

Annual Report & Accounts

2010/11

buying
solutions

Buying Solutions
Annual Report & Accounts
2010/11

The annual report and accounts of Buying Solutions for the year 1 April 2010 - 31 March 2011, 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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Contact

Telephone: **0345 410 2222**
e-mail: **info@buyingsolutions.gsi.gov.uk**
Online: **www.buyingsolutions.gov.uk**

Liverpool Office

3rd Floor, Royal Liver Building, Pier Head, Liverpool L3 1PE

Norwich Office

Rosebery Court, St Andrews Business Park, Norwich NR7 0HS



Welcome to Buying Solutions Annual Report and Accounts 2010/11

Buying Solutions, an executive agency within the Cabinet Office, provides a range of procurement solutions and services to drive savings and improve efficiency in central government, health and the wider public sector.

Managing Director's Review of the Year

This year will be remembered as one of fundamental change for Buying Solutions as we positively responded to the Government's demand for increased savings and improved efficiency.

In June 2010, Buying Solutions moved from HM Treasury to the Cabinet Office to become part of the Efficiency and Reform Group (ERG).

ERG was set up to deliver the step change in efficiency that is needed to make Government leaner and more effective. It will ensure Departments work together to drive savings, tackle waste and improve accountability in procurement, shared services, information and communications technology (ICT) projects, HR and property.

Strategic Review

A Strategic Review of Buying Solutions was conducted early in 2011, as part of the Centralised Procurement programme, which was carried out by John Collington, the Government Chief Procurement Officer, and myself.

The findings and recommendations were submitted in March 2011 to the Minister for the Cabinet Office, Francis Maude. It was agreed that a transformed Buying Solutions should operate at the heart of the Centralised Procurement programme and become the 'engine room' of Government Procurement, increasing spend under central management control from £2.5 billion to £10 billion by 2012/13. The new centralised procurement model is intended to transform how Government buys common goods and services through centralised category management, standardisation of specification and aggregation of spend.

Francis Maude has mandated the use of centralised procurement arrangements across all Central Government departments, and their Arms Length Bodies.

Buying Solutions' main focus as part of this programme is to deliver expert sourcing, category and centralised data management on behalf of government. We will also work effectively and efficiently across the health and wider public sectors and deliver improved service and savings for all parts of the public sector.

Lean and focussed

Through a programme of cost management and control, we have significantly reduced total operating costs by 27% from 2009/10. This will pave the way for future financial efficiencies enabling Buying Solutions to reduce costs on a like-for-like basis by approximately 30%.

We have retained our Trading Fund status and will be using the existing supplier commission model to fund operations and support continuous improvement in procurement capability across government.

The leaner Buying Solutions will see streamlined processes, effective systems and clearer roles. Targeted training programmes have already been introduced to up-skill procurement staff with a clear focus on the delivery of sustainable savings through effective sourcing, category and data management.

Achievements

Despite this backdrop of major change, we have achieved some notable successes. Highlights of the year include:

- Working with commercial colleagues across Government, Buying Solutions and John Collington, Chief Procurement Officer delivered substantial savings through demand management and use of our procurement arrangements covering professional services, IT, telecoms & telecare, office, energy, travel, fleet, property and eCommerce.
- Our aggregated eAuction programme delivered savings of £33.6 million against a pre-auction value of £186.8 million, achieving average savings of 26.1% per auction.
- We achieved savings of 20% by aggregating demand for over 80 central governments organisations for HR, payroll and finance services.
- We introduced the first mandated contracts for central government for vehicle fleet covering purchase of vehicles direct to manufacturers and competitive leasing. This will be supported with a new Fleet portal allowing easy online access to best pricing through aggregated volume.
- Central Government has committed to buying all of its Energy through our award winning centralised category team.

The future

Moving forward we will be renamed to Government Procurement Service. This reflects our new direction and priorities and as part of the drive for financial efficiency we will move to more cost-effective premises. This change heralds the transformation that will be implemented over the coming months as we focus on the following operational priorities:

- 1. People:** Development and continuous improvement of high quality professional teams at every level in the organisation
- 2. Operational and financial efficiency** will create a leaner organisation that is able to generate sufficient surplus to fund improvements in Government Procurement capability
- 3. Effectively and commercially manage public sector expenditure.** Working with suppliers and customers delivering in-year cashable savings and ongoing service level improvements
- 4. Full eEnablement** of our operations
- 5. Becoming customer centric** and delivering what our customers, need, want and value most
- 6. Developing a culture of transparency** for all of our stakeholders ensuring performance and financial data is readily available and accessible

Looking forward to the challenge

The pace of change will continue to be challenging as we strive to make even more savings across the public sector, while becoming more operationally and financially efficient. The effective delivery of our targets will be driven by the dedication and professionalism of the team we have within the organisation who have demonstrated integrity and high-levels of resilience during many months of uncertainty and significant organisational change.

Working across the organisation, we are well underway, building an improved capability and efficiency to tackle the challenges that lay ahead enabling the organisation to reach its full potential.



D Shields
Accounting Officer
27 June 2011

performance against targets

2010/11 SR09 Savings

Buying Solutions has worked across the Public Sector and with Central Government Departments to achieve savings from centralising the procurement of common goods and services. As part of a rigorous demand management approach we have effectively engaged with Departments to actively reduce their expenditure in Consultancy, Contingent Labour and Travel.

Customer Satisfaction

How performance will be measured

As part of the transformation of Buying Solutions we have defined a new approach to the measurement of customer satisfaction and customer assessment of our performance in the future. We will focus on performance measurement and continuous improvement indicators defined by our customers in a detailed research survey undertaken in February 2011, as well as continuing to monitor overall satisfaction with Buying Solutions and the centralised categories.

We will significantly increase the sample of central government and wider public sector surveys undertaken, by moving to a more cost effective, online methodology. Surveys will be sent to dedicated procurement colleagues selected by their departmental Commercial Directors.

Return on Capital Employed

How performance was measured

ROCE is measured as Buying Solutions' operating surplus/(deficit), as a percentage of the average of opening and closing net assets.

10/11		
target	6.5%	effectively the shareholder
achievement	19.9%	dividend that we pay to
		the Cabinet Office.

09/10		
target	6.5%	
achievement	-5.4%	

08/09		
target	6.5%	
achievement	13.7%	

Resource Efficiency

The cost of both Liverpool and Norwich operations are reported as a combined figure and analysed and summarised as:

	plan	achievement
10/11		
Total operating costs £m	42	31
Total FTEs	435	392
Operating cost per FTE employee £m	0.097	0.079
Managed customer spend £m	9,135	7,602
Managed customer spend per FTE employee £m	21	19.4

Responding to change

The overall landscape for Buying Solutions has been one of change and transformation coming out of the Government's Efficiency and Reform Agenda. This, along with the need to reduce staff numbers by 30%, has had a huge impact on what we do, how we do it and what skills and capabilities we need to operate effectively and efficiently.

Our People Strategy

We know that our success is entirely due to the people we employ. With this in mind, we are committed to supporting and developing them whilst driving forward the new agenda for Centralised Category Procurement.

Capability Review

To prepare for the transformation, we defined the tasks and activities organisationally to deliver in our new role. We then conducted an intensive exercise to evaluate the skills and capabilities currently in place across the organisation against the required tasks.

As a result of the analysis of capability requirements against existing capabilities, we implemented a programme of upskilling 60 core procurement staff in five key modules: Customer Relationship Management, Negotiation, Demand Management, Contract Management and Specification Management. This programme was delivered by the Chartered Institute of Purchasing and Supply (CIPS).

Graduate Development Programme

Our Graduate Development Programme has successfully seen six graduates working in different parts of the organisation gaining experience and contributing fresh and innovative ideas. The scheme aims to develop our talent pipelines leading to increased skills, improved performance and a motivated and engaged workforce.

Staff survey

During November 2010, Buying Solutions participated in the Civil Service People Survey, a civil service wide project run by the Cabinet Office.

327 Buying Solutions employees took part in the survey - a response rate of 86.7%. This represents a 27% increase in those taking part in this year's survey compared to the previous year.

The survey showed that our overall Employee Engagement Index fell from 59% in 2009 to 56% in 2010.

There were some key areas which showed improvement on the previous year including internal communications which was up 12 points and leadership which showed an increase of 4 points.

Recruitment and Staffing Levels

Buying Solutions is an equal opportunities employer and our recruitment processes meet the rules and regulations laid down and subsequently audited by the Civil Service Commissioners.

Due to the recruitment freeze, Buying Solutions only employed:

- Two females at Band 7
- One male SCS Pay Band 2

Breakdown by age at 31 March 2011

Age Range	Male	Female
21 - 30	16	26
31 - 40	62	48
41 - 50	48	59
51 - 60	58	33
61 - 70	10	7

Staff numbers and breakdown at 31 March 2011

Band	Perm Male	Perm Female	Interim Male	Interim Female
Band 1	12	23		
Band 2	24	44		
Band 3	32	31		
Band 4	62	48	1	
Band 5	39	12	2	1
Band 6	19	7	3	
Band 7	3	6	1	
SCS Band 1		1		
SCS Band 1A	3	1		
SCS Band 2	1			

Average staff numbers throughout the year:
392 Full Time Equivalent (FTE)

Health, safety and welfare

The health, safety and welfare of staff continue to be key priorities for Buying Solutions.

There were no reported cases against RIDDOR (the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

The number of working days lost due to sickness absence was 3401, with the average number of days per employee 9 against a target of 7.

Volunteering in the Community

We encourage and support staff to undertake volunteering work in their communities. Our corporate sponsored volunteering policy allows two days paid leave for such work and we have actively engaged with charities in both Liverpool and Norwich to identify the best ways we can help. This resulted in three successful decorating and gardening projects last year which were delivered by 25 staff.

In 2011/12 we will refresh and rejuvenate the volunteering programme, making more opportunities available through Cabinet Office initiatives and increased communications to raise awareness.

Volunteering	2008-09	2009-10	2010-11	
Non Financial indicators	No. days volunteering leave	44	13	25.5
	No. hours volunteering	317	94	184
	No. staff volunteering	43	13	25
	Proportion of total staff numbers volunteering	16%	3%	6%





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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 Buying Solutions are detailed in a Treasury Minute laid before the House of Commons and reproduced on page 48 of this report.

2 History

Buying 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. On 6 April 2009 the Agency underwent a further change of name to Buying Solutions in order to differentiate itself from OGC and clarify the respective roles of each body.¹ On the 1 October 2009, NHS PASA activities were transferred to Buying Solutions. Following the election of the coalition government, Buying Solutions, along with OGC, transferred from HM Treasury and joined the new Efficiency and Reform Group (ERG) within the Cabinet Office on 15 June 2010.

ERG has been set up to deliver a step change in efficiency and effectiveness that is needed to make Government leaner and to ensure savings across government happen quickly. It will ensure Departments work together to drive savings, tackle waste and improve accountability across a range of areas, including information and communications technology (ICT) shared services, procurement, projects, HR and property.

Buying Solutions has an important role to play within ERG as one of the key organisations to deliver best value and savings through shared services, aggregation of spend, collaboration and centralisation of category procurement.

3 Strategic Review

Supported by the Green Review published in October 2010, the Government has committed to transform the way it procures and manages the supply of commonly used goods and services by mandating the centralisation of category procurement.

The Centralised Category Procurement programme lies at the heart of the agenda to reduce government spending on commodity goods and services and Buying Solutions is playing a pivotal part.

As part of the strategy to deliver centralised procurement, the Chief Procurement Officer (reporting to the Minister for the Cabinet Office), commissioned a Strategic Review of Buying Solutions during the last quarter of the financial year. The terms of reference for the review outlined the principle aim which was to recommend how a leaner and transformed Buying Solutions will deliver key elements of the centralised procurement strategy.

The Strategic Review represented a detailed, evidenced - based assessment of how Buying Solutions should best transform to deliver its central role and key issues of:

- Improving savings delivery
- Operational efficiency
- Accountability for delivery
- Trading status and funding model

The review recommended that centralised procurement is formalised under the remit and authority of the Cabinet Office led Government Procurement. Also that a transformed, renamed, leaner and more efficient Buying Solutions becomes the Government Procurement “engine room” for centralising central government procurement spend and delivering the consequent savings. Formalised agreements would be created between the Cabinet Office and Departments to deliver specific parts of the Government Procurement on behalf of central government (and the wider public sector where applicable). Ministers, Permanent Secretaries and Commercial Directors will be held accountable for channelling common goods and services spend from their Departments and Arms Length Bodies through the Government Procurement under the more you commit the more you save principle.

Retaining the current trading and funding model status of Buying Solutions will provide a mechanism for funding the Government Procurement work carried out by departments on a cost neutral basis.

¹ The Buying Agency Trading Fund (Amendment) order 2010 (S1 2010/647)

management commentary continued

A transformed Buying Solutions will focus on:

- Delivering expert sourcing and category management for centralised procurement and increasing government spend under management
- Implementing and operating the government procurement spend data warehouse
- Providing the mechanism for funding Government Procurement operations and helping Departments to invest in improving the capability of government procurement staff

4 Financial and Accounting Arrangements

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 Buying Solutions may also negotiate loans of up to 12 months duration.

Our Trading Fund status affords Buying 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 that we are able to deliver.

Buying 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 account or on deposit with the National Loans Fund and, longer term, invested to generate further savings and efficiency improvements. 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 the Cabinet Office. Our main tangible asset is Whitehall Systems which is detailed in the Notes to the Accounts on page 35 to 47.

5 Principal Activities

Buying Solutions provides a range of procurement solutions to drive savings and improve efficiency in central government, health and the wider public sector.

For central government, in order to achieve measurable cost savings, Buying Solutions is playing a pivotal role in implementing a centralised category procurement approach for commonly-used goods and services.

With effect from 21 January 2009 the definition of Buying Solutions’ ‘Funded operations’ (as defined within the Buying Agency Trading Fund Order 1991) was amended to fully reflect and clarify the UK public sector base, taking full account of government structural changes since 1991. ² The implication of this change was to clarify which organisations are able to use Buying Solutions’ services.

Buying Solutions’ operations break down into the following major areas of activity.

Management of pan-government, centralised deals where standardisation of specification and aggregation of committed spend achieves best value.

Framework agreements which 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 0.5%) is collected from the suppliers for each sale they make under our frameworks. Pre-tendered framework agreements cover over 500,000 individual products and services.

Managed services which are ongoing, often more sophisticated, services provided by Buying Solutions on behalf of its public sector customers. In many cases, Buying Solutions acts 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.

eProcurement tools - including eAuctions and Government Procurement Cards.

Tailored procurement solutions to meet specific needs.

Memoranda of Understanding (MoUs) which provide public sector organisations with economies of scale and value for money across government.

² OGcbuying.solutions Trading Fund (Extension and Amendment) order 2010(S1 2010/81)

management commentary continued

The operations are wholly UK-based and are carried out at two main locations, Liverpool and Norwich. At present, our products and services are grouped as follows:

IT (IT Hardware, IT Software)

This category incorporates hardware, software, associated products, infrastructure, maintenance and management.

Telecoms & Telecare

Telecoms products and services include: Mobile Solutions and Specialist Solutions; Mts, a Managed Telecommunication Service; GSI, the Government Secure Intranet and Telecare services. (Telecare is the use of electronic devices to monitor and improve the health, safety and quality of life of often very vulnerable members of society).

Energy

Energy procurement services cover gas, electricity, liquid fuels, and management and conservation services. Our flexible procurement model has delivered prices that are consistently below market average in this complex, fast moving marketplace.

Property

This broad range of services covers: estate & property management services, building maintenance, furniture, flooring & furnishing, catering equipment, health & hygiene and hardware & buildings.

Office Solutions

Office procurement services cover office supplies, print & recycled paper, postal & courier services and multi functioning devices.

Professional Services

Professional Services embraces the areas of: functional and management consultancy; learning & development including eLearning; legal services; and resourcing. Resourcing includes: interim managers, specialist contractors, recruitment services, clerical and administrative resource and non-medical and non-clinical resource.

Travel & Fleet

This area includes: business travel and related services, including hotel accommodation, air and rail travel, vehicle hire, conference services and fleet management services.

eCommerce

Offers a set of web-based tools for buying on the Internet, encompassing eSourcing, Spend Analysis; eAuctions; the Government Procurement Card (GPC); a selection of fuel procurement cards and the Government Merchant Acquiring framework agreement.

6 Key Strengths and Resources

Our key strengths and resources are as follows:

- A Central Government commitment to mandate the centralisation of category procurement
- A category management approach to all procurement activity
- 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
- Supplier management expertise
- Flexible response to customer demand
- Robust internal control and governance

7 Principle 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:

Operational Risk – Buying Solutions is not primed and aligned to deliver the Centralised Category Procurement.

Operational Risk – The business fails to meet spend and savings targets and objectives and/or deliver key business projects resulting in a negative impact on wider public sector work and further cost reductions.

HR Risk – The business fails to attract, retain, deploy and provide for the succession of the right people in the right roles resulting in failure to deliver key business plan targets.

Financial Risk – Buying Solutions suffers a loss of financial stability, fraud or impropriety jeopardising the achievement of ministerial targets and the agency’s ability to invest.

Information and Technology Risk – The business does not have the tools and information needed to be successful as existing infrastructure no longer supports the business adequately.

Project Risk – Key strategic projects and programmes fail resulting in benefits not being realised and a loss of external credibility.

Transformation Risk – Buying Solutions’ control framework is compromised during the period of transformation and cost reduction resulting in a heightened risk of both process failure and reputational damage.

management commentary continued

Legal Risk – A legal challenge is successful leading to missed procurement milestones and savings opportunities, reputational damage and a risk averse culture.

Reputational Risk – Negative press results in reputational damage and a loss of confidence in Buying Solutions frameworks.

8 Principal Objectives

Buying Solutions' objectives are:

- 1 To provide efficient and effective procurement and contract services, to Central Government and wider public sector customers complying with relevant public procurement regulations, which offer better value for money than customers could achieve otherwise.
- 2 To deliver expert sourcing and category, data and customer management for Centralised Procurement
- 3 Increasing Central Government spend under category management from £2.5 bn to £10 bn.
- 4 To bring about a progressive improvement in the cost effectiveness and quality of service its customers receive from Buying Solutions suppliers and from Buying Solutions itself.
- 5 To maximise the savings potential of taxpayers' money by aggregating across the whole of the public sector where appropriate.
- 6 To support and influence the Government's procurement agenda.
- 7 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.
- 8 To be a good employer, managing Buying Solutions' business efficiently and effectively, seeking continuous improvement, in line with our corporate values.
- 9 To be a key delivering agent of Government policy.

9 Performance Against Targets

Performance against targets is shown on page 8. Directors use a Balanced Scorecard approach and a detailed operational review to measure progress against these targets during the year.

10 Financial Performance

The financial objective equivalent is to make a return on capital employed of 6.5% averaged over a five year period commencing 1 April 2009 to 31 March 2014.

Government restrictions on departmental spending have impacted on Buying Solutions' financial performance with a consequent fall in framework turnover. However, the organisation has minimised the impact on the overall operating surplus (deficit) through tight internal cost control. Significant cost reductions have been made throughout the year, which have been the greatest contributory factor to the operating surplus.

The operating surplus for the year amounted to £6,190,000 (deficit of £3,588,000 for 2010).

Interest receivable was £45,823 (£34,000 for 2010).

Surplus on ordinary activities for the period was £6,236,000 (deficit of £3,555,000 for 2010).

Buying Solutions Board set performance criteria at the start of the year against which a bonus would be payable. The criteria were met and following an assessment of affordability a staff bonus is payable (see note 4.2 in the Notes to the Accounts).

A dividend of £2,092,000 (£2,106,000 for 2010) for the year to 31 March 2011 is payable to the Cabinet Office.

The dividend is based on an annual average of 6.5% return on capital employed (ROCE).

The retained surplus of £4,144,000 has been taken to the General Reserve (deficit £5,661,000 for 2010).

Cash and cash equivalents as at 31 March 2011 were £20,987,000 (31 March 2010 £13,972,000). For more details see notes to the accounts on pages 35 to 47.

11 Customer Spend

	31 March 2011 £million	31 March 2010 £million
framework agreements	7,232	6,421
managed services	62	91
memoranda of understanding	<u>308</u>	<u>516</u>
	<u>7,602</u>	<u>7,028</u>

The above table shows the total value of public sector transactions with Buying Solutions suppliers, through framework agreements and enabling contracts. The 2010/11 value is £574m above the 2009/10 level.

12 Contractual Arrangements

Buying Solutions provides contracts and services to over 4,000 customer organisations. We have framework agreements with 1,500 suppliers and managed services contract agreements with the following strategic partners:

• **For Network Services:**

Energy Communications Limited (part of Cable and Wireless group), Global Crossing (UK) Telecommunications Limited

• **For Energy:**

Corona Energy Retail 4 Limited, EDF Energy Customers plc, British Gas Trading Limited

• **For eCommerce:**

BravoSolution Limited, European Dynamics, EU Supply

management commentary continued

13 Payment of Creditors

Buying 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 2010 - 31 March 2011, Buying Solutions paid 95% of payments due (96% in the year ended 31 March 2010) within the suppliers' credit period allowed.

14 Register of Interests

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

15 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 9 in the Notes to the Accounts.

16 Research and Development

Buying Solutions does not currently undertake pure research.

Buying Solutions carries out a programme of development relevant to the present and future requirement of its activities and the needs of its customers.

Research and development in respect of the GSi framework contract is carried out using the Technology Investment Fund. See note 1.9 of the notes to the accounts for detail.

17 Personal Data Related Incidents

There were no personal data related incidents with Buying Solutions during the reporting period.

Statement on information risk	A dedicated Information Assurance function provides stewardship over data and systems security. Internal Audit has provided substantial assurance regarding the compliance of Buying Solutions with Cabinet Office standards as defined in the Security Policy Framework. These include the identification of a Board member as the Senior Information Risk Owner and identification of all information assets and, for each of them, an information asset owner.			
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No incidents have been reported to the Information Commissioner by or on behalf of Buying Solutions, involving Protected Personal Data during the year.				

Table 2: Summary of other Protected Personal Data related incidents in 2010/11

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Agency are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
iv	Unauthorised disclosure	0
v	Other	0

18 Sustainability

Please see page 17 for Buying Solutions' sustainability report.

19 Events after the reporting period

Please refer to note 28 of the notes to the accounts

20 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. The Report and Accounts were authorised by the Accounting Officer to be issued on 4 July 2011.

21 Auditors

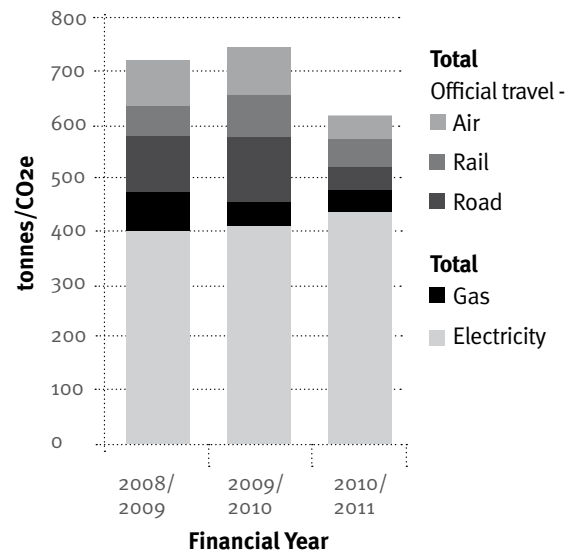
The Comptroller and Auditor General is the auditor of Buying Solutions' accounts. The auditor's remuneration disclosed in note 6 to the financial statement relates solely to statutory audit work.



D Shields
Accounting Officer
27 June 2011

Sustainability report

Greenhouse gas emissions (GHG) and energy		2008-09	2009-10	2010-11
Non - Financial indicators (tonnes CO2e)	Total gross emissions for scopes 1&2	509	453	475
	Total net emissions for scopes 1 & 2 (i.e. less reductions for - e.g. green tariffs)	509	453	475
	Scope 1 (Direct) GHG emissions	70	38	43
	Scope 2 (Energy Indirect)	439	415	432
	Scope 3 (Official business travel emissions)	98	128	61
Related energy consumption (million kWh)	Electricity: Non-renewable	-	-	-
	Electricity: Renewable	0.75	0.71	0.79
	Gas (Rosebery Court office, Norwich only)	0.35	0.19	0.21
	LPG	-	-	-
	Other	-	-	-
Financial indicators (£k)	Expenditure on energy	89	71	60
	CRC gross expenditure (2010 onwards)	-	-	-
	Expenditure on accredited offsets (e.g. GCOF)	-	-	-
	Expenditure on official business travel (£k)	1,152	1,183	867



Performance Commentary (Including targets)

Buying Solutions is subject to the SOGE¹ targets. The relevant targets here are:

- Reduce carbon emissions² [from Offices] by 12.5% by 2010-11, relative to 1999/2000 levels - ACHIEVED 48%
- Departments to increase their energy efficiency per m² by 15% by 2010, relative to 1999/2000 levels - ACHIEVED 67%
- Reduce carbon emissions from road vehicles used for Government administrative operations by 15% by 2010/11, relative to 2005/2006 levels- ACHIEVED 63%

Buying Solutions is a tenant in both its offices and the management of services are bundled up in its service charge paid to the landlord/facilities management company. The Buying Solutions office space in Rosebery Court, Norwich is 17% and calculations for utilities is based on 17% of the total. Financial costs are based on 17% of the building total for Rosebery Court, Norwich and is based on invoiced bills at Royal Liver Building, Liverpool. Gas is only consumed at Rosebery Court, Norwich.

Direct impacts commentary

Our main areas of energy consumption relate to heating, cooling, lighting and ICT equipment usage within our two offices in Norwich (Rosebery Court) and Liverpool (Royal Liver Building). Our electricity supplies for both offices are on green tariffs. For several years we have been implementing an Environmental Management System achieving Phase 3 of BS8555:2003, and running a Corporate Responsibility awareness campaign known as "Consider".

Both of which have presented data and policies designed to promote consideration by staff of the business need for consumption/travel versus potential adverse impacts on the environment and personal life. Our role as the largest Public Sector Buying Organisation requires a significant amount of business-related travel, and we take both staff wellbeing and environmental impacts arising from this very seriously. A consequence of this has been a process of reviewing our travel policy a number of times over the last two years, to ensure that only necessary travel is undertaken and that the most sustainable option is chosen each time.

After the election of a new government in May 2010, we implemented greater controls on staff travel and a greater emphasis on suppliers coming to our offices. In particular, we have attempted to reduce the use of grey fleet for the dual benefit of improving the health and safety of staff and to try to reduce the number journeys undertaken by road. To reduce energy consumption on site, we have implemented power management software, replaced numerous printers and scanners with more efficient, networked multi-functional devices, and enabled automatic standby or switch off to equipment as appropriate. Audits have been undertaken for equipment in the office left on standby and reports shared with staff to encourage them to switch-off equipment, and initiatives like Earth Day³ are promoted.

1) Sustainable Operations on the Government Estate targets:

<http://sd.defra.gov.uk/progress/soge/>

2) Defra Conversion factors used to calculate carbon emissions for reporting purposes:

<http://archive.defra.gov.uk/environment/business/reporting/conversion-factors.htm>

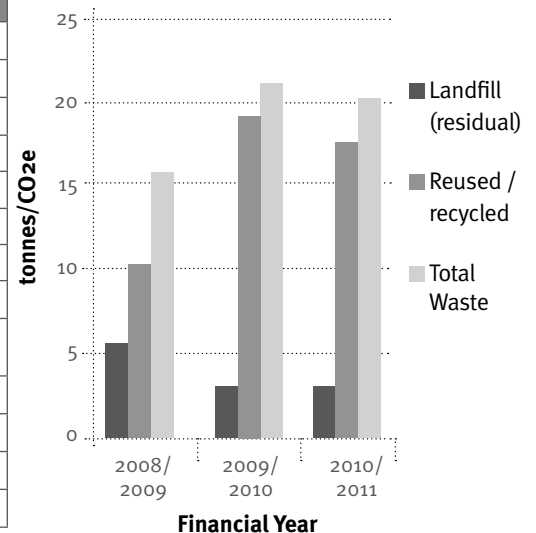
3) <http://www.earthday.org/earth-day-2011>

Sustainability report continued

Indirect impacts commentary

Our main areas of energy consumption relate to heating, cooling, lighting and ICT equipment usage within our 2 offices in Norwich (Rosebery Court) and Liverpool (Royal Liver Building). Over a period of years, the performance of HVAC at our offices has been improved, with the landlords undertaking these improvements, and we were able to suggest that passive infrared sensors (PIR) sensors be more widely used on lighting in the office spaces and the toilets.

Waste		2008-09	2009-10	2010-11	
Non Financial indicators (t)	Total waste (not including construction)	16.04	19.35	20.30	
	Proportion of total waste recycled	65%	90%	90%	
	Hazardous waste	Total	-	-	-
	Non hazardous waste	Landfill (residual)	5.55	1.98	2.01
		Reused / recycled	10.49	17.37	18.29
		Incinerated / energy from waste	-	-	-
		Construction landfill	-	-	-
Construction recycled	-	-	-		
Financial indicators (£k)	Total waste disposal cost (Rosebery Court, Norwich only. Cost for RLB Liverpool not available.)	1.93	2.30	1.45	
	Hazardous waste - Total disposal cost	-	-	-	
	Non hazardous waste - Total disposal cost	Landfill	0.75	0.30	0.54
		Reused / recycled	1.18	2.00	0.92
		Incinerated / energy from waste	-	-	-



Performance Commentary (Including targets)

Buying Solutions is subject to the following SOGE targets:

- Departments to reduce their waste arisings by 5% by 2010, relative to 2004/2005 levels. 2004/5 baseline not available. ACHIEVED 5% reduction from 2009/10.
- Departments to increase their recycling figures to 40% of their waste arisings by 2010. ACHIEVED 90%.

The Buying Solutions office space in Rosebery Court, Norwich is 17% and calculations for waste, recycling and financial data is based on 17% of the total. Data for 2008/2009 only applies to Rosebery Court Norwich, and we undertook our own measurement of waste to landfill/recycling in our Royal Liver Building, Liverpool office in 2009-10. From 2009-10 onwards, data for waste and recycling applies to both offices.

Financial cost only relates to Rosebery Court, Norwich. We only have a baseline available for total waste of 17 tonnes for Norwich (Rosebery Court) and this is from 2006/2007 making it difficult to measure performance as it was based on a proportion of the total (as calculated by the facilities management company) rather than actuals, and will be under-reporting Buying Solutions as a whole as the data was not recorded for us by the landlord at Liverpool (Royal Liver Building).

Sustainability report continued

We can see that our total waste arisings are higher than the baseline as we began to incorporate Liverpool data after we introduced measures to collect our own data in 2009/2010. If we use the 2009/2010 as a baseline, then the reduction in total waste in 2010/2011 represents a 5% decrease, meeting the target.

Direct impacts commentary

Waste management and recycling is provided as part of the service charges by the landlords in our 2 offices. Mitie Facilities Management is able to provide an approximate figure for our waste and recycling based upon 17% of the totals, corresponding to the area of office space Buying Solutions occupies in Rosebery Court, Norwich. In Liverpool, we introduced measurement by weight of the waste and recycling within our office area as the landlord, Royal Liver Assurance, was unable to provide a breakdown of our waste.

Water			2008-09	2009-10	2010-11
Non- Financial supplied indicators (m ³)	Water Consumption	Supplied (Rosebert Court, Norwich only, apart from February / March data in 2010 / 2011)	419	417	355
		Abstracted	-	-	-
Financial indicators (£k)	Water Supply costs (Rosebery Court, Norwich only)		0.87	0.91	1.00

Performance Commentary (Including targets)

Buying Solutions is subject to and working towards the following SOGE target:

- Reduce water consumption by 25% on the office and non-office estate by 2020, relative to 2004/2005 levels. NOT AVAILABLE.

We do not have data to establish a baseline for 2004/05. Limited data includes Rosebery Court Norwich from 2006/07 and RLB Liverpool from February 2011.

Direct impacts commentary

We arranged for a water meter to be fitted in the Royal Liver Building, Liverpool office in February 2011 and had the toilets within the office space decommissioned, as communal ones outside the office area are available. In the future, we will not have the resource to take a hands-on role to manage and monitor sustainability requirements for our operations and will need to find alternatives, such as becoming part of Cabinet Office monitoring and measurement.

Indirect impacts commentary

We were able to suggest to our landlords that automatic taps be fitted to the communal toilets at Rosebery Court and the Royal Liver Building on the floors where we have offices, thereby reducing wasted water from taps left running.

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 5.2.15-20). The Companies Act requirements include some disclosures that are not likely to be relevant in Buying 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

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.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

remuneration report continued

4 Senior Management Salary Entitlements

The following table provides details of the remuneration interests of both the Executive and Non-Executive Directors employed by Buying Solutions. This table has been audited.

	Salary (Note 2)	Bonus (Note 3)	Compensation (Note 5)	Total Remuneration to 31 March 2011	Total Remuneration to 31 March 2010
	£000	£000	£000	£000	£000
D Shields (Note 1) Acting Chief Executive Officer (from 1.2.2011) Director of Procurement Services (from 6.12.2010 until 31.1.2011) Full Year Equivalent	65-70 205-210			65-70 205-210	
A Littley Chief Executive (until 1.2.2011) Full Year Equivalent	135-140 145-150	10-15	135-140	290-295 160-165	155-160
T Harris Director of Marketing & Business Development	115-120		115-120	235-240	115-120 (Full Year Equivalent)
D Murray Director of Corporate Services	100-105	5-10		110-115	110-115
M Chown Director of Business Services	115-120	5-10		125-130	115-120
L Meeks Director of ICT Procurement	110-115		120-125	235-240	110-115 (Full Year Equivalent)
R Clegg Non-Executive Director	15-20			15-20	15-20
M Bryant Non-Executive Director	10-15			10-15	10-15
J Watkinson Non-Executive Director	10-15			10-15	10-15

Non-Executive Board Members were not entitled to bonus payments and do not receive any pension entitlements.

Note 1 D Shields joined Buying Solutions on 6.12.10 as Director of Procurement Services and was appointed Acting Chief Executive Officer on 1.2.11.

Note 2 Salary includes gross salary, overtime, recruitment and retention allowances, private office allowances and any other allowances to the extent that they are subject to UK taxation. This report is based on accrued tax payments made by Buying Solutions and thus recorded in these accounts.

Note 3 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2010-11.

Note 4 No benefits in kind were provided during this year.

Note 5 Compensation for loss of office

A Littley left on 1.2.11.

T Harris left on 6.4.11.

L Meeks left on 6.4.11.

Compensation payments include compensation in lieu of notice. Payments to T Harris and L Meeks have been accrued.

remuneration report continued

4 Senior Management Pension Entitlements

The pension entitlements of the Executive Directors of Buying Solutions were as follows

	Accrued pension at age 60 at 31 March 2011 £000	Accrued pension at age 60 at 31 March 2010 £000	Real increase in annual pension £000	CETV at 31 March 2011 (Note 1 & 2) £000	CETV at 31 March 2010 £000	Real increase in CETV £000
D Shields Acting Chief Executive Officer (from 1.2.11) Director of Procurement Services (from 6.12.2010 until 31.1.11)	12		0-2.5	130	123	5
A Littley Chief Executive (until 1.2.11)	9	7	0-2.5	114	88	16
T Harris Director of Marketing & Business Development	4	1	2.5-5	49	15	28
D Murray Director of Corporate Services	30	28	0-2.5	300	269	5
M Chown Director of Business Services	6	3	2.5-5	39	19	15
L Meeks Director of ICT Procurement	5	3	2.5-5	71	35	30

Note 1 The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Note 2 Taking account of inflation, the CETV funded by the employer has decreased in real terms

Note 3 There are no disclosures for Real increase in lump sum

remuneration report continued

4 Pension Benefits

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI (CPI from 2011-12). In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional benefits accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.



D Shields
Accounting Officer
27 June 2011

statement of Buying Solutions’ and Chief Executive’s responsibilities

Under Section 4(6A) (b) of the Government Trading Funds Act 1973, the Treasury has directed Buying Solutions to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Buying Solutions and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

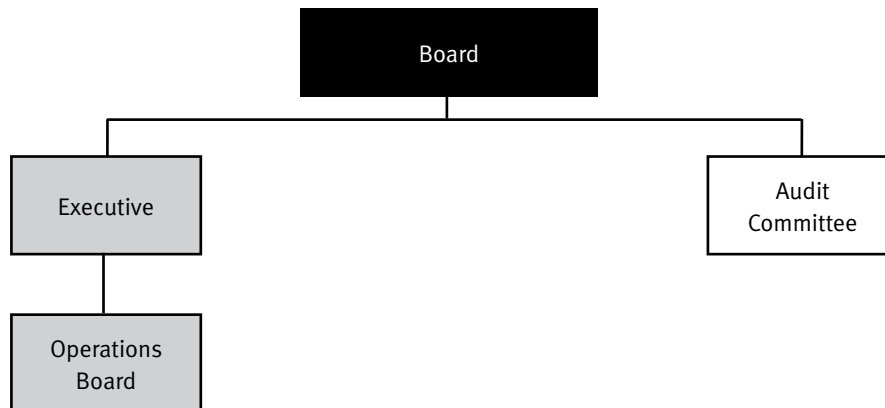
In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- Prepare the financial statements on a going concern basis

The Treasury has appointed the Acting Chief Executive of Buying Solutions as Accounting Officer of Buying Solutions. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Buying Solutions’ assets, are set out in Managing Public Money published by the Treasury.

corporate governance

Structure



Board of Buying Solutions

The Board is charged with providing advice to the Chief Executive on matters of strategic importance to the organisation. Other terms of reference of the Board include the following:

- Defines the Agency’s strategic aims, objectives and target setting
- Reviews and agrees the Annual Business Plan
- Allocates and manages financial and human resources to deliver the business plan
- 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
- Sets the Agency’s vision, standards and values; and provides a scheme of delegated authority
- Maintains a transparent system of prudent and effective controls (including internal controls)

In addition, the Board:

- 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; annual reviews of Health and Safety; and the major projects

During 2010/11, the following Directors were members of the Board of Buying Solutions:

		No. of meetings attended
Mrs A Littley	Chief Executive	4/5
Mr DJ Murray	Director of Corporate Services	7/7
Mr T Harris	Director of Marketing & Business Development	6/6
Mr M Chown	Director of Business Services Procurement	7/7
Ms L Meeks	Director of ICT Procurement	4/7
Ms K Brookes	HR Director	4/4
Mr D Shields	Acting Chief Executive	3/3
Ms H MacCarthy	Senior Sector Director for Health	1/1
Mr R Clegg	Non-Executive Director	7/7
Mr M Bryant	Non-Executive Director	7/7
Mr J Watkinson	Non-Executive Director	7/7

corporate governance continued

Executive Directors

During the first three quarters of the financial year the Executive Directors met weekly and concentrated on business performance, and monitoring of Board and Audit Committee management actions. During quarter four of the financial year, the Corporate Governance structure was revised and simplified to facilitate effective and efficient business decision making. The Executive Directors now meet fortnightly and focus on high priority operational and strategic management of the organisation.

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 and external audit to provide the associated assurance. During 2010/11, Audit Committee membership consisted of three Non-Executive Directors. In addition, the Chief Executive, Director of Corporate Services, representatives from OGC/ ERG and the Internal and External Audit organisations were invited to attend. The Audit Committee has met four times during the period.

For the period April 2010 to March 2011, the following Non-Executive Directors attended the Audit Committee:

	No. of meetings attended
Mr R Clegg	4/4
Mr M Bryant	4/4
Mr J Watkinson	4/4

The Corporate Governance Structure

The objective of the governance structure of senior managers is to increase focus, rigour and accountability in our business management.

Up to February 2011

A summary of the function of each Board is detailed below:

- **Main Board** - Set and monitor the strategic directions and provide advice to the Accounting Officer on matters of strategic importance to the organisation
- **Audit Committee** - advise the Accounting Officer on Corporate Governance, internal control, compliance with legislation and internal policies and financial statements
- **Risk Steering Group** - assist the Accounting Officer in discharging the accountability for risk management by reviewing Buying Solutions risk management systems, practices and procedures and providing recommendations for improvement
- **Procurement Monitoring Board** - ensure our procurements are compliant, efficient and effective
- **Delivery Board** - drive delivery of the business plan
- **Enabling Board** - provide assurance on our operating model to enable delivery of the business plan and initiate and implement innovation for next generation requirements

From February 2011

A review of the effectiveness of Corporate Governance was undertaken in January 2011, and it was agreed by the Board to simplify the structure whilst ensuring effective decision making and accountability for delivery of strategy. A summary of the functions of each Board are detailed below:

- **Main Board** - Set and monitor the strategic directions and provide advice to the Accounting Officer on matters of strategic importance to the organisation including overseeing risk management
- **Audit Committee** - Advise the Accounting Officer on Corporate Governance, internal control, compliance with legislation and internal policies and financial statements
- **Executive** - Comprised of the five Executive Directors who meet every two weeks to oversee business performance, implementation of the strategic review and address issues escalated by the Operations Board
- **Operations Board** - Comprised of the senior management team who meet every two weeks to monitor and address procurement and project delivery, drive delivery of savings and the business plan and approve business cases to improve the organisation's infrastructure

Future Governance resulting from the implementation of the strategic review

Previously, Buying Solutions' constitution was that the Accounting Officer held the role of both Chief Executive and Chair of the Board. A review has split the roles so that the Buying Solutions' Board is chaired by the Cabinet Office Chief Procurement Officer (CPO) on a Non-Executive basis with the day - to - day operational responsibility being with the new role of Managing Director, who will also be the Accounting Officer. The Chair is responsible for leadership of the Board. The Managing Director is responsible for leadership of the business and managing it within the authorities delegated by the Board and through the framework agreement document whilst conforming to the highest standards of Corporate Governance.

Three Non-Executives will be required in future with one being appointed from the Commercial Director community to promote closer relationships with customers and increased transparency of operations. To ensure full transparency, Buying Solutions is committed to publishing its performance data and has included this in its website.

statement on internal control 2010/2011

Introduction

2010 -11 has been a time of significant change as Machinery of Government changes are implemented by the new Government. Buying Solutions has moved from HM Treasury to the Efficiency Reform Group (ERG) within the Cabinet Office. Buying Solutions will continue to operate with trading fund status with its own Accounting Officer and Annual Report and Accounts. The changing central government procurement landscape and the need to transform, as recommended in the recent Strategic Review of Buying Solutions, will present significant challenges, risks and opportunities. As Acting CEO (effective 2nd February 2011) I have ensured there is a strong and appropriate focus on our risk management and general governance to build an organisation that is fit for purpose and able to meet future challenges.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Buying Solutions 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 Managing Public Money.

The Buying Solutions Framework document establishes both my direct accountability to Ministers for effective operation and performance as well as the limits of delegation that the Departmental Accounting Officer affords me as Trading Fund Accounting Officer.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an appropriate 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 and prioritise the risks to the achievement of Buying Solutions' 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 Buying Solutions for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

Buying Solutions re-launched its risk and opportunity management policy as "A Guide to Integrated Assurance" to reflect the linkage to the development of the Assurance Framework. The approach was endorsed by the Board and Audit Committee.

Within Buying Solutions system of risk management, specific responsibility for corporate risks is assigned to Board members and responsibility for operational risks lies with the Directorates with oversight embedded in the corporate governance structure. All risk registers and control responses follow defined corporate templates and guidelines and oversight of the process. With the support of the Audit Committee it has been agreed that responsibility for assessing, reviewing and monitoring risk is a Board responsibility and so the Risk Steering Group has been disbanded from September 2010. This ensures central control together with local ownership in managing and controlling all elements of risk to which Buying Solutions may be exposed. It is embedded in project execution and procurement activity through the standards and processes to be followed.

Informal risk training was provided across the organisation through the launch of the "Guide to Integrated Assurance" which provided an informative step by step guide to effective risk management and was followed up, on request, by team briefings.

The corporate risk profile changed in 2010-11 from generic risk headings where it proved difficult to track progress to specific risk descriptions. This change enabled a more targeted approach to risk management and an evidenced based approach to assessing risks. The risk management during the financial year has been focused on the uncertainty created by the Machinery of Government changes and specifically whether Buying Solutions had a substantive role in the future operating model for procurement. The primary actions to manage this risk focused on key stakeholder identification and management plus clear targeted communications on the value Buying Solutions provides to central government, health and the wider public sector. Ultimately, the presentation and acceptance by the Minister of the Strategic Review was the key mitigating action to manage this risk to a successful outcome. In turn this will shift the focus of risk management towards our key risk areas of:

- delivery
- supplier and customer management
- investment and development of technology
- people in a transformed organisation
- identification, production and utilisation of business critical data and infrastructure

During 2011-12 the risk and control framework will evolve to ensure rigour and good governance focused to manage the risks highlighted above and to meet the requirements of Buying Solutions pivotal role in Government Procurement.

statement on internal control continued

Risk and Control Framework

The Board of Directors are responsible for risk management across Buying Solutions and have determined the “appetite for risk”, determining what types of risk are acceptable and which are not; and defining risk escalation for senior managers. The risk appetite for Buying Solutions has been agreed as “Cautious” and the objectives against individual risks on the Corporate Risk Log agreed on the basis of achievable outcomes to the end of April 2011.

Buying Solutions has a framework for maintaining a sound risk and control system, for reviewing its effectiveness and for ensuring necessary actions are taken to remedy any failings or weaknesses identified are reviewed and monitored by a dedicated Governance Directorate within Corporate Services. The key features of our framework development in 2010-11 are as follows:

- The Risk Management policy, guidance, templates have been revised, simplified and embedded further within our Corporate Governance structure with the Corporate Risk Log now subject to either Operations or Executive Board review every two weeks. Whilst this has achieved greater dynamism and active management of corporate risks, work is still required to embed consistent and effective risk management operationally.
- The purpose and constitution of the Risk Steering Group (RSG) has been reviewed by the Accounting Officer and Chair of the Audit Committee. The RSG has been subsumed within the main Board to facilitate greater assurance and constructive critical challenge to the Executive function during this period of transformation.
- Buying Solutions Assurance Framework provides a structure within which the organisation maps its key processes and controls and against which it identifies and rates its sources of assurance that these controls are effective and complied with. An Assurance Framework has been developed and tested positively on key areas of internal control, aligning with the approach taken by the Cabinet Office. As Buying Solutions progresses through its transformation this remains work in progress.
- Efficient and effective organisations manage through clearly defined processes within an Operations Manual. In a drive to cut bureaucracy and to provide additional operational clarity key processes are accessible from a Process Library, created, populated and launched on the Buying Solutions Intranet.
- The initiatives described above have been brought together within Buying Solutions as Integrated Assurance the purpose of which is to provide a full assurance picture to the Audit Committee. The Guide to Integrated Assurance was tested across the business for clarity and simplicity and launched formally in September 2010.
- A high level overview of the value, risk and opportunities of Buying Solutions providing an assurance function in relation to clinical and/or non-clinical health frameworks has been

concluded. The provision of this service has been fundamentally overhauled to provide assurance to the Accounting Officer, Board and Professional Services Category as to the adequacy and compliance of Temporary Recruitment Agencies (supplier) arrangements for the supply of temporary labour (agency workers).

- Buying Solutions has completed a Business Continuity Management (BCM) Programme as mandated by HMG Security Policy Framework (MR70) including review and update of our Business Continuity plans and procedures. The project aligns Buying Solutions to the British Standard BS2599 and the new strategy and plans were completed in October 2010 followed by a familiarisation workshop for Business Continuity teams.
- The risk of project failure is being managed through monitoring and increasingly rigorous challenge and review by the Project Portfolio Office and the Procurement Capability teams.
- Information assurance has been enhanced with the introduction of a more rigorous accreditation procedure for all IT systems and stored data. Further assurance is provided through the completion and submission of the Information Assurance Maturity Model which affirms Buying Solutions compliance with the Security Policy Framework.
- A review of corporate governance resulted in revised Terms of Reference for the Governance Boards and an Organisational Design programme realigned capability and capacity as part of our people resource management; a further review in February 2011 revised the Corporate Governance structure at operational level.

Review of effectiveness

As Accounting Officer, I 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 and the executive managers within Buying Solutions who have responsibility for the development and maintenance of the internal control framework and, comments made by the external auditors in their management letter and other reports. 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:

- A Board which meets regularly to consider the plans, progress and strategic direction of Buying Solutions. This includes review of significant risks and the controls in place to manage them.
- An Audit Committee that meets quarterly, at which all assurance activities are reviewed. These assurance activities include internal and external audit, risk management and information assurance.

statement on internal control continued

- Independent Internal Audit reviews of Buying Solutions risk management, control and governance systems completed to GIAS standards. The 2010/11 internal Audit programme was approved by the Audit Committee and findings reported at quarterly Audit Committee meetings.
- The maintenance and review of detailed risk registers.

Based upon the completion of the Internal Audit programme agreed by the Audit Committee for the year ending 31 March 2011, the Head of Internal Audit has been able to provide an annual report on the adequacy of internal control within the Buying Solutions. The overall opinion for 2010/11 was:

On the whole, it is evident that a more control conscious culture continues to develop and as such the organisation's systems of risk management, control and governance have seen some improvement during what has been a challenging year of change and uncertainty. It is in this context, therefore, and as a result of the work we have undertaken during the year, that in my opinion Buying Solutions had satisfactory systems of internal control, risk management and governance in operation during the year. That said, there remains scope for improvement, and we have made a significant number of recommendations during the year. These have universally been accepted by senior management and the rate of implementation has seen a significant improvement on prior years.

In addition I receive an Annual Report from the Chair of the Audit Committee which provides me with further independent assurance consistent with the themes within this Statement on Internal Control.

Significant control issues

The Internal Audit of the Energy Category reported control issues in respect of governance, performance benchmarking, resource management and customer management. The Internal Audit review provided "Limited" assurance and highlighted 12 management actions 3 of which were designated high priority and focused on:

- A governance framework to be implemented without delay incorporating an effective escalation route for critical risks.
- Resolution to resourcing issues for retention of interim traders.
- That the retention of Health business beyond March 2012 is managed as a project.

Management responded positively and quickly to the recommendations made in the report many of which have been implemented.

As acting Accounting Officer I commissioned an Internal Audit Position Statement to review the significant risks within Buying Solutions control framework. The following recommendations were made to ensure continual improvement in the system of internal control and were discussed and agreed at the Executive Board:

- Increased rigorous tracking of procurement and project plans and deliverables with weekly reporting to the Operations Board.
- Review of the performance management process to provide assurances through robust checks and balances that poor performance is being addressed and exceptional performance incentivised.
- Performance objectives will be put in place for all staff that clearly link accountability and delivery of the key targets in the 2011/12 Business Plan.
- A requirement for defined key processes, mapped to a standard model with clear ownership, checks, balances and change control implemented.

The Statement of Internal Control for 2009-10 highlighted a significant control issue in respect of weaknesses in procurement of a specific contract. The Audit Committee provided active oversight and challenge to ensure full, timely, evidence based completion of all actions. I can affirm that all the actions have been completed, additional actions which enhance procurement controls identified and implemented and the risk of a successful legal challenge mitigated further. This core process is consistently subject to challenge and continuous improvement.

Significant future developments

The advances and improvements made to the Buying Solutions' system of risk management during 2010/11 will be further developed during 2011/12, in particular:

- A focus on accountability through a rigorous approach to performance management.
- An Organisational Design and Development Programme which will ensure alignment of resources and capability to deliver the Strategic Review.
- Review of Corporate Governance to reflect the outcomes of the Strategic Review and Buying Solutions place as an integral part of the Government Procurement.
- Fundamental review of the corporate risk log as highlighted under "Capacity to handle risk" and re-launch of the Guide to Integrated Assurance.
- Review of the Assurance Framework benchmarking against best practice.
- Delivery of an agreed, risk based, targeted audit programme.
- Enhanced emphasis and development of programme management to further assure delivery of key outcomes.



D Shields
Accounting Officer
27 June 2011

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 Buying Solutions for the year ended 31 March 2011 under the Government Trading Funds Act 1973. These comprise the Comprehensive Statement of Income and Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of Buying Solutions, the Chief Executive and auditor

Buying Solutions and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Buying Solutions' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Buying Solutions; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

the certificate and report of the comptroller and auditor general to the houses of parliament continued

Opinion on Regularity

In my opinion, 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.

Opinion on Financial Statements

In my opinion:

- The financial statements give a true and fair view of the state of Buying Solutions' affairs as at 31 March 2011 and of its operating surplus for the year then ended; and
- The financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder

Opinion on other matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- The information given in the Management Commentary and Performance against Targets for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

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

- Adequate accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with HM Treasury's guidance

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1 W 9SP
4 July 2011

statement of comprehensive income Year Ended 31 March 2011

	Note	31 March 2011		31 March 2010	
		£000	£000	£000	£000
Revenue	2		76,279		104,430
Cost of sales			(42,873)		(67,923)
Gross Profit			33,406		36,507
Staff costs	4	(21,231)		(22,978)	
Depreciation of property, plant and equipment	9	(934)		(808)	
Amortisation of intangible assets	10	(11)		(14)	
Other operating charges	6	(8,690)		(18,527)	
Total operating costs			(30,866)		(42,327)
			2,540		(5,820)
Other operating income	5		3,650		2,232
Operating surplus / (deficit)			6,190		(3,588)
Interest receivable	7		46		34
Interest payable	8		-		(1)
Surplus / (Deficit) for the financial year			6,236		(3,555)
Dividend to be payable to Cabinet Office	23		(2,092)		(2,106)
Retained surplus / (deficit) for the financial year	20		4,144		(5,661)
Transfer from revaluation reserve	20		258		143
Retained surplus brought forward	20		25,913		29,064
Adjustments to reserves (PASA)	20		-		2,367
Retained Surplus carried forward	20		30,315		25,913

Income and surplus are derived entirely from continuing operations. There were no material disposals or acquisitions.

The notes to the accounts on pages 35 to 47 form an integral part of these accounts.

statement of changes in taxpayers equity for the Year Ended 31 March 2011

	31 March 2011		31 March 2010	
		£000		£000
Opening taxpayers equity		28,256		31,550
Revaluation of PPE		1,622		-
Reserve adjustment		-		2,367
Retained surplus / (deficit)		4,144		(5,661)
Taxpayers equity at end of period		34,022		28,256

statement of financial position as at 31 March 2011

	Note	31 March 2011		31 March 2010	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	9		11,127		10,432
Intangible assets	10		<u>16</u>		<u>11</u>
			11,143		10,443
Current assets					
Inventories	11	134		146	
Trade and other receivables	12	11,757		19,118	
Cash and cash equivalents	13	<u>20,987</u>		<u>13,972</u>	
		32,878		33,236	
Current liabilities					
Trade and other payables	14	(9,261)		(14,573)	
Employee benefit payable	15	<u>(407)</u>		<u>(529)</u>	
		(9,668)		(15,102)	
Net current assets			<u>23,210</u>		18,134
Non-current assets plus net current assets			<u>34,353</u>		28,577
Provisions	17		<u>(331)</u>		<u>(321)</u>
Total assets less liabilities			<u>34,022</u>		<u>28,256</u>
Capital and reserves					
Public dividend capital	18		350		350
Revaluation reserve	19		3,357		1,993
General reserve	20		<u>30,315</u>		<u>25,913</u>
Total capital and reserves			<u>34,022</u>		<u>28,256</u>

The Notes to the Accounts on pages 35 to 47 form an integral part of these accounts.



D Shields
Accounting Officer
27 June 2011

statement of cash flows for the year ended 31 March 2011

	31 March 2011	31 March 2010
	£000	£000
Net cash inflow from operating activities	9,048	4,684
Cash flows from investing activities		
Interest received	46	34
Interest paid	-	(1)
Purchases to acquire intangibles	(16)	-
Purchases of property plant and equipment	(7)	(73)
Net Cash inflow from investing activities	<u>23</u>	<u>(40)</u>
Net Cash inflow before financing	9,071	4,644
Cash flows financing activities		
Dividend paid	(2,056)	(2,082)
Net Cash outflow from financing activities	<u>(2,056)</u>	<u>(2,082)</u>
Net increase in cash and cash equivalents	<u>7,015</u>	<u>2,562</u>

See Note 21 in the Notes to the Accounts, in which operating surplus (as shown in the Statement of Comprehensive Income) is reconciled to net cash flows from operating activities. The Notes to the Accounts on pages 35 to 47 form an integral part of these accounts.

notes to the accounts

1 Accounting Policies

The accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HM Treasury (the "Accounts Direction.") The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by Buying Solutions are described below.

1.1 Accounting Convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of Whitehall District Heating and Whitehall Standby Distribution Systems (the Whitehall Systems) included within property, plant and equipment.

The accounts have not been modified to include other non-current assets valued at current cost as required in the FRoM. Any difference is not material.

1.2 Revenue

Revenue consists of the value of goods and services net of Value Added Tax, trade discounts and rebates, from the ordinary activities of the business. Framework income is based on sales reported by suppliers.

1.3 Property, plant and equipment

Property, plant and equipment 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.

Whitehall Systems

These assets are independently revalued at net current replacement cost on a regular basis. The estimated useful economic life and residual value of the asset is also independently re-assessed on a regular basis and assessed by the Board inbetween these independent assessments.

Other property, plant and equipment assets that have short lives and/or low values are valued at depreciated historic cost as a proxy for fair value.

Depreciation

Depreciation is provided on property, plant and equipment 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 sixteen years

Whitehall Systems depreciation has been calculated on the basis of there being no significant residual value at the end of the assets' estimated useful economic life.

1.4 Intangible assets

Acquired computer software licences and costs that are directly associated with the development of identifiable and unique software products controlled by the Agency are capitalised where future economic benefits are exceeding beyond one year. Economic benefits are assessed with reference to revenue generation and/or clear cost savings.

Such assets are amortised over their estimated useful economic lives (not exceeding three years). The prescribed capitalisation level is £5,000.

1.5 Inventories

Inventories comprise oil stocks held in respect of Whitehall Systems. These are valued at weighted average cost.

1.6 Early Retirement

Buying Solutions is required to meet the additional cost of liabilities beyond the normal Principal 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 17 in the Notes to the Accounts).

1.7 Leases

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

1.8 Financial Instruments Cash and cash equivalents

Cash and cash equivalents comprise bank deposits together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. During the period, funds surplus to immediate requirements have been deposited with the National Loans Fund. Trade and other receivables are recognised at fair value and subsequently at amortised cost.

1.9 Technology Investment Fund (TIF)

Under the provisions of the GSi Framework Contract, a fund, held by the contractor, was established in August 2004. The fund is not currently accounted for in the accounts of Buying Solutions as the ownership of the fund has yet to be established with certainty through negotiation and/or legal proceedings. The fund balance as at 31 March 2011 was approximately £0.3 million (2010: £2.5 million). Amounts recoverable and payable under the contract are recognised in the accounts. Buying Solutions and the contractor have agreed a programme of expenditure for amounts paid from the TIF.

notes to the accounts continued

2 Segmental Analysis

	Business Procurement 31 March 2011	ICT Procurement 31 March 2011	eCommerce Procurement 31 March 2011	Whitehall Procurement 31 March 2011	TOTAL 31 March 2011
	£000	£000	£000	£000	£000
Statement of Comprehensive Income					
Revenue from external sales	13,197	58,063	682	4,337	76,279
Gross surplus	13,156	17,906	682	1,662	33,406
Operating costs less other operating income	(13,333)	(11,219)	(1,694)	(970)	(27,216)
Operating surplus / (deficit)	<u>(177)</u>	<u>6,687</u>	<u>(1,012)</u>	<u>692</u>	<u>6,190</u>
Statement of financial position					
Non current assets	62	36	8	11,037	11,143
Current assets	11,408	19,494	569	1,407	32,878
Total assets	<u>11,470</u>	<u>19,530</u>	<u>577</u>	<u>12,444</u>	<u>44,021</u>

There were no discontinued operations.

	Business Procurement 31 March 2010	ICT Procurement 31 March 2010	eCommerce Procurement 31 March 2010	Whitehall Procurement 31 March 2010	TOTAL 31 March 2010
	£000	£000	£000	£000	£000
Statement of Comprehensive Income (Restated)*					
Revenue from external sales	18,266	81,225	690	4,249	104,430
Gross surplus	15,650	18,641	690	1,526	36,507
Operating costs less other operating income	(21,224)	(15,443)	(2,695)	(733)	(40,095)
Operating (deficit)/surplus	<u>(5,574)</u>	<u>3,198</u>	<u>(2,005)</u>	<u>793</u>	<u>(3,588)</u>
Statement of financial position					
Non current assets	97	68	14	10,264	10,443
Current assets	10,588	21,064	221	1,363	33,236
Total assets	<u>10,685</u>	<u>21,132</u>	<u>235</u>	<u>11,627</u>	<u>43,679</u>

There were no discontinued operations.

* Due to a change in the reported segments during the year, prior year figures have been restated.

3 Exceptional items

Total operating costs includes the following exceptional items:

Public sector network services (PSNS)

PSNS is a cross government collaboration to develop a Public Service Network compliant successor to the current Government Secure Intranet and Managed Telecoms Services. This is a one off development of behalf on the Cabinet Office not within the normal activities of Buying Solutions.

Expenditure of £2,709,318 relating to the PSNS (formerly Ocean) Programme as detailed below.

	31 March 2011	31 March 2010
Staff costs	1,869	1,668
Other operating charges	840	301
TOTAL	<u>2,709</u>	<u>1,969</u>

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:

	31 March 2011	31 March 2010
Board	5	5
Operational	226	247
Administration	138	84
Agency and contract staff	23	47
TOTAL	<u>392</u>	<u>383</u>

4.2 Total staff costs

Superannuation costs relate to staff participation in the PCSPS defined benefit scheme. Further details about the pension benefits can be found on page 23. 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.

	31 March 2011	31 March 2010
	£000	£000
Wages and salaries	14,319	13,210
Bonus	630	594
Social Security	1,236	1,114
Superannuation	2,619	2,445
Voluntary early retirement	133	-
Agency and contract staff costs	2,294	5,615
TOTAL	<u>21,231</u>	<u>22,978</u>

notes to the accounts continued

4.3 Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band:-	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000			
£10,000 - £25,000		2 (0)	2 (0)
£25,001 - £50,000		2 (0)	2 (0)
£50,001 - £100,000		1 (1)	1 (1)
£100,001 - £150,000			
£150,001 - £200,000			
£200,001 - £250,000			
£250,000 +			
Total number of exit packages by type		5 (1)	5 (1)
Total cost £		175,318 (73,350)	175,318 (73,530)

Last year comparatives are shown in brackets in the table above.

Compensation in lieu of notice payments are not included.

Exit costs are accounted for in full in the year of departure. Four severance payments were made during the year which were authorised by the Cabinet Office. One payment has been made in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

4.4 Senior manager salary and pension entitlements

For details of Executive Directors' salary, fee and pension entitlements see Remuneration Report on pages 20 to 23.

4.5 Superannuation

Most Buying 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 Pension Scheme which is non contributory.

For the 12 month period ended 31 March 2011, contributions of £2,619,000 (2010: £2,445,000) 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 2011 were between 16.7% and 25.8% depending upon the pay band of each employee.

5 Other Operating Income

	31 March 2011	31 March 2010
	£000	£000
Income		
Grant from Department of Health	4,677	6,909
Released during year	<u>(3,650)</u>	<u>(2,232)</u>
Deferred to 2011/12	<u>1,027</u>	<u>4,677</u>

During the year a grant was received from the Department of Health in relation to the transfer of PASA activities.

6 Other Operating Charges

	31 March 2011	31 March 2010
	£000	£000
Charges Include:-		
Auditor's remuneration	74	76
Charges for plant and machinery operating leases	9	29
Charges for other operating leases	552	391
Travel and subsistence	1,203	1,816
Loss on sale of non-current assets	-	4
Accommodation and utilities	1,283	1,352
Marketing	458	2,454
Training	359	837
Other operating and external charges	4,752	11,568
TOTAL	<u>8,690</u>	<u>18,527</u>

notes to the accounts continued

7 Interest Receivable

	31 March 2011	31 March 2010
	£000	£000
Bank and short term investment interest	46	34
TOTAL	46	34

8 Interest Payable

	31 March 2011	31 March 2010
	£000	£000
Interest payable on late payment to HMRC	-	1
TOTAL	-	1

9 Property, plant and equipment

	31 March 2011	31 March 2011	31 March 2011	31 March 2011
	Computer Equipment	Plant & Equipment	Fixtures & Fittings	TOTAL
	£000	£000	£000	£000
Cost				
At beginning of period	316	12,464	-	12,780
Additions in period	7	-	-	7
Disposals	(28)	-	-	(28)
Revaluation	-	4,431	-	4,431
At end of period	295	16,895	-	17,190
Depreciation				
At beginning of period	149	2,199	-	2,348
Amount provided in period	85	849	-	934
Revaluation	-	2,809	-	2,809
Disposals during period	(28)	-	-	(28)
At end of period	206	5,857	-	6,063
Net book value at 1.4.10	167	10,265	-	10,432
Net book value at 31.3.11	89	11,038	-	11,127

The useful economic life of the Whitehall Systems asset (within plant and equipment) was independently reassessed by Cambridge Project Ltd (Industry Experts) as at 1 April 2007 based on net current replacement cost, which has been adjusted based on the age of the assets to provide a depreciated replacement cost. No revaluation by indexation occurs when the impact is immaterial.

The useful economic life of the asset was independently reassessed during 2007/08. As a result the life was extended by five years to 2024 and depreciation reduced by £182k.

On the 1 April 2010, the Whitehall Systems asset was independently revalued by Cambridge Projects Ltd, resulting in an increase to the valuation of £4,431,000.

9 Property, plant and equipment continued

	31 March 2010 Computer Equipment £000	31 March 2010 Plant & Equipment £000	31 March 2010 Fixtures & Fittings £000	31 March 2010 TOTAL £000
Cost				
At beginning of period	318	12,517	144	12,979
Additions in period	73	-	-	73
Disposals	(75)	(53)	(144)	(272)
Revaluation	-	-	-	-
At end of period	316	12,464	-	12,780
Depreciation				
At beginning of period	149	1,516	143	1,808
Amount provided in period	75	732	1	808
Revaluation	-	-	-	-
Disposals during period	(75)	(49)	(144)	(268)
At end of period	149	2,199	-	2,348
Net book value at 1.4.09	169	11,001	1	11,171
Net book value at 31.3.10	167	10,265	-	10,432

10 Intangible assets

	31 March 2011 Software licenses £000	1 April 2010 Software licenses £000
Cost		
At beginning of period	35	35
Additions in period	16	-
At end of period	51	35
Amortisation		
At beginning of period	24	10
Amount provided in period	11	14
At end of period	35	24
Net book value at 1.4.10	11	25
Net book value at 31.3.11	16	11

11 Inventories

	31 March 2011 £000	1 April 2010 £000
Fuel inventory	134	146
TOTAL	134	146

notes to the accounts continued

12 Trade and other receivables**Current receivables**

	31 March 2011 £000	1 April 2010 £000
Trade receivables	4,492	8,815
Less: bad and doubtful receivables provision	<u>(31)</u>	<u>(23)</u>
Net trade receivables	4,461	8,792
Other receivables	29	97
Prepayments and accrued income	<u>7,267</u>	<u>10,229</u>
Total current receivables	<u>11,757</u>	<u>19,118</u>

Aged debt analysis

	31 March 2011 £000	1 April 2010 £000
Within credit terms	1,947	5,248
Past due date but not impaired:		
0-1 month	594	2,723
1-2 months	1,827	422
More than 2 months	<u>93</u>	<u>399</u>
Total receivables	<u>4,461</u>	<u>8,792</u>

Bad and doubtful receivables provision analysis

	31 March 2011 £000	1 April 2010 £000
Provision at the beginning of the year	23	14
Decrease in the provision for the year	<u>(23)</u>	<u>(14)</u>
Increase in the provision for the year	<u>31</u>	<u>23</u>
Provision at the end of the year	<u>31</u>	<u>23</u>

The bad and doubtful receivables provision is based on a review of receivables, balances as at the year end, particularly those outside the allowed credit period.

13 Cash and cash equivalents

	31 March 2011 £000	1 April 2010 £000
National Loans Fund	15,000	12,500
Government Banking Service and cash in hand	<u>5,987</u>	<u>1,472</u>
TOTAL	<u>20,987</u>	<u>13,972</u>

14 Trade and other payables**Current payables**

	31 March 2011 £000	1 April 2010 £000
Taxation and Social Security costs	1,781	1,065
Trade payables	2,050	3,782
Other payables	588	699
Accruals and deferred income	<u>4,842</u>	<u>9,027</u>
TOTAL	<u>9,261</u>	<u>14,573</u>

15 Employment benefit payable

	31 March 2011 £000	1 April 2010 £000
Balance at beginning of period	529	424
Increase/(decrease) in the period	<u>(122)</u>	<u>105</u>
Balance at end of the period	<u>407</u>	<u>529</u>

Employment benefits represent accrued untaken leave and time off in lieu benefits.

16 Lease Obligations

	31 March 2011		31 March 2010	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
Operating lease rentals due within:				
One year	27	824	26	1,011
Two to five years	-	1,840	53	2,980
Over five	-	<u>1,495</u>	-	<u>2,236</u>
TOTAL	<u>27</u>	<u>4,159</u>	<u>79</u>	<u>6,227</u>

17 Provision for Liabilities and Charges

The Voluntary Early Retirement 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 page 23 for further information).

	31 March 2011 £000	1 April 2010 £000
Balance at beginning of period	321	446
Utilised in the period	<u>(101)</u>	<u>(125)</u>
Increase in the period	111	-
Balance at end of period	<u>331</u>	<u>321</u>

18 Public Dividend Capital

	31 March 2011 £000	1 April 2010 £000
Issued Pursuant to Government Trading Funds Act 1973	100	100
Issued upon acquisition of Fuel Branch 1 July 1995	<u>250</u>	<u>250</u>
Balance at end of period	<u>350</u>	<u>350</u>

notes to the accounts continued

19 Revaluation Reserve

	31 March 2011	1 April 2010
	£000	£000
Revaluation Reserve at 1 April	1,993	2,136
Revaluation of plant and equipment	1,622	-
Transfer to General Reserve	<u>(258)</u>	<u>(143)</u>
Revaluation Reserve at 31 March	<u>3,357</u>	<u>1,993</u>

20 General Reserve

	31 March 2011	1 April 2010
	£000	£000
Balance at beginning of period	25,913	29,064
Retained surplus / (deficit) for the period	4,144	(5,661)
Transfer from Revaluation Reserve	258	143
Transfer from NHS PASA	-	2,367
Balance at end of period	<u>30,315</u>	<u>25,913</u>

21 Notes to the Statement of Cash Flows

Note (i): Reconciliation of operating surplus to net cash inflow from operating activities

	Note	31 March 2011	31 March 2010
		£000	£000
Operating surplus / (deficit)		6,190	(3,588)
Increase/(decrease) in provision	17	10	(125)
Depreciation charges	9	934	808
Amortisation of intangible assets	10	11	14
Loss on sale of property, plant and equipment		-	4
Decrease in inventories	11	12	15
(Increase)/decrease receivables	12	7,361	2,833
(Decrease)/increase in payables		<u>(5,470)</u>	2,356
Non-cash adjustment (PASA)		-	2,367
Net cash inflow from operating activities		<u>9,048</u>	<u>4,684</u>

Note (ii): Analysis of changes in net funds

	31 March 2011	31 March 2010
	£000	£000
Net funds at 1 April	13,972	11,410
Net funds change	<u>7,015</u>	<u>2,562</u>
Net funds at 31 March	<u>20,987</u>	<u>13,972</u>

22 Capital Commitments

Capital commitments contracted for at 31 March 2011 were £nil (2010: £nil).

23 Financial Objective

The financial target was set at an annual average of 6.5% per annum over a five year period (April 2009 to March 2014). Buying Solutions operating surplus of £6m represents ROCE of (19.9%). Buying Solutions has a five year financial plan that aims to deliver this target. The 6.5% ROCE dividend figure due to the Cabinet Office is £2,092,000 (2010 £2,106,000).

24 Related Party Transactions

In accordance IAS24 Related Party Disclosures, as interpreted by the FReM, the following information is provided on related party transactions.

Buying Solutions, established in 2001, is a Trading Fund of the Efficiency and Reform Group, within the Cabinet Office.

The Cabinet Office is regarded as a related party. During the year ending 31 March 2011, Buying Solutions has had various material transactions with this body. In addition, Buying Solutions had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities.

The main entities within Government with which Buying Solutions has had dealings are:-

HM Revenue & Customs, UK Border Agency, Learning Skills Council, Foreign and Commonwealth Office, Department of Business Innovation and Skills, DEFRA, Ministry of Defence, Cabinet Office, National Policing Improvement Agency, Care Quality Commission, HM Treasury.

One Board member has a related party that has had financial transactions, being salary and related payments with Buying Solutions during the period totalling £11,157. No other Board member, key management staff or other related parties have undertaken any material transactions with Buying Solutions.

25 Financial Instruments

Buying Solutions has powers to borrow funds.

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.

Buying Solutions policies for managing its financial risks are set to achieve compliance with the regulatory framework.

- **Liquidity Risk** The Agency faces some liquidity risk as revenue resource and capital expenditure requirements are financed solely by its trading activities.

Liquidity risk is managed as part of the overall organisational risk management strategy. The objective of liquidity risk management is to ensure that the organisation can continue to trade and invest according to the corporate strategy.

Liquidity risk management activities include:

- Short and long-term cashflow monitoring
- Analysis of key performance indicator ratios including liquidity and working capital ratios
- Monitoring and managing outstanding receivables

Information on all of these measures are included in the monthly operational review document used by the Board and Senior Management Team.

- **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 Government Banking Service 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.
- **Credit Risk** The Agency has little risk in cash and cash equivalents because these are deposited with The Government Banking Service and the National Loans Fund, within government. The Agency has no significant concentration of credit risk from its customers as exposure is spread over a large number of entities, many of which are UK public sector.

In accordance with IFRS 7, the carrying values of short term assets and liabilities (at amortised cost) are not considered different to fair value.

notes to the accounts continued

Financial Assets

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2011							
Trade and other receivables	4,461	-	-	4,461	-	-	-
Cash and cash receivables	20,987	-	20,987	-	0.35	0.58	-
Gross financial assets	25,448	-	20,987	4,461	-	-	-
31 March 2010							
Trade and other receivables	8,792	-	-	8,792	-	-	-
Cash and cash receivables	13,972	-	13,972	-	0.25	0.71	-
Gross financial assets	22,764	-	13,972	8,792	-	-	-

Financial Liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2011							
Trade and other payables	2,050	-	-	2,050	0.00	0.00	-
Gross financial liabilities	2,050	-	-	2,050	-	-	-
31 March 2010							
Trade and other payables	3,782	-	-	3,782	0.00	0.00	-
Gross financial assets	3,782	-	-	3,782	-	-	-

26 Intra-Government Balances

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

	Total £000	Central Government Bodies £000	Local Authorities £000
31 March 2011			
Receivables	1,632	1,632	-
Payables	(206)	(35)	(171)
31 March 2010			
Receivables	4,031	4,007	24
Payables	(273)	(104)	(169)

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

27 Contingent Liabilities

There are no contingent liabilities as at 31 March 2011 (none at 31 March 2010). There are no ongoing legal cases which could be contingent liabilities.

28 Events after the reporting period

The implementation of the Strategic Review recommendations of a transformed and leaner Buying Solutions requires a reduction in full time equivalent staff. During April 2011, Buying Solutions launched a Voluntary Redundancy Scheme. No costs of redundancy have been provided for in the accounts. All such costs will be included within the accounts for the financial year ending March 2012.

The Cabinet Office has given approval for Buying Solutions to change its name to Government Procurement Service. The mechanisms to effect this change are currently being put into place.

On the 17th June 2011 Buying Solutions signed an agreement with UK Border Agency to occupy space accommodation within their lease at the Capital Building, Liverpool. Any dilapidation costs arising from the exit of Royal Liver Building will be charged to the 2011/12 financial year.

On 23 June 2011 the Cabinet Office appointed David Shields as Managing Director of Buying Solutions.

Treasury Minute Dated 24 May 2011

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 and 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. OGBuying.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 OGBuying.solutions with effect from 3 April 2001 (S.I. 2001. No 922) in pursuance of OGBuying.solutions Trading Fund Order 1991, then changed OGBuying.solutions to Buying Solutions from 6 April 2009 (S.I. 2009/647).
3. The Minister for the Cabinet Office, being the responsible Minister, has determined that a further financial objective desirable of achievement by Buying Solutions Trading Fund for the 5 year period from 1 April 2009 to 31 March 2014 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 supersedes that dated 5 May 2009.
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

1 April 2006 to 31 March 2011

Accounting Convention Applied	IFRS Year 2010/11 £000	IFRS Year 2009/10 £000	IFRS Year 2008/09 £000	UK GAAP Year 2007/08 £000	UK GAAP Year 2006/07 £000
Statement of Financial Position					
Non-current assets	11,143	10,443	11,196	11,813	10,944
Total current assets less liabilities	23,210	18,134	20,800	18,031	15,610
Provision for liabilities and changes	(331)	(321)	(446)	(594)	(685)
Assets employed	<u>34,022</u>	<u>28,256</u>	<u>31,550</u>	<u>29,250</u>	<u>25,869</u>
Financed by					
Public dividend capital	350	350	350	350	350
Long term loan	-	-	-	-	1,537
Long term payables	-	-	-	-	-
Revaluation reserve	3,357	1,993	2,136	2,302	584
General reserve	30,315	25,913	29,064	26,598	23,398
	<u>34,022</u>	<u>28,256</u>	<u>31,550</u>	<u>29,250</u>	<u>25,869</u>
Statement of Comprehensive Income					
Revenue	<u>76,279</u>	<u>104,430</u>	<u>91,789</u>	<u>75,479</u>	<u>70,530</u>
Operating surplus / (deficit)	6,190	(3,588)	(244)	4,516	4,957
Interest receivable	46	34	508	774	662
Surplus / (deficit) on ordinary activities	6,236	(3,554)	264	5,290	5,619
Interest payable on long-term loan	-	(1)	-	(135)	(344)
Surplus / (deficit) for the year	6,236	(3,555)	264	5,155	5,275
Dividend payable to the Cabinet Office	(2,092)	(2,106)	(2,082)	(1,669)	(1,341)
Retained surplus / (deficit)	<u>4,144</u>	<u>(5,661)</u>	<u>(1,818)</u>	<u>3,486</u>	<u>3,934</u>







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