is no indication of any major control weakness that would lead me to qualify this statement of internal control. Risk management is embedded into the Agency's processes and we are well placed to ensure continuous improvement of the system of internal controls already in place.



H.A. BARRETT  
ACCOUNTING OFFICER  
23 JUNE 2006

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of OGCBuying.solutions for the year ended 31 March 2006 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## RESPECTIVE RESPONSIBILITIES OF OGCBUYING.SOLUTIONS, THE CHIEF EXECUTIVE AND THE AUDITOR

OGCBuying.solutions and the Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of OGCBuying.solutions and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if OGCBuying.solutions has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 34-36 reflects OGCBuying.solutions' compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of OGCBuying.solutions corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the unaudited part of the Remuneration Report, the Management Commentary and the Five Year Summary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by OGCBuying.solutions and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to OGCBuying.solutions' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## OPINION

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of OGCBuying.solutions' affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**JOHN BOURN**  
COMPTROLLER AND AUDITOR GENERAL  
30 JUNE 2006

NATIONAL AUDIT OFFICE  
157-197 BUCKINGHAM PALACE ROAD  
VICTORIA  
LONDON SW1W 9SP

# Operating Account for the Year Ended 31 March 2006

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£000	£000	£000	£000
<b>Turnover</b>	2		70,341		60,067
Cost of sales:			(45,466)		(39,448)
<b>Gross Surplus</b>			24,875		20,619
Staff costs:		(11,606)		(9,971)	
Depreciation:		(1,089)		(430)	
Other operating charges:		(8,414)		(7,780)	
Exceptional Operating Charges		-		(1,088)	
Total operating costs			(21,109)		(19,269)
Other operating income			365		-
<b>Operating Surplus</b>			4,131		1,350
Interest Receivable	6		374		432
Interest Payable	7		(492)		(135)
<b>Surplus for the financial year</b>			4,013		1,647
Dividend to be surrendered to OGC			(1,130)		(1,225)
<b>Retained Surplus</b>	17		2,883		422
Retained Surplus brought forward	17		16,581		16,159
<b>Retained Surplus carried forward</b>	17		19,464		16,581

Income and surplus are derived entirely from continuing operations. There were no material disposals or acquisitions. The notes to the accounts on pages 41 to 51 form an integral part of these accounts.

# Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2006

	Year ended 31 March 2006	Year ended 31 March 2005
	£000	£000
Surplus for the Financial Year	2,883	422
Movement on Revaluation of Fixed Assets	(5)	-
Credited to the Revaluation Reserve	269	69
<b>Total gains and losses relating to the financial year</b>	<b>3,147</b>	<b>491</b>

The notes to the Accounts on pages 41 to 51 form an integral part of these accounts.

# Balance Sheet as at 31 March 2006

	Note	31 March 2006		31 March 2005	
		£000	£000	£000	£000
<b>Fixed Assets</b>	8		11,733		12,535
<b>Current Assets</b>					
Stocks	9	58		84	
Debtors	10	16,662		14,087	
Investment	11	5,000		-	
Cash at bank and in hand		<u>4,718</u>		<u>9,928</u>	
		26,438		24,099	
<b>Creditors:</b>					
Amounts falling due within one year	12	<u>(11,841)</u>		<u>(10,840)</u>	
<b>Net Current Assets</b>			14,597		13,259
Creditors amounts falling due after more than one year	12	<u>(4,716)</u>		<u>(7,377)</u>	
<b>Total assets less liabilities</b>			<u>21,614</u>		<u>18,417</u>
<b>Financed by</b>					
Provision for liabilities and charges	14		1,467		1,417
<b>Capital and Reserves</b>					
Public Dividend Capital	15	350		350	
Revaluation Reserve	16	333		69	
General Reserve	17	<u>19,464</u>	<u>20,147</u>	<u>16,581</u>	<u>17,000</u>
<b>Total</b>			<u>21,614</u>		<u>18,417</u>

The Notes to the Accounts on pages 41 to 51 form an integral part of these accounts.



H A Barrett  
Accounting Officer  
23 June 2006

# Cash Flow Statement for the Year Ended 31 March 2006

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
<b>Net cash inflow / (outflow) from operating activities</b>	3,683	5,202
<b>Returns on investments and servicing of finance</b>		
Interest received	408	393
Interest paid	(628)	-
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(25)	(47)
Payments to acquire Whitehall Heating Systems	-	(3,000)
<b>Dividend paid</b>	(1,269)	(1,342)
Long term loan	(2,379)	-
<b>Management of liquid resources</b>	(5,000)	3,500
<b>Net cash inflow/(outflow)</b>	<u>(5,210)</u>	<u>4,706</u>

See note 18 in the Notes to the Accounts. The Notes to the Accounts on pages 41 to 51 form an integral part of these accounts.

# Notes to the Accounts

## 1 ACCOUNTING POLICIES

### 1.1 Accounting Convention

The Accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 4 (6A)(b) of the Government Trading Funds Act 1973 updated 27 March 2002.

The accounts have been prepared under the historical cost convention modified to include the revaluation of Whitehall District Heating and Whitehall Standby Distribution Systems (the Whitehall Systems) included within plant and machinery.

The Accounts have not been modified to include other fixed assets valued at current cost as required in the Accounts Direction given by HM Treasury. Any difference is not material.

### 1.2 Accounting Standards

The Accounts conform, insofar as appropriate, with the requirements of the Financial Reporting Manual (FReM) issued by HM Treasury and of accounting standards issued or adopted by the Accounting Standards Board.

### 1.3 Turnover

Turnover consists of the invoiced value of goods and services net of Value Added Tax, Trade Discounts and Rebates, from the ordinary activities of the business.

### 1.4 Fixed Assets

Fixed assets are capitalised at their cost of acquisition and installation. The prescribed capitalisation level is £5,000. Where an asset costs less than this but forms an integral part of a package whose total value is greater than the capitalisation level, then it is treated as a capital asset. Fixed assets are valued at net current replacement cost by using the price index numbers for current cost accounting when the effect of revaluing assets over time is material. Only Whitehall Systems are revalued (using an appropriate index based on an independent valuation).

### 1.5 Depreciation

Depreciation is provided on tangible fixed assets on a straight-line basis at annual rates based on the estimated lives of the assets as follows:

- Computer Equipment – three to six years
- Fixtures & Fittings – five to ten years
- Plant & Equipment – five to fifteen years

Depreciation in respect of Whitehall Systems has been calculated on the basis of there being no significant residual value at the end of the assets useful life.

### 1.6 Stocks

Stocks are valued at the lower of cost and net realisable value.

### 1.7 Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (Classic, Premium, and Classic Plus). New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (partnership pension account).

- **Classic Scheme** – Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. Members pay contributions of 1.5 per cent on pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widows’ and widowers’ pensions.
- **Premium Scheme** – 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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure, the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partners at a rate of 3/8ths the member’s pension (before commutation).

# Notes to the Accounts

## *continued*

On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

- **Classic Plus Scheme** – This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Retail Price Index.

### **1.8 Early Retirement**

OGCbuying.solutions is required to meet the additional cost of liabilities beyond the normal Principle Civil Service Pension Scheme (PCSPS) benefits in respect of payments to employees who have or are due to retire early. Full provision is made in the Accounts for this cost (see Note 14 in the Notes to the Accounts).

### **1.9 Leases**

All costs of operating leases are charged to the Income and Expenditure Account as incurred. There were no finance leases.

### **1.10 Liquid Resources**

During the period, funds surplus to immediate requirements have been deposited with the National Loans Fund. These funds are considered to be liquid resources as they are short term deposits that do not qualify as cash.

### **1.11 Dividend on Return on Capital Employed**

A dividend equal to an annual average of 6.5% (2004/05 6.5%) return on capital employed is payable to the Office of Government Commerce (OGC).

### **1.12 Grants**

Grants are matched against relevant expenditure as it is incurred. Any unmatched element of the grant is either deferred to the next period or returned in accordance with the grant's terms and conditions. (see Note 3 in the Notes to the Accounts).

## 2 SEGMENTAL PERFORMANCE

	TURNOVER		GROSS SURPLUS		OPERATING COSTS LESS OTHER OPERATING INCOME		OPERATING SURPLUS	
	Year ended 31 Mar 2006 £000	Year ended 31 Mar 2005 £000	Year ended 31 Mar 2006 £000	Year ended 31 Mar 2005 £000	Year ended 31 Mar 2006 £000	Year ended 31 Mar 2005 £000	Year ended 31 Mar 2006 £000	Year ended 31 Mar 2005 £000
Framework Agreements	26,531	23,628	21,076	18,422	(16,848)	(15,941)	4,228	2,481
Managed Services	43,810	36,439	3,799	2,197	(3,896)	(3,328)	(97)	(1,131)
<b>Total</b>	<b>70,341</b>	<b>60,067</b>	<b>24,875</b>	<b>20,619</b>	<b>20,744</b>	<b>(19,269)</b>	<b>4,131</b>	<b>1,350</b>

There were no discontinued operations. OGCbuying.solutions does not separate net assets for each segment.

## 3 OTHER OPERATING INCOME

During the year, OGCbuying.solutions received a grant from OGC in the form of Efficiency Challenge Funding. The money contributed towards start up costs for two new services to customers, Zanzibar and Travel Services.

	Year ending 31 March 2006	Year ending 31 March 2005
Total grant received	545	-
Matched during the year	(365)	-
Deferred to FY 2006-07	180	-

## 4 STAFF NUMBERS AND COSTS

### 4.1 Total staff numbers

Details of the average number of Full Time Equivalent employees during the period were as follows:

	Year ending 31 March 2006	Year ending 31 March 2005
Board	5	5
Operational	204	191
Administration	73	66
<b>Total</b>	<b>282</b>	<b>262</b>

### 4.2 Total staff costs

Superannuation costs relate to staff participation in the PCSPS defined benefit scheme. Details of the underlying liabilities applicable to the Agency employees are not separately identifiable. Due to the successful achievement of targets, a staff bonus is payable.

	Year ending 31 March 2006 £000	Year ending 31 March 2005 £000
Wages and salaries	7,631	7,101
Bonus	358	325
Social Security	645	623
Superannuation	1,433	960
VER	242	322
Agency and contract staff costs	1,297	640
<b>Total</b>	<b>11,606</b>	<b>9,971</b>

# Notes to the Accounts

## *continued*

### 4.3 Senior manager salary and pension entitlements

4.3.1 For details of Executive Directors' salary, fee and pension entitlements see Remuneration Report on page 30.

### 4.3.2 Non-executive board members

The Non-Executive board members were not entitled to bonus payments.

	Year Ended 31 March 2006		Year ended 31 March 2005	
	Fee paid in year	Pension entitlement	Fee paid in year	Pension entitlement
	£000	£000	£000	£000
Mr JC Thwaite	15-20	–	10-15	–
Mr KR Girling	5-10	–	5-10	–
Mr M Sykes	0	–	0	–
Mr C Lamb	0-5	–	0-5	–
Mr M Gladwyn	0	–	0	–

### 4.4 Superannuation

Most OGBuying.solutions' staff are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 (and subsequent amendments) apply and are covered by the provisions of the Principal Civil Service Scheme which is non contributory. (Note 1.7 of the Notes to the Accounts includes details of the scheme).

For the 12 month period ended 31 March 2006, contributions of £1,433,000 (2005: £960,000) were paid to Civil Superannuation Vote at rates determined from time to time by the Government Actuary and advised by the Treasury. Rates for the 12 month period to 31 March 2006 were between 16.2% and 24.6% depending upon the pay band of each employee.

## 5 OTHER OPERATING CHARGES

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
<b>Charges Include:-</b>		
Auditor's remuneration	57	56
Charges for plant and machinery operating leases	36	39
Charges for other operating leases	256	340
Travel and subsistence	1,525	1,142
Loss on sale of fixed assets	2	9
Other operating and external charges	<u>6,538</u>	<u>7,282</u>
<b>TOTAL</b>	<b><u>8,414</u></b>	<b><u>8,868</u></b>

Other operating and external charges includes costs of accommodation, marketing and training.

## 6 INTEREST RECEIVABLE

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Bank and short term investment interest	374	432
<b>TOTAL</b>	<b><u>374</u></b>	<b><u>432</u></b>

## 7 INTEREST PAYABLE

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Interest payable on long term loan (See note 12)	491	135
Interest payable on Bank overdraft	<u>1</u>	-
<b>TOTAL</b>	<b><u>492</u></b>	<b><u>135</u></b>

# Notes to the Accounts

## *continued*

### 8 FIXED ASSETS

	31 March 2006 Computer Equipment £000	31 March 2006 Plant & Equipment £000	31 March 2006 Fixtures & Fittings £000	31 March 2006 TOTAL £000	31 March 2005 TOTAL £000
<b>Cost</b>					
At beginning of period	546	12,326	387	13,259	1,531
Additions in period	-	25	-	25	12,194
Disposals	(17)	-	-	(17)	(536)
Revaluation	-	269	-	269	69
<b>At end of period</b>	<b>529</b>	<b>12,620</b>	<b>387</b>	<b>13,536</b>	<b>13,259</b>
<b>Depreciation</b>					
At beginning of period	364	254	105	724	821
Amount provided in period	112	899	77	1,089	430
Revaluation	-	5	-	5	
Disposals during period	(15)	-	-	(15)	(528)
<b>At end of period</b>	<b>462</b>	<b>1,158</b>	<b>183</b>	<b>1,803</b>	<b>724</b>
<b>Net book value at 1/4/05</b>	<b>182</b>	<b>12,071</b>	<b>282</b>	<b>12,535</b>	<b>710</b>
<b>Net book value at 31/3/06</b>	<b>67</b>	<b>11,462</b>	<b>204</b>	<b>11,733</b>	<b>12,535</b>

### 9 STOCKS

	31 March 2006 £000	31 March 2005 £000
Fuel Stocks	58	84
<b>TOTAL</b>	<b>58</b>	<b>84</b>

## 10 DEBTORS

	31 March 2006 £000	31 March 2005 £000
<b>Amounts falling due within one year</b>		
Trade debtors less provision for bad and doubtful debts	8,459	4,453
Other debtors	1,320	1,621
Prepaid Voluntary Early Retirement costs	-	17
Prepayments and accrued income	<u>6,883</u>	<u>7,365</u>
	<b>16,662</b>	<b>13,456</b>
<b>Amounts falling due after more than one year</b>		
Other debtors	<u>0</u>	<u>631</u>
<b>TOTAL</b>	<b><u>16,662</u></b>	<b><u>14,087</u></b>

## 11 SHORT TERM INVESTMENT

	31 March 2006 £000	31 March 2005 £000
Balance on deposit with National Loan Fund	<u>5,000</u>	=

## 12 CREDITORS

	31 March 2006 £000	31 March 2005 £000
<b>Amounts falling due within one year</b>		
Other taxes and Social Security costs	1,690	815
Trade creditors	4,106	3,970
Other creditors	734	1,215
Accruals and deferred income	<u>4,132</u>	<u>3,461</u>
Other loans	1,179	1,379
<b>TOTAL</b>	<b><u>11,841</u></b>	<b><u>10,840</u></b>
<b>Amounts falling due after more than one year</b>		
Other loans	4,716	6,895
Trade creditors	<u>0</u>	<u>482</u>
<b>TOTAL</b>	<b><u>4,716</u></b>	<b><u>7,377</u></b>
<b>Maturity of Debt</b>		
<b>Amounts falling due within:</b>		
One to two years	1,179	1,379
Two to five years	3,537	4,137
Over five years	=	<u>1,379</u>
<b>TOTAL</b>	<b><u>4,716</u></b>	<b><u>6,895</u></b>

Prior year figures for trade creditors and accruals and deferred income falling due within one year have been restated to show figures on a comparable basis to the current year.

A long term loan of £8,274,000 was taken out on 31st December 2004 to finance the Whitehall Systems acquisition. The loan is to be repaid by December 2010. Interest on the loan is levied at 6.5%.

# Notes to the Accounts

## continued

### 13 LEASE OBLIGATIONS

	As at 31 March 2006		As at 31 March 2005	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
<b>Operating lease rentals due within:</b>				
One Year	6	-	6	6
Two to Five Years	59	98	4	-
Over Five Years	-	-	-	84
<b>TOTAL</b>	<b><u>65</u></b>	<b><u>98</u></b>	<b><u>10</u></b>	<b><u>90</u></b>

The lease on the Royal Liver Building premises expired at the end of the previous financial year and the new lease has not yet been finalised. An “account to notice” has been served on the Landlord by OGCBuying.solutions’ negotiation agents in order to protect tenure.

### 14 PROVISION FOR LIABILITIES AND CHARGES

The Voluntary Early Retirement (VER) provision for liabilities and charges is in respect of liabilities for future payments to employees who have or are due to retire early. The Agency bears pension costs from the date of early retirement until age 60, when the liability is assumed by the Principal Civil Service Pension Scheme (see Notes 1.7 and 3.4 in the Notes to the Accounts).

	31 March 2006			31 March 2005		
	VER £000	Restructuring Provision £000	Total £000	VER £000	Restructuring Provision £000	Total £000
Balance at beginning of period	329	1,088	1,417	58	-	58
Transferred in the period	696	(696)	-	-	-	-
Utilised in the period	(57)	(118)	(175)	(34)	-	(34)
Increase in the period	225	-	225	305	1088	1,393
<b>Balance at the end of period</b>	<b><u>1,193</u></b>	<b><u>274</u></b>	<b><u>1,467</u></b>	<b><u>329</u></b>	<b><u>1088</u></b>	<b><u>1,417</u></b>

### 15 PUBLIC DIVIDEND CAPITAL

	31 March 2006 £000	31 March 2005 £000
Issued Pursuant to Government Trading Funds Act 1973	100	100
Issued upon acquisition of Fuel Branch 1 July 1995	250	250
<b>Balance at end of period</b>	<b><u>350</u></b>	<b><u>350</u></b>

### 16 REVALUATION RESERVE

	31 March 2006 £000	31 March 2005 £000
Revaluation Reserve at 1st April	69	-
Revaluation of plant and equipment	269	69
Backlog depreciation	(5)	-
Revaluation Reserve at 31st March	<b><u>333</u></b>	<b><u>69</u></b>

## 17 GENERAL RESERVE

	31 March 2006	31 March 2005
	£000	£000
Balance at beginning of period	16,581	16,159
Retained surplus for the period	<u>2,883</u>	422
<b>Balance at end of period</b>	<b><u>19,464</u></b>	<b><u>16,581</u></b>

## 18 NOTES TO THE CASH FLOW STATEMENT

### NOTE (i): RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	Year ended 31 March 2006	Year ended 31 March 2005
	£000	£000
Operating surplus	4,131	1,350
Increase in provision	50	1,359
Depreciation charges	1,089	430
Loss on sale of fixed assets	2	8
Decrease / (increase) in stocks	26	(84)
Decrease / (increase) in debtors	(2,609)	5,005
Decrease in creditors	994	(2,866)
Net cash inflow / (outflow) from operating activities	<b><u>3,683</u></b>	<b><u>5,202</u></b>

### NOTE (ii): RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 March 2006
	£000
Decrease in cash in the year	(5,210)
Short term investment	5,000
Loans repayable in more than one year	2,379
Net funds change	2,169
Net funds at 1 April 2005	1,654
Net funds at 31 March 2006	<b><u>3,823</u></b>

### NOTE (iii): ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2005	Cash Flows	At 31 March 2006
	£000	£000	£000
Cash at bank and in hand	9,928	(5,210)	4,718
Debt due within one year	(1,379)	200	(1,179)
Debt due after one year	(6,895)	2,179	(4,716)
Short term investment	-	5,000	5000
<b>Total</b>	<b><u>1,654</u></b>	<b><u>2,169</u></b>	<b><u>3,823</u></b>

### NOTE (iv): MANAGEMENT OF LIQUID RESOURCES

During the period an account with the National Loans Fund was used to place monies on short-term deposit (See note 10 in the Accounts).

# Notes to the Accounts

## *continued*

### 19 CAPITAL COMMITMENTS

Capital commitments contracted for at 31 March 2006 were £nil (2005: £nil).

### 20 FINANCIAL OBJECTIVE

The financial target was set at an annual average of 6.5% per annum Return on Capital Employed. The target was met for the period 1 April 2005 to 31 March 2006. The Agency's surplus of £4,131,000 represents an ROCE of 16.6%.

### 21 RELATED PARTY TRANSACTIONS

OGCbuying.solutions is a Trading Fund of the Office of Government Commerce (within HM Treasury) established on 1 April 2001.

The Office of Government Commerce is regarded as a related party. During the year ending 31 March 2006, OGCbuying.solutions has had various material transactions with this body.

In addition, OGCbuying.solutions had various material transactions with most Government Departments and other Central Government bodies, devolved administrations, the NHS and many local authorities.

None of the Board members, key management staff or other related parties have undertaken any material transactions other than payment of salaries and expenses with OGCbuying.solutions during the period.

### 22 FINANCIAL INSTRUMENTS

OGCbuying.solutions has powers to borrow funds, a long term loan of £8,274,000 was taken out on 1st January 2005 to finance the Whitehall Systems acquisition. The loan is to be repaid by December 2010. Interest on the loan is to be levied at a fixed rate of 6.5%, which ensures no down-side exposure from increases in interest rates.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure.

OGCbuying.solutions policies for managing its financial risks are set to achieve compliance with the regulatory framework. The Agency follows Government Accounting rules.

- **Liquidity Risk** The Agency faces some liquidity risk as revenue resource and capital expenditure requirements are financed solely by its trading activities.
- **Interest Rate Risk** The Agency places funds on short-term deposit with the National Loans Fund at fixed rates of interest. Sums held in the Postmaster General's Office account or the commercial bank account are deposited overnight at a fixed rates basis.
- **Foreign Currency Risk** The Agency has no foreign currency income. Foreign currency expenditure has not exceeded £5,000 in the financial year. The Agency is not exposed to currency risk. Transactions have not been hedged.

## Financial Assets

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed rate		Non-interest bearing weighted
					Weighted average interest rate %	Weighted average period for which fixed Years	
							average term until maturity Years
<b>As at 31 March 2006</b>							
Sterling - PGO	4,575	-	4,575	-	3.95	0.12	-
Sterling - Commercial	142	-	142	-	1.40	0.25	-
Sterling - National loan fund	5,000	5,000	-	-	4.37	1.0	-
<b>Gross financial assets</b>	<b>9,717</b>	<b>5,000</b>	<b>4,717</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>As at 31 March 2005</b>							
Sterling - PGO	9,700	-	9,700	-	4.25	0.10	-
Sterling - Commercial	300	-	300	-	1.90	0.25	-
Other	631	-	-	631	-	-	2
<b>Gross financial assets</b>	<b>10,631</b>	<b>-</b>	<b>10,000</b>	<b>631</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Financial Liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed rate		Non-interest bearing weighted
					Weighted average interest rate %	Weighted average period for which fixed Years	
							average term until maturity Years
<b>As at 31 March 2006</b>							
Sterling	4,716	-	4,716	-	6.50	5	-
Other	-	-	-	-	-	-	-
<b>Gross financial liabilities</b>	<b>4,716</b>	<b>-</b>	<b>4,716</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>As at 31 March 2005</b>							
Sterling	6,895	-	6,895	-	6.50	6	-
Other	482	-	-	482	-	-	2
<b>Gross financial liabilities</b>	<b>7,377</b>	<b>-</b>	<b>6,895</b>	<b>482</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 23 INTRA-GOVERNMENT BALANCES

Details of debtor and creditor balances with entities falling within the Whole of Government Accounts (WGA) boundary were as follows:

	Central Government Bodies		Local Authorities
	£000		£000
Debtors	4,817		42
Creditors	-		-

There were no balances with NHS Trusts or public corporations and other trading funds.

## 24 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2006.

## 25 POST BALANCE SHEET EVENTS

There are no post balance sheet events.

# Treasury Minute Dated 13 January 2004

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a Trading Fund established under the Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to that fund it shall be his duty:
  - a. To manage the funded operations so that the revenue of the fund:
    - i. consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
    - ii. is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account,
  - b. To achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. OGCBuying.solutions Trading Fund was established as the Buying Agency Trading Fund with effect from 1 April 1991. The name of The Buying Agency was amended to OGCBuying.solutions with effect from 3 April 2001 in pursuance of OGCBuying.solutions Trading Fund Order 1991 (S.I. 2001 No. 922).
3. The Chancellor of the Exchequer, being the responsible Minister, has determined that a further financial objective desirable of achievement by OGCBuying.solutions Trading Fund for the 5 year period from 1 April 2004 to 31 March 2009 shall be to achieve a minimum return, averaged over the period as a whole, equivalent to 6.5 percent a year in the form of an operating surplus, i.e. before interest (both receivable and payable) and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long term loan capital (if any) and the general reserve.
4. This minute supercedes that dated 20 March 2002.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

# Five Year Summary

## 31 MARCH 2001 TO 31 MARCH 2006

	Year 2001/02 £000	Year 2002/03 £000	Year 2003/04 £000	Year 2004/05 £000	Year 2005/06 £000
<b>Balance Sheet</b>					
Fixed Assets	365	255	710	12,535	<b>11,733</b>
Total current Assets less liabilities	<u>10,443</u>	<u>14,233</u>	<u>15,857</u>	<u>13,259</u>	<u><b>14,597</b></u>
<b>Assets Employed</b>	<b><u>10,808</u></b>	<b><u>14,488</u></b>	<b><u>16,567</u></b>	<b><u>25,794</u></b>	<b><u>26,330</u></b>

<b>Financed by</b>					
Provision for liabilities and changes	175	120	58	1,417	<b>1,467</b>
Public Dividend Capital	350	350	350	350	<b>350</b>
Long Term Loan	-	-	-	6,895	<b>4,716</b>
Long Term Creditors	-	-	-	482	<b>0</b>
Revaluation Reserve	-	-	-	69	<b>333</b>
General Reserve	<u>10,283</u>	<u>14,018</u>	<u>16,159</u>	<u>16,581</u>	<u><b>19,464</b></u>
	<b><u>10,808</u></b>	<b><u>14,488</u></b>	<b><u>16,567</u></b>	<b><u>25,794</u></b>	<b><u>26,330</u></b>

## Operating Accounts

<b>Turnover</b>	<u>40,838</u>	<u>47,618</u>	<u>51,164</u>	<u>60,067</u>	<u><b>70,341</b></u>
Operating Surplus	6,896	4,398	3,031	1,350	<b>4,131</b>
Interest Receivable	234	309	352	432	<b>374</b>
<b>Surplus on ordinary activities</b>	7,130	4,707	3,383	1,782	<b>4,505</b>
Interest payable on long-term loan	=	=	=	(135)	<b>(492)</b>
<b>Surplus for the year</b>	7,130	4,707	3,383	1,647	<b>4,013</b>
Dividend payable to OGC	(606)	(972)	(1,242)	(1,225)	<b>(1,130)</b>
<b>Retained Surplus</b>	<b><u>6,524</u></b>	<b><u>3,735</u></b>	<b><u>2,141</u></b>	<b><u>422</u></b>	<b><u>2,883</u></b>

# Notes



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# 2005/06

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