



Crown
Commercial
Service

Annual Report and Accounts

2017/18



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Welcome

to the Crown Commercial Service Annual Report and Accounts 2017/18

In 2017/18 the Crown Commercial Service, as a Trading Fund and an Executive Agency of the Cabinet Office, helped organisations across the entire public sector to save time and money on buying their everyday goods and services.

Performance highlights

£13bn

of public sector spend channelled through our commercial agreements, an increase of **£0.6bn** from the previous year



Customers who have used our agreements have achieved commercial benefits worth **£601m** compared to current market comparators

1260

procurements (including call offs) carried out for customers



Our Employee Engagement index as measured by the Civil Service People Survey has increased from 58% in 2016 to **63%** in 2017

Our Net Promoter Scores (NPS) for customer satisfaction are consistently positive, reaching **+24** in Post Procurement Surveys and **+36** in Post Enquiry Surveys over the year



Commercial benefits including savings

The Crown Commercial Service (CCS) Mystery Shopper service

helped a supplier who was owed in excess of **£700,000** recover the full amount within 6 weeks of contacting the service.



Derby City Council has achieved **60% savings** (£840k over 7 years) on its data centre provision. The Crown Hosting Services framework is a partnership between CCS and Crown Hosting Data Centres that offers easy to buy, highly efficient, co-location and data hosting on a flexible contract basis.

By **aggregating** similar needs, we helped 17 customers save over **£2.7 million** (over 2 years) on mobile voice and data service. This is an average indicative saving of 61% compared to the prices customers were paying.



Little Fish is an **SME** based in the East Midlands. They are on G-Cloud 9 & Technology Services Framework 2. The stability offered by public sector contracts has improved their ability to accurately plan strategic resourcing and has contributed significantly to a **41%** compound annual growth.

The **Contact Centres category** are using innovative commercial models to drive value. UKVI have moved to a self-funding model for citizen contact, a saving of **£2.16 million** in 2017/18. The solution has also seen operational efficiencies which have improved quality by multi-skilling agents and increasing utilisation.



We have **helped 7 customers manage 41 gas meters** and save money by avoiding deemed rates; a commercial benefit of just over **£170,000** and an average saving on their unit rate of 180%.



Year at a glance

April 2017



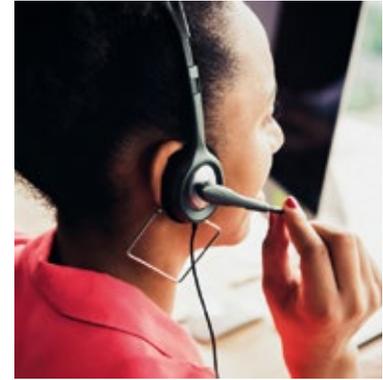
Our Social Value Policy is published on gov.uk. This strengthens our commitment to helping government and public sector bodies achieve measurable social value through their procurements.

May 2017



Market engagement begins for the Facilities Management Marketplace. Public bodies will be able to access a range of commercial vehicles to buy services including facilities management, security, housing maintenance, integrator and all other workplace and property services that organisations need.

June 2017



We launch our new Contact Centres Agreement. The agreement offers a significant step-change for our ability to provide contact centre services.

October 2017



CCS announces that government spent £12.2 billion with small and medium sized businesses in 2015/16.

November 2017



Derby City Council use our Crown Hosting Framework to migrate their IT systems onto the Cloud and save 60% on its data centre provision.

December 2017



Our new Health and Social Care Access agreement allows health professionals across the public sector to access the Health and Social Care Network (HSCN), enabling them to deliver effective and efficient services that meet the needs of citizens.



July 2017



We confirm that government's biggest suppliers all sign up to a strengthened Prompt Payment Code to help small and medium sized businesses be paid on time.

August 2017



Department for Work and Pensions (DWP) award a contract through our G-Cloud agreement to deliver their Tell us Once campaign and save an estimated £20m a year.

September 2017



We launch our first Dynamic Purching System allowing customers to buy services to convert vehicles quickly and easily and with more choice.

January 2018



Public and Third Sector organisations can now recover millions of pounds in overcharges thanks to our new Spend Analysis and Recovery Services Framework.

February 2018



Figures published this month show that more than £3.2bn has been spent on digital, data and technology services through our frameworks on the Digital Marketplace since 2012.

March 2018



We launched the first phase of our new website to deliver great user experiences for our customers and suppliers.



Vision, purpose, goals, strategy, ambition & values

Our vision is to be the 'go to' provider of commercial solutions for the procurement of common goods and services across the entire UK public sector.

Our purpose is to maximise commercial benefits for both central government departments and the wider public sector. We lead on, and support the implementation of, the government's procurement policy priorities.

Our goal is to establish outstanding commercial agreements for the procurement of common goods and services, which are used extensively across the UK public sector, and then to increase the spend through these agreements. These agreements will be based on the best category strategies that focus on delivering the best value to public sector buyers and maximise value for the taxpayer.

Our strategy is to have the best agreements, offering the right quality, that are easy to use and are supported by excellent service. We will continue to improve our capabilities through the development of our people and by improving the efficiency of the way we work. We will transform how buyers and suppliers access and consume our services through digital solutions. We will attract more users to our agreements, resulting in more volume that allows us to leverage expertise and scale to provide better deals and to lower our operating costs. We will share both better value and lower costs with buyers.

Our ambition is to be 'the best' procurement organisation for common goods and services in the UK public sector and to double the current c.£13bn of spend through our agreements over the next four to five years. We will do this by delivering outstanding, and continuously improving, commercial benefits, underpinned by excellent public procurement policy.

Our values shape and drive everything we do with our buyers, our partners, our suppliers and our employees. We LISTEN, RESPECT, COLLABORATE and TRUST in order to DELIVER with CONFIDENCE.



Performance report



Overview

Chairman's statement



Tony van Kralingen

Chair

The Crown Commercial Service continues to make good progress against its business plan and objectives. The organisation is more streamlined, with improved capability and focus. The year recorded some real achievements; perhaps most notably assisting central government departments and the wider public sector deliver significant commercial benefits.

This is a testament to the quality and commitment of our people who have worked tirelessly to deliver against their commitments.

I would like to record our appreciation for their efforts and congratulate them on their achievement.

In particular I would like to record both my own and the Board's appreciation to Malcolm Harrison, whose term as Chief Executive comes to an end in July. Malcolm has, over the last few years, been instrumental in refocusing the organisation, delivering a clear strategy and building the capability necessary to deliver against CCS's commitments. Malcolm leaves us to assume the role as Group Chief Executive of the Chartered Institute of Procurement and Supply. We wish him success in this new role.

I would also like to express my appreciation to the Board for their contribution at Board meetings, their time on committees, such as Audit, Customer and Technology, and to the time they provide on counselling and advice to the Executive.

Looking forward, CCS will continue to set ambitious targets and build capability and plans to deliver increased commercial value to the public sector. We must deliver attractive frameworks and products, expand our digital offering, and improve the quality and convenience of trading with CCS to both customers and suppliers.

I look forward to working with the Board and staff within CCS during another challenging and successful year ahead.



Chief Executive's introduction



Malcolm Harrison

Chief Executive

CCS is a great place to work. We have very talented and dedicated people whose commitment to making a difference and achieving good value for the UK taxpayer has shone through in all the work we have done together.

In my time at CCS, I have focused on making sure we are organised in such a way as to make the most of that talent and dedication. The response from CCS staff has been overwhelmingly positive to embrace the challenges. This enthusiasm has been critical in taking us forward on our journey to becoming a really efficient and effective organisation.

Together we have clarified our values, our purpose and our scope, we have adopted and refined a new operating model aligning our strategic category and procurement operations teams across four pillars – buildings, people, technology and corporate solutions, we have implemented new IT systems and established more effective governance. At the same time, we have worked with our customers to define and implement a standard service that has enabled all our people to focus on adding value. We have transferred certain activities to departments when those departments are best placed to undertake these activities.

We are now a much more efficient, more commercially-focused organisation, where everyone has a clearer understanding of what they do and how this contributes to providing a brilliant service to our customers. This focus will allow us to achieve our strategic objectives.

Change on this scale is never easy and it has taken longer than I had anticipated, and planned for, to embed some of the improvements we have made to our governance processes and to our new operating model. The relationship with our customers is markedly better but we still face challenges in standardising the support we give to departments.



There is no doubt our efforts have borne fruit:

- We are all working together better and staff engagement scores are up, rising from 58% to 63%;
- We are attracting more spend to our commercial agreements - reaching £13bn this year;
- We are demonstrably enabling our customers to access better value and to allow them to save money - we have helped to deliver £354 million in commercial benefits for central government, and £247 million for the wider public sector;
- Our customers are increasingly recognising CCS for the expertise that informs our category strategies and the value we bring to them. We are gaining the confidence of our customers and our Net Promoter Scores (NPS) for customer satisfaction are consistently positive, reaching +24 in Post Procurement Surveys and +36 in Post Enquiry Surveys over the year; and
- Our end of year moderate audit rating from the Head of Internal Audit has been retained for a second year running, though there is still much to do here to establish the really disciplined environment that is the hallmark of a professional procurement organisation.

We have made important advances to set ourselves up for future growth:

- We have come to the end of the test phase of the Crown Marketplace programme and begun work on a development phase to expand incrementally the number of agreements we make available to our customers. This innovative approach has to be delivered in the right way, with the right products and the right user experience. We learned some hard lessons in the test phase about what works and what doesn't, and there are still considerable gaps in our understanding that the test phase did not adequately address. It is, however, even clearer that the opportunity is enormous from digitising access to our commercial agreements. Further upfront investment will be necessary to develop solutions which deliver value and growth in the future and that bring about a step change in the efficiency of UK public procurement.
- As agreed with the Public Accounts Committee, we are planning jointly with departments to migrate additional spending on common goods and services to CCS agreements. Obtaining consistent data across government can be challenging. We have now established a pipeline of opportunities that can be realised when existing contracts come to an end.
- We have taken forward our strategy for engaging the wider public sector and determining the right relationships with other public sector buying organisations. We are tailoring and marketing our products and services to public sector users from schools, the police, local authorities and the NHS. We haven't made as much progress as I had hoped - our spend level with the wider public sector this year remained static; we will need a refreshed approach here.



We have done all this whilst remaining very focused on making our core activities better than ever - developing better category strategies and putting in place better value through innovative commercial agreements that meet our customers' needs. We've awarded 28 agreements over 2017/18 and there are some great examples of innovation across all our categories. To name a few:

- **Crown Hosting:** enabling users to access data storage space, at secure sites, at a significantly lower cost than other solutions. A great example of innovation and collaboration within government (Cabinet Office, CCS, and Government Digital Service) and with the private sector (Ark Data Centres).
- **NHS Office Solutions:** CCS completed the transition and launch of Tower 9 (Office Solutions) under the new NHS Future Operating Model.
- **Contact Centres:** responding to growing demand across the public sector for a new deal to cover the provision of telephony, email and web-based communications channels between public sector bodies and the public.
- **Public Sector Resourcing:** providing a new, more flexible range of routes for the public sector to access temporary staff.
- **Vehicle Conversions:** the first of CCS's Dynamic Purchasing Systems has shown how this approach brings value in certain markets by allowing suppliers to join agreements at any time.

CCS has come a long way and will continue to evolve and improve. CCS has some ambitious goals and there will be challenges ahead - it will take time for the organisation to realise its full potential - and I have no doubt that CCS will go from strength to strength in the coming years. Though I am now coming to the end of my time as CEO of CCS, I look forward to working with and supporting CCS colleagues in my new role. CCS is an exciting and challenging organisation with some great people. I am honoured to have had the opportunity to lead CCS and I am confident that CCS, under the leadership of my successor, will continue to deliver great results.



Malcolm Harrison
Chief Executive and
Accounting Officer
4 July 2018



2. Maximising commercial benefits

By making use of CCS's commercial expertise and procurement capability, we have continued to refresh our category strategies, and optimise our portfolio of commercial agreements for common goods and services for both our central government and wider public sector customers, putting in place 28 new commercial agreements in 2017/18.

Over the course of the year, £13 billion has been spent through our commercial agreements - an increase of £0.6 billion on the previous year. This has been driven by growth in spend from central government departments which increased from £6 billion in 2016/17 to £6.7 billion in 2017/18.

The more spend that is channelled through CCS, the more commercial benefits¹ we are able to achieve. In 2017/18, CCS enabled its customers to achieve commercial benefits worth £601 million through the use of our agreements (£354 million at the point of negotiation with central government and £247 million with the wider public sector).

3. Focusing on the customer

We have implemented a simpler, more efficient operating model which is aligned with a more commercially focused approach, transferring back those more operational activities which are better undertaken by the user, and establishing our standard service.

We are developing more sophisticated approaches to the market, working across our strategic categories to manage, lead and shape markets to support the current and future needs of the public sector. We have further developed our category strategies and have put in place new governance to ensure robust peer review and scrutiny of both the strategies and the commercial agreements that we establish. And at the same time, we are using our deep subject matter and commercial expertise to help customers secure value from suppliers through our agreements.

We have put in place and embedded new technology and systems and strengthened training and operating procedures so that we can focus our resources on delivering our core objectives.

These changes have had an appreciable impact on customer satisfaction. In 2017/18 we deployed transactional customer surveys to assess customer satisfaction and derive a Net Promoter Score (NPS) based on actual service experience. This has been beneficial in helping us quickly to understand where we need to address customers' concerns and to give us a clearer picture of whether we are improving. Taken together, our NPS scores over the course of the year reached +24 in Post Procurement Surveys and +36 in Post Enquiry Surveys, with consistently positive scores over the course of the year.

¹ Commercial benefits are generated by comparing prices obtained through CCS commercial agreements to current market rates. These are spend-related benefits. Additionally, business change-related commercial benefits are generated as part of joint initiative-based action with central government departments to reduce prices and costs.



Key issues and risks that could affect CCS in delivering its objectives

CCS manages risk across all activities carried out by the business at Strategic and Operational levels. Risk management is coordinated across a network of business managers representing each delivery function within the business.

The Senior Leadership Team reviews a Strategic Risk Register on a monthly basis and risk management is a standing agenda item at each Board meeting. Additionally, the Audit Committee provides scrutiny of key areas of risk and the associated mitigation plans.

The ongoing areas of strategic risk that could affect or prevent the business from delivering its objectives are set out in the table below, along with corresponding mitigations.

Risk		Key mitigations
1	Failure to attract, develop and retain the best people	Invest in staff learning and development through effective targeted training and development programmes. Address staff concerns arising from the People Survey, including awareness of staff welfare. Support Government Commercial Organisation (GCO) to recruit commercial specialists, whilst also implementing an apprenticeship programme to develop internal CCS talent.
2	Failure to keep pace with innovation, technology and competitors and to remain relevant	Explore the feasibility of new innovations and invest in solutions where technology further strengthens the customer's future business requirements.
3	Failure to keep pace with localisation and devolution challenges	Further engagement with localisation and devolved authorities to ensure CCS products meet customer commercial objectives and requirements.
4	Failure to monitor effective supplier assurance and compliance within the supply chain	Continually assess and monitor suppliers for signs of supply-chain vulnerabilities including quality/service failures, capacity shortfalls and payment performance. Ensure supplier contract conditions and behaviours comply with appropriate legislative and policy requirements.
5	Failure to design, implement and maintain an appropriate Information Security Management System	Continuous collaboration with government security groups to both protect CCS customer information and ensure a resilient CCS cyber-security regime. Minimise CCS business disruption through effective business resilience planning.
6	Failure to manage Brexit uncertainties and their potential impact on CCS	Monitor implications for orderly Brexit transition. Focus on UK procurement policies and operating practices post-Brexit.
7	Failure to meet customer expectations	Continue to invest in customer improvement across a number of channels including feedback surveys to inform product development and ultimately ensure CCS delivers products and services that meet customer expectations.



Performance analysis

How CCS measures its performance

Organisational performance has been measured on a monthly basis through the Corporate Dashboard, which tracks progress against Business Plan objectives and the Business Strategy, and forms the basis of a formal monthly review at the Senior Leadership Team meeting.

Quarterly Business Reviews have been carried out by the CEO with Directors, focusing on the Corporate Dashboard and directorate business plans. Additionally, progress reviews have been carried out by the Permanent Secretary of the Cabinet Office (as CCS's sponsoring department).

Organisational performance has been a standing agenda item at Board meetings. A summary Performance Report has been produced for this, drawing upon the Corporate Dashboard.

Key elements of CCS performance information and inter-relationships

The value of public sector spend that is channelled through CCS's commercial agreements is core to the success of the business and our ability to drive value for money for the taxpayer. Spend generates commercial benefits to customers and generates income through supplier levies to cover operating costs.

Commercial agreements are designed to reflect ministerial procurement policy priorities; for example, supporting achievement of growth in opportunities for small and medium enterprises to do business with government.

CCS provides central government customers with a procurement service in the form of running competitions under its commercial agreements. Wider public sector customers use the commercial agreements on a self- or assisted-service basis. Commercial agreements that are both easy to use, and which deliver value to customers, help to support the achievement of government policy objectives.

Category strategies shape the current and future portfolio of commercial agreements and the way in which they are designed to bring customers and suppliers together - increasingly through digital channels.

Key areas of risk to the organisation, and the associated ongoing mitigations that are taken, are aligned to key elements of organisational performance, and are key to achieving organisational success.



Non-financial information

CCS complies with government policy in support of human rights, anti-corruption and anti-bribery matters. We have established appropriate governance and risk management policies and processes to monitor and manage compliance and ensure action is taken where necessary.

We continue to focus on ensuring CCS is a great place to work and operates in accordance with our values. We have launched our Diversity Strategy 2017-2020 and staff are consulted and engaged in taking the organisation forward, through regular All Staff Events, as well as through our Broader Leadership and Regional Leadership Groups. We track staff engagement through the annual People Survey, and our engagement score in 2017/18 was 63%, an increase of 5 points on the previous year.

Performance against Business Plan objectives

The table below sets out the performance measures and the resulting assessment and achievements, mapped against the key components of the organisation's business strategy and strategic objectives.

Strategy element	Strategic objective	Performance measure	Assessment and achievements
Maximising commercial benefits	To deliver commercial benefits for central government (CG) departments and the wider public sector (WPS)	Achieve the 2017/18 commercial benefits targets: CG £240m (£330m stretch) WPS £230m (£260m stretch)	Fully achieved £601m of commercial benefits achieved comprising CG £354m and WPS £247m.
Strengthening the UK economy through effective policy delivery	To deliver the government's objectives on procurement policy	Lead action across departments and CCS to increase public procurement spend with small businesses in line with Manifesto commitments. Achieve 33% by 2022	Ongoing The government spent £12.2bn with SMEs during 2015/16 (24%) of which £5.6bn was spent directly. 2016/17 figures will be published later in 2018. Over 38,000 users are now registered on Contracts Finder - 64% SMEs. All of the government's strategic suppliers have signed up to the Prompt Payment Code. New measures on supply chain payment performance and advertising SME opportunities have been launched.



		<p>Influence and implement the government's strategy for exiting the EU in relation to the regulatory framework for public procurement</p>	<p>Ongoing CCS officials have led negotiations with the European Commission on a range of procurement issues under the EU Withdrawal Agreement. These have been positive and the major issues have been resolved. The team has made significant progress in ensuring the UK's public procurement regime can continue to function effectively and efficiently after the UK exits the EU.</p>
		<p>Implement the government's Industrial Strategy with a programme of procurement measures</p>	<p>Fully achieved White Paper published including new measures to ensure all major government procurement projects support economic growth.</p>
		<p>Coordinate government procurement policy in line with ministerial priorities</p>	<p>Fully achieved Policy advice provided to ministers on a range of procurement issues including data protection, modern slavery and anti-corruption.</p>
<p>Focusing on the customer</p>	<p>To provide commercial agreements and associated services to customers that are easy to access, easy to use and which meet their needs</p>	<p>Deliver strong customer service delivery and provide commercial frameworks and contractual arrangements which meet customer needs and support achievement of commercial benefits</p> <p>Achieve Post Enquiry Net Promoter Score of +10 (+15 stretch)</p>	<p>Fully achieved Post Enquiry Net Promoter Score of +36 achieved.</p>
		<p>Refresh commercial agreement portfolio in line with category strategies - 60 OJEU procurements carried out resulting in c.40 commercial agreements</p>	<p>Partially achieved 61 OJEU's (49 for CCS, 12 for customers) completed resulting in launch of 28 commercial agreements (including frameworks) covering 124 lots, providing access to c.3,500 suppliers of which c.2,900 were SMEs. The programme to refresh the remaining commercial agreements is ongoing.</p>
		<p>Undertake sourcing activities for customers in a standardised and efficient way, to agreed timescales and as per customer requirements</p> <p>Achieve Post Procurement Net Promoter Score of +10 (+15 stretch)</p>	<p>Fully achieved 1260 procurements (including call offs) carried out for customers.</p> <p>Fully achieved Post Procurement Net Promoter Score of +24 achieved</p>



		Improve access to CCS products and services through the development and delivery of a single Customer Service Centre (CSC)	Fully achieved CSC established, providing first line support to customers with routing and tracking of second line support for more complex customer needs.
		Embed standardisation programme, including effective use of Sales Force (SF) and complete implementation of operational review across procurement operations	Fully achieved Significant progress made in establishing SF as a single system to capture data and to manage and report corporate performance, as well as informing business planning. Operational review implemented through establishment of core business processes and development of standard operating procedures in procurement operations.
		Strengthen supplier management across all of our commercial framework arrangements to leverage best value for customers	Ongoing Supplier management processes and operating procedures being established in line with Government Commercial Function (GCF) commercial standards.
		Refresh CCS website and improve access to products and services	Ongoing New website launched in February 2018 as part of phased development, providing improved access to products and services based on user journeys.
Building capability	To continue to build and improve our people capability	Improve people capability through implementation of the Capability Development Plan	Ongoing Continued professional development through CIPS diploma programme with c.110 staff participating, achieving high pass rates. Leadership development pilot programme complete. L&D Directory established with ring-fenced budget for capability development. Talent management programmes in place including Fast Track Apprentices, Fast Stream Graduates and Positive Action Pathway. Recruitment of key posts completed.
		Deliver an agreed corporate response to the People Survey results from 2016/17 and support an improvement in corporate staff engagement scores Achieve a People Engagement score of 60% or above in 2017/18	Fully achieved Broader Leadership Group and Regional Leadership Group fully embedded. Diversity strategy launched. People Engagement score of 63% achieved (+5% on 2016/17). The L&D score was 55% (+7% on 2016/17)



		Transition eligible staff to the Government Commercial Organisation (GCO)	Fully achieved All in-scope staff at Band 6 level and above are part of the GCO. Development plans are in place.
		Implement a new integrated HR and Finance system to support improved corporate resource management	Ongoing Business case approved and implementation is underway.
		Improve organisational commercial capability and support continued development of the Government Commercial Function (GCF)	Ongoing Capability is being improved through improvements to working practices in line with GCF commercial standards.
Growth from increased spend through our solutions / products	To grow public sector spend through our centralised commercial agreements	Achieve £13.5bn of spend through commercial agreements comprising £6.6bn CG and £6.9bn WPS	Spend of £13bn achieved through CCS commercial agreements - a shortfall of £0.5bn. CG - Achieved CG spend of £6.7bn was achieved which meets the target and represents growth of £0.7bn compared to 2016/17. WPS - Not achieved WPS spend of £6.3bn was achieved which is £0.5bn short of target. WPS spend is broadly in line with 2016/17.
Effective category strategies	To develop and maintain highly effective category strategies	Refresh and/or develop new category strategies	Partially achieved and ongoing 44 (55%) category strategies have been refreshed and have a live status. 36 (45%) are under development.
		Develop opportunity pipeline for CG and WPS	Ongoing Category strategies identified and being developed across the product portfolio. Growth forecasts continue to be developed, informed by CG spend migration programme and WPS opportunity pipeline as part of the Business Strategy to 2021/22.
Central government and wider public sector strategies	To continue to strengthen relationships and stimulate growth in spend through our products across CG and WPS	Implement CG and WPS opportunity pipelines to achieve: CG commercial benefits of £240m (£330m stretch) WPS commercial benefits of £230m (£260m stretch)	Fully achieved CG commercial benefits of £354m were achieved which exceeds target. WPS commercial benefits of £247m were achieved which exceeds target.



		Identify CG and WPS opportunity pipelines for 2018/19	Fully achieved Pipelines developed for both CG and WPS as part of joint work with our customers.
		Deepen our relationships with central government customers through the provision of an effective Account Management function	Fully achieved Spend migration project underway with pipelines developed and agreed. Joint working on initiative-based commercial benefits projects. Regular progress reviews and joint planning at senior levels as part of the Customer Board.
		Achieve a CG NPS score of Zero Achieve a WPS NPS score of +5 (stretch +10)	Not applicable The NPS approach changed in year to focus on a more robust transactional level assessment through Post Procurement and Post Enquiry surveys.
		Effective transition of NHS Future Operating Model Tower 9 to CCS	Fully achieved Service provision commenced in October 2017.
		Establish and implement partnership strategy with Public Sector Buying Organisations (PSBOs)	Ongoing Strategy established and being implemented via category strategies. Partnership agreements in place with key PSBOs.
Crown Marketplace	To continue to develop the Crown Marketplace	Complete and evaluate test phase	Partially achieved We reached the end of the test phase having implemented three commercial agreements on the Crown Marketplace platform and an end of test phase report was developed and shared with the Board. There remain, however, considerable gaps in our understanding which the test phase did not adequately address.
		Development of business case for development phase and secure approval and funding to proceed	Ongoing The business case is being developed and is scheduled to be submitted to Cabinet Office in 2018 with HMT approval to follow.



<p>Business improvement</p>	<p>To continually improve our business processes, data, insights and systems that underpin service delivery and growth through our products and solutions</p>	<p>Implement 2017/18 portfolio of improvement initiatives as part of Change & Transformation (C&T) and Digital Transformation Programme (DTP) to improve:</p> <ul style="list-style-type: none"> • Business processes • Data and insights • Digital services 	<p>Ongoing C&T and DTP Programmes and Marketing & Communications were reviewed and restructured to better support Business Improvement resulting in the following achievements:</p> <ul style="list-style-type: none"> • Standard operating procedures implemented and core business processes refined in key areas including sourcing, commercial agreement management and supplier management. • Data & insight processes improved through system development and new reporting tools • New digital services implemented including a refreshed CCS website with others underway, including a replacement electronic sourcing solution and a replacement platform for collecting supplier levy information
<p>Effective governance, risk management & efficiency</p>	<p>We will ensure that CCS is a well-run, efficient and sustainable business with strong governance</p>	<p>Rigorous corporate governance and systems of internal control</p>	<p>Ongoing Further management assurance processes have been established during the year to help ensure continuous improvement going forward including:</p> <ul style="list-style-type: none"> • Establishment of Corporate Portfolio Management Office • New corporate benefits methodology • Improved business case review and approval process
		<p>Planned deficit (after adjustments) £(11.9)m</p>	<p>Fully achieved Retained deficit (after interest and dividends) £(10.1)m.</p>
		<p>Effective strategy & business planning, corporate performance measurement, assurance, risk and issue management</p>	<p>Fully achieved Strategy reviewed, Business Plan for 2018/19 endorsed by the Board, Medium Term Financial Forecast to 2021/22 developed and reviewed by the Board. Corporate reporting and variance management improved through embedding of Corporate Dashboard and Quarterly Business Reviews. Risk management processes were also further embedded.</p>



Sustainability report

CCS continues to follow the Greening Government Commitments (GGC) by reducing greenhouse gas emissions, waste and water usage, whilst making procurements more sustainable. We also continued to raise the profile of sustainability within CCS during 2017/18 and worked hard to incorporate sustainable practices into our day-to-day business activities.

Greenhouse gas (GHG) emissions and energy performance, including water usage and waste stream volumes are recorded at a building (site) level across CCS sites and are therefore reported by landlords, not CCS, including Ministry of Justice (MOJ) for The Capital Building, Liverpool. CCS does, however, maintain local travel records including rail, car hire and air travel, as shown in the tables below.

In terms of official travel, use of all modes of transport decreased in 2017/18 compared with 2016/17, a pleasing downward movement. CCS pro-actively encourages all staff to make greater use of the available IT functionality, including tele- and video-conferencing facilities, to further reduce environmental impacts and reduce the overall need for staff to travel to meetings.



Greenhouse gas emissions: official business travel

Tonnes CO ²	2009/10 (Baseline)	2014/15	2015/16	2016/17	2017/18
Official Travel - Road	98	81	70	63	41
Official Travel - Rail	57	265	193	290	229
Official - Air	128	103	47	44	35
Total GHG Emissions	283	449	310	397	305

Expenditure on official business travel

	2009/10 (Baseline)	2014/15	2015/16	2016/17	2017/18
Financial indicators (£k)	1,183	1,694	1,540	1,674	1,367



CCS continues to promote the Cycle to Work scheme in partnership with Cycle Solutions. Initially launched in 2017/18, 11 colleagues have so far purchased bicycles under this scheme. In addition, as part of our volunteering programme, a number of colleagues undertook special leave to volunteer within the green sector, including forest planting and local park pond clean-up initiatives.

During 2018/19, the Health, Safety & Sustainability Officer will undertake the Institute of Environmental Management and Assessment (IEMA) sustainability accreditation and promote individual site sustainability initiatives, including localised energy saving campaigns and battery recycling. CCS will be developing an environmental policy defining accountabilities, core objectives and targets. The aim of this initiative will be to replicate Cabinet Office achievements by working towards the highest standard in environmental standards and achieving ISO 14001 certification.

Longer term, CCS is committed to the Government Property Agency (GPA) Hub building programme, including Building Energy Saving and Green Travel policies. CCS continues to occupy government-held leased properties, thereby assuring high levels of sustainability are maintained.

Social value

CCS is committed to helping our customers deliver real social value benefits.

For many customers across the public sector, maximising value means both saving money and securing social value for citizens, so we are making sure that our customers can use our commercial agreements to deliver the specific social value benefits they are looking for.

We also recognise the importance of making our offer as accessible as possible and we have been working on a new, plain English, simplified Public Sector Contract in which social value is embedded, and which is flexible enough for customers to achieve their own social value priorities in keeping with their own objectives.

Sustainable procurement

CCS continues to emphasise sustainability by the adoption of Government Buying Standards (GBS) across all procurement activities. We also encourage the wider public sector to specify the minimum mandatory standards of GBS in their commercial activities. Risk assessment during commercial activities ensures sustainability is a priority throughout the supply-chain. CCS also actively leads on and promotes small and medium-sized enterprises (SMEs) being made aware of contract opportunities, including the use of Contracts Finder and by ensuring the fair treatment of small firms by mandating prompt payment terms throughout a public procurement supply chain.



Supply chain commentary

CCS embeds the Government Buying Standards (GBS) in all procurement activities, specifically undertaking the following initiatives:

- The Financial Services category team, in partnership with the Department for Work and Pensions (DWP), are developing a next generation framework that will support the disbursement of payments to the under-banked and more vulnerable members of society. The new framework will facilitate a greater range of access to their payments and ensure that more people can live under the umbrella of financial inclusion.
- The Fleet category team are part of the Joint Air Quality Unit, along with the Office for Low Emission Vehicles (OLEV), Department for Environment, Food and Rural Affairs (Defra) and Department for Transport (DfT). Being part of this Unit means that CCS can support and advise on best practice. In partnership with Scotland Excel, the CCS fleet team are improving the next generation Vehicle Purchase framework, having firstly briefed the market on the requirements for social value and community benefits. We are working to develop a toolkit of optional clauses for customers to apply at call-off, to realise social value.
- The Technology Pillar has delivered a step change in engagement with small businesses, with the majority of suppliers being SMEs on both Technology Products 2 (54%) and Technology Services 2 (58%) commercial agreements. The Technology Products 2 catalogue has significantly improved access by SMEs to UK public sector opportunities, with Lot 6 (Catalogue), showing an overall expenditure of £42.7m, of which 60% was with SMEs. Expenditure with SMEs under Technology Products 2 reached 25.85%, putting us well on track to meet our target of 28% by 2020.
- We have listened to our customers and made sure all relevant new deals in Technology offer social value opportunities and include the flexibility to specify and evaluate social value at further competition stage.
- The Crown Hosting (CH) framework has demonstrated substantial energy efficiency benefits to public sector customers in their transformation journey. The CH data centre has the lowest fixed operational efficiency rate, which is also guaranteed, representing savings in excess of 30% on through-life energy costs.
- In line with the Clean Growth Strategy, CCS provides a solution that enables government departments to access biomass fuels. We have also aligned our energy and water solutions to support government departments in meeting the Greening Government Commitments in areas such as the ability to self-generate renewable energy for their own consumption and conduct whole-building energy efficiency retrofits.



Malcolm Harrison
Chief Executive and
Accounting Officer
4 July 2018



Accountability report



Corporate governance report

Directors' report

The purpose of this corporate governance report is to provide an overview of CCS's governance arrangements and the Accounting Officer's responsibilities in managing and controlling the resources of the CCS Trading Fund during the year.

As an Executive Agency of the Cabinet Office, the Crown Commercial Service (CCS) is accountable to the Minister for the Cabinet Office and Paymaster General. For the financial year 2017/18, Rt Hon Ben Gummer MP served in the role until June 2017, Rt Hon Damian Green MP (as First Secretary of State and Minister for the Cabinet Office) from June to December 2017 and the Rt Hon David Lidington CBE MP (as Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office) was appointed to the role from January 2018. The sponsor of CCS is the Cabinet Office Permanent Secretary, John Manzoni.

The management of CCS was directed by the Board, comprising the Chair, Non-Executive Directors, Chief Executive and Director of Finance, Planning and Performance. Tony van Kralingen was Non-Executive Chair and Malcolm Harrison was Chief Executive during the reporting period, in addition to four Non-Executive Directors. The attendance list is provided on page 37 and the remuneration of all Board members during the year is shown on page 46 of the remuneration and staff report.

Malcolm Harrison continued in the role of Accounting Officer for the Trading Fund during the year.

CCS has in place procedures to handle conflicts of interest for all Board members. The following table details declarations of interest for the period, although no actual conflict of interest has arisen.

Name	Declaration of interest	Position held	Live or closed
T van Kralingen (Chair)	Wm Morrison Supermarkets PLC University of Nottingham	Non-Executive Chair Honorary Professor	Live
S Maizey (Non-Executive Director)	NHS Business Services Authority John Menzies plc Network Rail Saffron Solutions Ltd	Chair Non-Executive Director Non-Executive Director Director	Live
G Rhys Williams (Non-Executive Director)	Employee of the Cabinet Office Chartered Management Institute Fauna & Flora International	Government Chief Commercial Officer Member of Board of Companions Trustee	Live
D Wakefield (Non-Executive Director)	NHS Bolton Foundation Trust Leverhulme Academy OFQUAL	Chair Chair Board member	Live
R Wilmot (Non-Executive Director)	Crowdicity Ltd	CEO	Live
M Harrison (Chief Executive)	None	None	N/A
P Coombs (Director of Finance, Planning and Performance)	Intellectual Property Office	Audit and Risk Committee member	Live



The closing cash balance at £31m is healthy but is forecast to reduce through 2018/19. Maintaining sustainable cash reserves in the longer term relies on continuing to deliver spend through frameworks in line with current forecasts. Enquiry levels and opportunity pipelines indicate there is a material expectation of delivering these spend levels.

On the basis of the above, the directors have formed the judgement at the time of approving the financial statements, that CCS has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the accounts have been prepared on the basis that the Trading Fund is a going concern.

Malcolm Harrison was the Accounting Officer for the reporting period. The responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Crown Commercial Service's assets, as set out in Managing Public Money published by HM Treasury.

The Accounting Officer confirms compliance with all the above requirements.

Governance statement

Corporate governance

CCS is an Executive Agency of the Cabinet Office and operates as a Trading Fund under the Government Trading Funds Act 1973.

As a Trading Fund, CCS is required to have a Framework Document agreed with the Cabinet Office as its sponsor department, that outlines key activities and governance. The document sets out CCS's roles and responsibilities and the framework within which it operates. The Framework Document was approved by the CCS Board, submitted to the Cabinet Office Audit and Risk Committee and agreed with the Cabinet Office in 2017.

The 2017/18 Accounting Officer System Statement for the Cabinet Office includes assurance for the accountability relationships and processes between the department and CCS.

The primary responsibility of the CCS Board was to support, advise and challenge the Chief Executive and Accounting Officer on matters of strategic importance to CCS. In addition, the Board was responsible for:

- Endorsing CCS's vision, standards and values
- Endorsing CCS's strategic aims, objectives and target setting
- Developing and endorsing the CCS Strategy and annual Business Plan
- Reviewing the management of financial and human resources to deliver the Business Plan
- Monitoring the operational and financial performance, and actions needed to keep performance on plan
- Monitoring strategic risks and seeking assurance on their management
- Reviewing the Annual Report and Accounts prior to approval by the Accounting Officer



- Reviewing the effectiveness of maintaining a transparent system of prudent and effective controls (including internal controls), and providing a scheme of delegated authority
- Reviewing the results of staff surveys, the results of customer satisfaction surveys, the health and safety report and major projects on a regular basis throughout the year
- Scrutinising and endorsing business cases of above £1m prior to approval by the Accounting Officer and other central government controls. During the year the threshold increased from >£700,000 to >£1m.

Following the Public Accounts Committee's review of CCS, the accountability and funding arrangements for the Commercial Central Teams and core Policy function have been reviewed. These teams and the funding arrangements will transfer to the Cabinet Office in 2018 and will continue to report to the Government Chief Commercial Officer.

During 2017/18, improvements were made to the management information and performance reporting data provided to the Board. Monthly corporate performance reports and corporate dashboards enabled the Board to review progress against strategic objectives, budgets and key programmes.

In 2017/18 there were four sub-committees of the Board: the Audit Committee, Senior Appointments and People Committee, Customer Committee and Technology Committee.

- The principal role of the Audit Committee was to advise the Board and Accounting Officer on the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the Annual Report.
- The role of the Senior Appointments and People Committee was to ensure that resourcing, succession planning and developmental strategies were in place for senior leadership team roles within CCS, i.e. those in Senior Civil Service posts.
- The Customer Committee supported the Board and Accounting Officer by providing guidance, challenge and support to CCS leadership against its strategic priority to 'focus on the customer'.
- The Technology Committee supported the Board and Accounting Officer by reviewing CCS's technology strategy and key technology programmes and initiatives.

The executive Senior Leadership Team was led by the Chief Executive and included representatives from all the key areas of the organisation. The principal role of the Senior Leadership Team was to manage the delivery of the strategic aims and to provide leadership to the organisation. The Senior Leadership Team was supported by internal boards covering People, Business Improvement, Investment and Estates, and Commercial Strategy.



Board and Committee attendance

Meeting attendance per Board member of meetings eligible to attend						
Name	Position	Board	Audit Committee	Senior Appointments & People Committee	Customer Committee	Technology Committee
T van Kralingen	Non-Executive Chair	6/6	N/A	2/2	N/A	N/A
S Maizey	Non-Executive Director and Chair of the Customer Committee	5/6	3/4	1/2	4/4	N/A
G Rhys Williams	Non-Executive Director	5/6	N/A	2/2	4/4	N/A
D Wakefield	Non-Executive Director and Chair of the Audit Committee	6/6	4/4	2/2	N/A	6/6
R Wilmot	Non-Executive Director and Chair of the Technology Committee	6/6	4/4	2/2	N/A	6/6
M Harrison	Chief Executive	6/6	4/4*	2/2	4/4	6/6
P Coombs	Director of Finance, Planning and Performance	6/6	4/4*	N/A	N/A	1/1**

- There were six full Board meetings during the year and one 'out of committee' meeting.
- * Attendance by the Accounting Officer and Director of Finance, Planning and Performance at the Audit Committee was in an attendee, not member, capacity.
- ** The Director of Finance, Planning and Performance became a member of the Technology Committee from February 2018.



Board effectiveness assessment

In line with the 'Corporate Governance in Central Departments: Code of Good Practice 2011', the Board has reviewed its performance and that of its committees during the financial year. The questionnaire considered the Board's effectiveness against the key principles of: the role of the Board; Board composition; Board effectiveness; risk management; and personal performance. Overall, the Board was content with the assessment of its performance and effectiveness, both collectively and individually over the last year. The Board agreed that the current governance structure and its sub-committees were appropriate, and for 2018/19 requested monthly corporate performance reports to ensure it had access to more current information in between the regular Board meetings. Options for an independent review of the Board's effectiveness will be considered in 2019.

Board sub-committee reports

Audit Committee

The Audit Committee is established under Board delegation with approved terms of reference aligned with the HMT Audit and Risk Assurance Committee Handbook.

The Committee met on four occasions during the year to discharge its responsibilities for scrutinising the risks, controls and governance arrangements and the comprehensiveness of the assurances supplied to the Board.

Core membership of the Committee comprised three Non-Executive Directors. Other regular attendees included the Chief Executive, Director of Finance, Planning and Performance, Head of Internal Audit and representatives from the National Audit Office and Cabinet Office. In addition, other executive directors and managers attended, as appropriate, at the request of the Committee.

Annually, the Chair of the Audit Committee submits a report to the Accounting Officer and Board summarising the work of the Committee over the fiscal year, providing a summary of findings and areas of focus for the year ahead.

Building upon the foundations laid over the two previous years, the Committee was aware that 2017/18 was a pivotal year for CCS, and the executive team had sought to identify potential areas of risk where they felt governance weaknesses might exist. The Committee fully recognised that many of these areas were identified for review to establish the improvements required and was pleased with the speed with which the executive team reacted to mitigate the risks subsequently identified. The Committee noted that the core controls remained strong throughout the year and was satisfied that the improved management controls introduced in 2016/17 continued to offer assurances to the Board on the basic governance and control processes throughout the organisation.



Senior Appointments and People Committee

The Senior Appointments and People Committee met twice in 2017/18. The Chief Executive attended both of these meetings. The Committee's focus during this period was the performance, talent management and development of senior leadership roles within CCS.

Customer Committee

The Customer Committee met four times in 2017/18. It regularly considered CCS's plans for growth, supporting the account teams to address issues, and providing guidance on strategy. In central government, the Committee regularly reviewed detailed performance in spend, commercial benefits and customer satisfaction. It considered the set-up of the project to create joint spend migration plans with departments, and supported the project team over the course of their engagements with departments. In the wider public sector, the Committee reviewed the overall strategy and tracked overall performance against the plans. Later in the year, the Committee oversaw progress in the tracking of specific opportunities in the wider public sector, and provided guidance on how to attract and retain new business.

The Committee also reviewed the CCS engagement process with customers. In particular, the Customer Service Centre made significant operational progress through the year. The Committee supported the improvements in the way customer satisfaction was measured at the beginning of the year and the introduction of more targeted Net Promoter Score surveys. The overall improvement in CCS's NPS scores was also tracked regularly, with the Committee providing advice and suggesting interventions to improve engagement. The Committee also heard the detailed results of qualitative feedback sessions with customers, noting an overall improvement in how CCS was viewed by customers, but also recognising the significant amount of work still needed to achieve its vision.

Technology Committee

The Technology Committee was established at the beginning of the financial year 2017/18 in order to provide assurance to the Board with regard to the efficacy of the design and implementation of the digital transformation streams, deemed essential by the Board, for the successful delivery of CCS services now and in the future. The Committee met six times in 2017/18.

Much of the Committee's focus was in the reviewing and advising on the Crown Marketplace programme (CMp), including the options for delivery presented by the CMp team and the programme's interaction with other internal functions, whose involvement is critical to the success of CMp - for example in the digitising of access to our commercial agreements and integration with other technology-based business process systems, essential for the ongoing delivery of CCS services to customers. This culminated in the endorsement of the recommendation to the Board of a phased approach to the rollout of CMp, with clear budgetary milestones and assurances that the programme will be embedded within, and subject to, cross-functional CCS internal planning and governance processes.

The Committee also reviewed and gave advice on CCS's digital services strategy and integrated business improvement plan, including the strengthening of the Corporate Portfolio Management Office (CPMO) function and helping focus the rollout of business process systems and Customer Relationship Management (CRM) software, to streamline and improve the efficiency of the interaction with customers in the procurement process. The Committee also reviewed the business case for the new HR and Finance management software solutions and recommended it for approval to the Board.



Code of corporate governance

CCS implemented its corporate governance structure and framework following establishment of the organisation in April 2014 and follows the good practice recommendations set out in the 'Corporate Governance in Central Departments: Code of Good Practice 2011'. Whilst there is no Nominations and Governance Committee, as recommended in the Code, the Senior Appointments and People Committee was established in 2015 and its remit is to ensure that resourcing, succession planning and developmental strategies are in place for senior leadership roles. The Board's view is that governance forms a key part of the Audit Committee's role and so no additional committee is required.

Internal Audit

Work of Internal Audit

CCS has a dedicated Internal Audit function provided by the Government Internal Audit Agency (GIAA). The independence and operation of the function is enshrined in a Charter signed by the Accounting Officer, the Chair of the Audit Committee and the Head of Internal Audit. The Head of Internal Audit reports directly to both the Accounting Officer and the Audit Committee. Throughout the year, the Committee was advised by the Internal Audit function on the effectiveness of internal controls within the organisation and on the status of outstanding actions from previous audit reviews. The role of Internal Audit in CCS has been crucial over the last twelve months, through the provision of assurance to management, the Accounting Officer, and the Audit Committee, along with identifying practical recommendations to reduce risk exposure as the organisation has continued to evolve.

The Internal Audit Plan for 2017/18 was developed with reference to CCS's corporate objectives and risks, and was reviewed, discussed and subsequently approved at the March 2017 Audit Committee meeting. Throughout the year there was a review of the appropriateness of the plan and updates to timings and detailed scope were made.

In terms of core finance-related processes, those reviewed were: Ordering and Payments, including value for money; and Contract Management. Audits were also conducted of: Business Plan Development and Delivery, including linkages to financial planning; Benefits Realisation; Operational Review Implementation Plans and Delivery; and Corporate Portfolio Management Office. There was also a significant focus on operational areas of CCS: Category Strategies; Framework Pipeline and Planning; Customer Pipeline Visibility and Transition Plans; OJEU Evaluation and Consensus; Procurement Operations; Commercial Benefits Methodology; and Supplier Requirements and Assurance.

Where appropriate, audit and advisory work has been 'real time' to enable CCS management to take immediate remedial action where control weaknesses have been found. Progress against audit actions has continued to be tracked by the Internal Audit function and reported to the CCS Audit Committee for challenge and review.

Upon completion of the Internal Audit programme of work, the Head of Internal Audit writes the Annual Report to the Accounting Officer and Chair of the Audit Committee to provide an overall opinion on the adequacy of CCS's risk management, control and governance arrangements. The opinion is provided below as part of this Governance Statement.



Head of Internal Audit opinion

The Head of Internal Audit's annual report for 2017/18 identified that CCS is exposed to substantial risks as a result of the ongoing change and refinement of core operational processes and control. There were a number of areas in which significant weaknesses in the current control design were noted, and others where GIAA was unable to conduct audit work, as the processes had not yet been designed. However, she confirmed that CCS had maintained largely sound controls and processes in the corporate centre areas, along with sufficient evidence of good governance and a maturing approach to risk management. As such, the opinion of the Head of Internal Audit, on the overall adequacy and effectiveness of CCS's framework of governance, risk management and control for 2017/18, was assessed as 'moderate', which recognises our continued focus on ensuring rigorous corporate governance and systems of internal control throughout the organisation. The rollout of a new management assurance framework is having a positive impact on compliance with, and assurances over, key controls and processes, as is the establishment of a new Corporate Portfolio Management Office function.

For the coming year, it is imperative that we complete the process and control design for all operational areas, embed those new ways of working and create a strong risk management and compliance culture around them.

Risk management

During 2017/18, CCS continued to focus on embedding rigorous risk management processes and culture across all parts of the business. There continued to be strong improvements in CCS's risk management capabilities to support the Government Internal Audit Agency's review of risk management in 2016/17, which received an overall 'moderate' level rating.

Specific improvements in the year included: consistent and standardised risk registers across directorates and projects which were audited regularly; raising awareness and understanding of risk management across the business, through mandatory online training for all staff and a series of workshops with c.70% of CCS staff; whilst internally published articles prompted discussion of risks and opportunities at team level.

The focus has been to closely align risks with objectives at strategic and directorate level, and for confidence in the mitigations in place to be provided by risk owners. The Board reviews CCS's strategic risks on a regular basis, in addition to receiving updates on risk management and controls from the Audit Committee. Current strategic risks are set out in the table on page 21.



Other

Ministerial directions

There have been no ministerial directions given.

Information security procedures

CCS data and information handling procedures comply with statutory and regulatory requirements. The Agency seeks to comply with HMG Security Policy Framework, together with Cabinet Office's 10 Steps to Cyber Security and Good Practice guides published by the National Cyber Security Centre. CCS complies with Cabinet Office guidance on information risk management, including Bulk Data Security guidance. The CCS Senior Information Risk Owner acts as the focus for information risks and is a member of the CCS Board. A network of trained Information Asset Owners is in place to ensure that information assets are managed effectively, and that appropriate risk controls are in place. All staff agree to an Acceptable Use Policy before accessing IT systems. During 2017/18, there have been no material breaches and no incidents reportable to the Information Commissioner's Office.

A General Data Protection Regulation (GDPR) programme of work has been established across CCS and its functions, which seeks to achieve compliance across both inward- and outward-facing services, within agreed timescales, as approved by the Independent Supervisory Authority and Cabinet Office Data Protection Officer.

Fraud, Bribery and Whistleblowing

CCS has policies and guidance in place to ensure compliance with the Bribery Act 2010 and an ongoing programme of raising awareness in all aspects of anti-fraud, bribery, conflicts of interest, gifts and hospitality and whistleblowing. CCS took part in the Civil Service whistleblowing day in September 2017 and added mandatory training related to anti-fraud to all staff development plans from April 2017.

There have been no reported cases of attempted fraud or whistleblowing in 2017/18.

Official and Parliamentary correspondence

During 2017/18, CCS returned 136 Freedom of Information (FOI) cases to the Cabinet Office FOI team, of which 134 (99%) were within the required statutory timeframes compared to 98% (of 132 cases) in the previous reporting year. We answered 260 Parliamentary Questions within Parliamentary timeframes (100%), compared to 80 (100%) the previous reporting year. We answered 76 MPs' and Peers' correspondence cases (100%) within specified timeframes, compared to 120 (100%) the previous year.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman received no complaints about CCS for 2016/17 (the latest reporting period).



Remuneration and staff report

This remuneration report sets out the policy and disclosures on directors' remuneration as required by the Companies Act 2006 sections 420 - 422 and as interpreted in the Government Financial Reporting Manual. The Companies Act requirements include some disclosures that are not likely to be relevant to the Crown Commercial Service (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.

Remuneration policy

Senior Salaries Review Body

The Executive Directors are all Senior Civil Servants (SCS) 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 payments. In reaching its recommendations, SSRB 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 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
- Evidence received about the wider economic considerations and the affordability of recommendations.

Further information about the work of the SSRB can be found at:

www.gov.uk/government/organisations/review-body-on-senior-salaries.



Performance and reward

The Senior Civil Service (SCS) pay system consists of relevant performance assessments. The highest performing individuals in CCS were awarded a non-consolidated performance reward for their performance against objectives in 2016/17, which was paid in 2017/18. These awards were within the overall cost envelope set by the Senior Salaries Review Body and approved by the government. Consolidated base pay awards are limited to 1% increase to the Agency's SCS paybill. Only those receiving top and achieving performance assessments were given a base salary increase determined by their position in the pay range, and those below the new band minimum had their salary uplifted to the new band minimum.

Further information about the performance and reward arrangements for Senior Civil Servants can be found at www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles, which require appointments to be made 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 that are open ended until they retire. Early termination, other than 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 Commission can be found at <http://civilservicecommission.independent.gov.uk>.



Senior management salary entitlements FY 2017/18 (Audited)

The following table provides details of the remuneration interests on Board Member Executive and Non-Executive Directors employed by CCS.

	To 31 March 2018					To 31 March 2017				
	Salary	Bonus	Benefits in kind to nearest £100	Pension benefits to nearest £1000	Total	Salary	Bonus	Benefits in kind to nearest £100	Pension benefits to nearest £1000	Total
	Note 1 £000	Note 2 £000	Note 3 £000	Note 4 £000	£000	£000	£000	£000	£000	£000
T van Kralingen	15-20				15-20	15-20				15-20
Non-Executive Chairman										
S Maizey	10-15				10-15	10-15				10-15
Non-Executive Director										
G Rhys Williams (Note 5)	NIL				0	NIL				0
Non-Executive Director										
D Wakefield	10-15				10-15	10-15				10-15
Non-Executive Director										
R Wilmot	10-15				10-15	10-15				10-15
Non-Executive Director										
M Harrison (Note 6)						185-190				185-190
Chief Executive										
Full Year Equivalent						455-460				455-460
M Harrison (Note 7)	195-200	35-40			235-240	80-85				80-85
Chief Executive										
Full Year Equivalent	195-200				235-240	195-200				195-200
P Coombs	105-110			22	125-130	105-110			53	155-160
Director of Finance, Planning and Performance										

Note 1 Salary includes gross salary, overtime, recruitment and retention allowances, private office allowances and any other taxable allowances or payments.

Note 2 M Harrison received a bonus for performance results during the FY 2017/18. Non-Executive Board members are not entitled to bonus payments.

Note 3 No benefits in kind were provided to any members of the Board during this year.

Note 4 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less contributions made by the individual. Non-Executive Board Members do not receive any pension entitlements. M Harrison (CEO) has opted out of Principal Civil Service Pension Scheme (PCSPS).

Note 5 No remuneration was paid to G Rhys Williams as he is an employee of the Cabinet Office.

Note 6 The amount shown to 31 March 2017 reflects payments to a third party for M Harrison's services from 27/05/2016 to 31/10/2016.

Note 7 The amount shown to 31 March 2017 relates to salary payments made directly to M Harrison between 01/11/2016 and 31/03/2017.



Compensation on early retirement or for loss of office (Audited)

We have not made any compensation for early retirement or loss of office payments to Board Member Executive Directors in 2017/18.

Fair pay disclosure (Audited)

The table below illustrates the relationship between the remuneration of the highest-paid director and the median remuneration of the workforce. The following information includes staff deployed from the Government Commercial Organisation (GCO).

	2017/18	2016/17
Full time equivalent band of the highest paid director (£000)	235-240	195-200
Median total remuneration (£)	39,316	39,813
Ratio of highest paid to median	5.98	4.96

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

The banded remuneration of the highest paid director in the financial year 2017/18 was £235,000 - £240,000 (2016/17: £195,000 - £200,000). This was 5.98 times (2016/17: 4.96) the median remuneration of the workforce, which was £39,316 (2016/17: £39,813). The change in the ratio takes into account the bonus paid to the highest paid director in 2017/18.

In 2017/18, nil employees received total remuneration in excess of the highest paid director (2016/17: nil).

Total remuneration ranged from £18,684 to £235,417 (2016/17: £17,289 - £200,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The median total remuneration for 2017/18 is derived from the annualised payments of all staff made in March 2018. Part time employees' payments are adjusted to a full time basis.



Staff report

The figures in this report include staff in the Commercial Central Teams within Cabinet Office who are funded through the CCS Trading Fund. During 2017/18, in line with the Government's strategy to increase commercial capability across the Civil Service, 83 CCS employees (SCS and Band 6) in designated commercial specialist roles moved across to the Government Commercial Organisation. They became employees of the Cabinet Office and are deployed back to CCS on a cost recovery basis.

Staff numbers and composition

There has been an increase in SCS headcount by two (CCS and GCO) and we have seen an increase in those SCS at the higher salary bandings due to recruitment and some staff taking new terms and conditions with the GCO.

Senior Civil Service (SCS) staff by salary band:

Salary band	CCS SCS within band as at 31 March 2018		GCO Deployed SCS within band as at 31 March 2018 (Note 1)		Total CCS and GCO Deployed SCS as at 31 March 2018 (Note 2)		SCS within band as at 31 March 2017 (Note 3)		
	£000	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
60 - 70		3	15.00%	1	2.04%	4	5.80%	12	17.91%
71 - 80		3	15.00%	3	6.12%	6	8.70%	10	14.93%
81 - 90		3	15.00%	4	8.16%	7	10.14%	4	5.97%
91 - 100		4	20.00%	4	8.16%	8	11.59%	13	19.40%
101 - 110		5	25.00%	5	10.20%	10	14.49%	12	17.91%
111 - 120		1	5.00%	14	28.57%	15	21.74%	6	8.96%
121 - 130		0	0.00%	5	10.20%	5	7.25%	1	1.49%
131 - 140		0	0.00%	0	0.00%	0	0.00%	0	0.00%
141 - 150		0	0.00%	3	6.12%	3	4.35%	2	2.99%
151 - 160		0	0.00%	3	6.12%	3	4.35%	0	0.00%
161 - 170		0	0.00%	2	4.08%	2	2.90%	2	2.99%
171 - 180		0	0.00%	0	0.00%	0	0.00%	0	0.00%
181 - 190		0	0.00%	1	2.04%	1	1.45%	3	4.48%
191 - 200		1	5.00%	4	8.16%	5	7.25%	2	2.99%
Total		20	100%	49	100%	69	100%	67	100%

Note 1 The table above illustrates the SCS deployed from the Government Commercial Organisation (GCO).

Note 2 The figures shown are headcount and exclude interim SCS.

Note 3 In 2016/17, we excluded 3 Cabinet Office employees deployed into CCS from the Government Commercial Organisation (GCO). Given the growth in GCO deployment in 2017/18 we have restated 2016/17, on same basis.



Staff numbers and costs (Audited)

Total staff numbers

Details of the average number of full time equivalent employees during the period were as follows:

Average number of FTE employees during the period		
	2017/18	2016/17
Salaried staff	641	724
GCO Deployed Staff (Note 3)	66	3
Agency and contract staff	31	56
Total	738	783

Note 1 Figures above exclude Fast Streamers and loans out.

Note 2 The GCO Commercial Capability team of 29 staff moved into Cabinet Office on a permanent basis in August 2017 in line with the Cabinet Office's role for providing a central steer on capability development for the Government's corporate functions.

Note 3 In 2016/17 we excluded 3 Cabinet Office employees deployed into CCS from the Government Commercial Organisation (GCO). Given the growth in GCO deployment in 2017/18 we have restated 2016/17 on same basis.

Total staff costs

	2017/18			2016/17
	CCS	GCO	Total	Total
	£000	£000	£000	£000
Wages and salaries	28,865	-	28,865	33,158
Bonus	468	788	1,256	498
Social security	3,054	-	3,054	3,594
Superannuation (Note 1)	5,400	-	5,400	6,379
Voluntary early retirement	24	-	24	-
Apprentice Levy	122	-	122	-
GCO Staff Costs (Note 2)	-	8,674	8,674	135
Agency and contract staff costs	4,714	-	4,714	7,871
Total	42,647	9,462	52,109	51,635

Note 1 Superannuation costs relate to staff participation in the Principal Civil Service Pension Scheme (PCSPS) and alpha defined benefits schemes. Further details about the pension benefits can be found on page 48. Details of the underlying liabilities applicable to Agency employees are not separately identifiable.

Note 2 In 2016/17 we excluded 3 Cabinet Office employees deployed into CCS from the Government Commercial Organisation (GCO). Given the growth in GCO deployment in 2017/18 we have restated 2016/17 on same basis.



Superannuation

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes, but CCS is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2017/18, employer's contributions of £5,400,000 were payable to the PCSPS and alpha (2016/17 £6,379,000) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £114,190 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £3,536, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £10,121. Contributions prepaid at that date were nil.

Partnership pension contributions are included within the overall pension contributions figure of £5,400,000.

Staff composition

	Male		Female		Total	
	Count	Percentage	Count	Percentage	Count	Percentage
Board Members	6	85.71%	1	14.29%	7	100%
SCS (CCS)	14	70.00%	6	30.00%	20	100%
Staff (CCS)	282	44.83%	347	55.17%	629	100%
SCS (GCO Deployed)	34	69.39%	15	30.61%	49	100%
Staff (GCO Deployed)	25	65.79%	13	34.21%	38	100%

Note 1 This table shows the gender composition for each category of staffing group. It is not a cumulative table.

Note 2 Staffing figures shown are headcount.

Note 3 Staffing figures are made up of the following contract types - Permanent, Fixed Term Appointments, Loan In, Fee Paid.

Note 4 Non-CCS banded employees have been mapped to CCS equivalents.



Sickness absence and attendance management

The number of working days lost due to sickness was 3,658. The average number of days lost per employee in the 12 month period was 5.71 (based on average headcount of 641 - excludes interims, as we do not record their absence). This compares to 6.71 average days lost in 2016/17 and an average of 7.40 days lost across the Civil Service as a whole.

Recruitment

We are an equal opportunities employer and our recruitment processes aim to meet the rules and regulations laid down and subsequently audited by the Civil Service Commissioners.

The Civil Service Commission's latest audit of the recruitment practices in operation within the Crown Commercial Service has set the risk rating as 'green', signifying that the practices comply.

CCS new recruits 2017/18

CCS - New hires				GCO - New hires				Total
Band	Male	Female	Total	Band	Male	Female	Total	
Band 1	6	10	16	Band 1	0	0	0	16
Band 2	7	7	14	Band 2	0	0	0	14
Band 3	10	5	15	Band 3	0	0	0	15
Band 4	2	13	15	Band 4	0	0	0	15
Band 5	2	6	8	Band 5	0	0	0	8
Band 6	5	1	6	Band 6	5	1	6	12
Band 7	0	0	0	Band 7	0	0	0	0
SCS 1	6	0	6	SCS 1	9	3	12	18
SCS 2	0	0	0	SCS 2	0	0	0	0
Crown Reps	4	3	7	Crown Reps	0	0	0	7
Total	42	45	87	Total	14	4	18	105

Note 1 These figures relate to external hires from outside the Civil Service; they exclude transfers, loans or secondments from other government departments. Figures shown are headcount.



Staff policies and other employee matters

During 2017/18, staff and Trade Unions were consulted on the design of the new performance management framework, which was launched in April 2018.

The relationship with Trade Unions remains productive and conciliatory, with regular positive discussions taking place between the CEO, management, HR and Trade Union colleagues.

Diversity and inclusion

CCS is committed to creating a culture where staff feel included and valued, regardless of their background. We believe a diverse and inclusive workforce is good for everyone, and to emphasise this, we launched our first Diversity and Inclusion Strategy in October 2017. During 2017/18 we have also:

- expanded our staff networks, e.g. Lesbian Gay Bisexual and Transgender (LGBT), and measures are in place to develop Women's and Black and Minority Ethnic (BAME) networks
- continued to support our inclusion agenda through a number of initiatives, such as celebrating Black History Month, Pride Week and International Women's Day
- invested in talent programmes, providing access for all our staff to the right opportunities to reach their potential, e.g. Senior Leaders Scheme, Future Leaders Scheme, Crossing Thresholds, Positive Action Pathway, Civil Service Fast Stream and Apprenticeships
- signed up as a Stonewall Champion and a Disability Confident Employer
- increased our diversity disclosures from 40% to over 70%
- introduced reverse mentoring for our Senior Leadership Team
- ensured a gender balance on interview panels wherever possible.

Policy on the employment of disabled persons

CCS, as part of the Civil Service, is an equal opportunity employer. This means:

- (a) giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities
- (b) continuing the employment of, and for arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency, and
- (c) providing for the training, career development and promotion of disabled persons employed by the agency.

Employee engagement

CCS measures how engaged our people are through an annual independent employee survey conducted across our organisation. We had a 95% response rate on the survey this year, among the best in the Civil Service.

Our results are improving in all of the 10 categories of the survey and importantly, our overall Engagement Index has increased again by a further four points to 63%, a 10 point increase in two years.

In some areas, such as understanding our organisation's objectives, our results have increased dramatically. In other areas, while we have seen improvements, it is clear there is still some work to do to fulfil our ambition of making CCS a truly great place to work.



Health and safety

CCS has fulfilled its legal responsibilities during the year by continuing to:

- provide advice, guidance and support to managers and staff
- measure compliance with the new health and safety policies
- carry out site safety inspections on CCS sites
- engage with Crown Premises Fire Inspection Group (CPFIG) assessment of The Capital Building in Liverpool
- support colleagues with specialist equipment as required by Occupational Health workstation assessment reports
- promote work-based welfare improvement campaigns, including musculoskeletal injuries.

There were no incidents during 2017/18 that required reporting to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 2013 (RIDDOR).

Through Quarters 3 and 4 of 2018/19, we will conduct an audit of the Crown Commercial Service health and safety management system against ISO 45001 (new industry-leading standard), ensuring robust first and second line defence. This will enable a critical review of health and safety performance and enable best practice to be embedded where possible.

Expenditure on consultancy and temporary staff

	2017/18	2016/17
Consultancy spend	£3,191,422	£2,697,341
Contingent Labour spend	£4,713,544	£7,870,595

Consultancy costs have increased by 18% since 2016/17, and contingent labour costs have reduced by 40%.



Reporting of high paid off-payroll appointments

We continue to use contingent labour as part of our resourcing model. It allows the business to respond quickly to demand for our specialist services from government departments and has allowed us to augment our current commercial capability as we transform the organisation.

For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months:

No. of existing engagements as of 31 March 2018	18
Of which...	
No. that have existed for less than one year at time of reporting	9
No. that have existed for between one and two years at time of reporting	7
No. that have existed for between two and three years at time of reporting	1
No. that have existed for between three and four years at time of reporting	1
No. that have existed for four or more years at time of reporting	0

Interims that have been with us for more than one year are currently assigned to key long-term government commercial negotiations/projects where continuity of personnel is critical to a successful outcome. Where appropriate, we have run recruitment campaigns in line with the Civil Service Commission's Recruitment Principles to convert key personnel into permanent civil servants or replace with a new recruit.

In line with the HM Treasury Public Expenditure System (PES) guidance (IR35 assurance), we have conducted an assurance exercise to ensure IR35 compliance of all our interim/agency staff. We conduct this exercise every six to nine months.



For all new off-payroll engagements, or those that reached six months in duration, between 01 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months:

No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	25
Of which...	
No. of these engagements which were assessed as caught by IR35	20
No. of these engagements which were assessed as not caught by IR35	5
No. engaged directly (via Personal Service Company (PSC) contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received	0
No. of engagements that saw a change to IR35 status following the consistency review	0

For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 01 April 2017 and 31 March 2018:

No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	0 (Note 1)
Total no. of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year.	7 (Note 2)

Note 1 Excludes G Rhys Williams, Non-Executive Board Member as he is paid by Cabinet Office and does not receive remuneration for his non-executive role.

Note 2 There were no Board members or senior officials with significant financial responsibility engaged in an off-payroll capacity during 2017/18.



Reporting of Civil Service and other compensation schemes - exit packages (Audited)

During the financial year, CCS did not operate a voluntary exit scheme and no staff left the organisation under this scheme. Exit costs are accounted for at the point the organisation is demonstrably committed to making the payment. Exit costs do not include contribution in lieu of notice payments. All payments are made in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Exit package cost by band:	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band (Note 1)	
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,001 - £50,000	-	-	-	-	-	-
£50,001 - £100,000	-	-	1	-	1	-
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
£201,000 - £250,000	-	-	-	-	-	-
£250,000 +	-	-	-	-	-	-
Total number of packages by type	-	-	1	-	1	-
Total cost £	-	-	75,618	-	75,618	-

Note 1 The amounts shown exclude Contribution in Lieu of Notice payments.



Malcolm Harrison
Chief Executive and
Accounting Officer
4 July 2018



Parliamentary accountability and audit report

Regularity of expenditure (Audited)

In spending public money, CCS operates in accordance with the principles of HM Treasury Managing Public Money (MPM). This includes the framework of HM Treasury approval of expenditure and the practice of HM Treasury delegating authority to departments to enter into commitments and expenditure within predefined limits without specific prior approval.

The key requirements are regularity, propriety, value for money, and feasibility.

CCS meets the requirements for regularity through compliance with relevant legislation, HM Treasury delegated authority, and through following MPM guidance.

HM Treasury spending controls continue to operate on the basis of the delegated authorities set by spending teams, with spending proposals above the Department's delegated authority requiring HM Treasury approval.

The Cabinet Office operates a set of additional spending controls on behalf of HM Treasury, which focus on common categories of expenditure. CCS is compliant with these controls.

There were no losses or special payments in the year.



Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Crown Commercial Service's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Crown Commercial Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

09 July 2018

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP



Financial Statements

Financial report

Balance sheet

Assets	1,734,826
Current assets	88,905
Non-current assets	1,645,921
Liabilities	166,630
Current liabilities	110,327
Non-current liabilities	56,303
Equity	74,393
Contributed capital	72,921
Retained earnings	1,472

Income statement

Revenues	12,978,516
Net sales	12,873,892
Investment	104,624
Expenses	6,372,535
Research and Development	1,385,395
Operating expenses	4,439,118
Marketing	548,022
Net income	6,505,981

Equity statement

Current year	1
Comprehensive income	
Issue of share capital	
Dividends	
Previous year	
Comprehensive income	
Issue of share capital	
Dividends	



Cash flow statement

Operating	12
Investing	6
Financing	6



Statement of comprehensive income year ended 31 March 2018

	Note	£000	2017/18 £000	£000	2016/17 £000
Income from external sales	2		71,508		72,793
Other operating income	4		<u>3,453</u>		<u>562</u>
Total income			74,961		73,355
Staff costs	3	(52,109)		(51,635)	
Depreciation of property, plant and equipment	7	(679)		(684)	
Amortisation of intangible assets	8	(-)		(2)	
Other expenditure	5.1	(27,720)		(19,258)	
Total expenditure			(80,508)		(71,579)
(Deficit) / surplus before other operating costs			(5,547)		1,776
Other operating costs	5.2		(2,611)		(8,230)
Operating (deficit)			(8,158)		(6,454)
Finance income	6		58		57
(Deficit) for the financial year			(8,100)		(6,397)
Dividend payable to Cabinet Office			(2,000)		(2,000)
Retained (deficit) for the financial year			(10,100)		(8,397)
Other comprehensive income			-		-
Comprehensive (expenditure) for the financial year			(10,100)		(8,397)

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

The Notes to the accounts on pages 71 to 83 form an integral part of these accounts.

Statement of financial position as at 31 March 2018

	Note	31 March 2018		31 March 2017	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	7		4,204		2,043
Intangible assets	8		-		-
			4,204		2,043
Current assets					
Inventories	9	88		89	
Trade and other receivables	10	24,491		22,429	
Cash and cash equivalents	11	30,587		18,635	
		55,166		41,153	
Current liabilities					
Trade and other payables	12	(48,536)		(22,115)	
Employee benefit payable	13	(464)		(604)	
		(49,000)		(22,719)	
Net current assets			6,166		18,434
Non-current assets plus net current assets			10,370		20,477
Provisions	15		(-)		(7)
Total assets less liabilities			10,370		20,470
Capital and reserves					
Public dividend capital	16		350		350
General reserve	17		10,020		20,120
Total capital and reserves			10,370		20,470

The Notes to the accounts on pages 71 to 83 form an integral part of these accounts.



Malcolm Harrison
Chief Executive and
Accounting Officer
4 July 2018

Statement of changes in taxpayers' equity at 31 March 2018

	General Reserve	Public Dividend Capital	Total
	£000	£000	£000
Taxpayers' equity at 1 April 2016	28,517	350	28,867
Recognition in statement of comprehensive income	(8,397)	-	(8,397)
Taxpayers' equity at 31 March 2017	<u>20,120</u>	<u>350</u>	<u>20,470</u>

	General Reserve	Public Dividend Capital	Total
	£000	£000	£000
Taxpayers' equity at 1 April 2017	20,120	350	20,470
Recognition in statement of comprehensive income	(10,100)	-	(10,100)
Taxpayers' equity at 31 March 2018	<u>10,020</u>	<u>350</u>	<u>10,370</u>

The Notes to the accounts on pages 71 to 83 form an integral part of these accounts.

Statement of cash flows for the year ended 31 March 2018

	2017/18	2016/17
	£000	£000
Net cash (outflow) from operating activities	14,740	(9,390)
Cash flows from investing activities		
Finance income	51	57
Purchases of property plant and equipment	<u>(2,839)</u>	—
Net Cash inflow from investing activities	<u>(2,788)</u>	<u>57</u>
Net Cash inflow / (outflow) before financing	11,952	(9,333)
Cash flows from financing activities		
Dividend paid	-	(4,000)
Net Cash outflow from financing activities	<u>—</u>	<u>(4,000)</u>
Net increase / (decrease) in cash and cash equivalents	<u>11,952</u>	<u>(13,333)</u>

See Note 18 in the Notes to the accounts, in which operating deficit (as shown in the Statement of comprehensive income) is reconciled to net cash flows from operating activities.

The Notes to the accounts on pages 71 to 83 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 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 Crown Commercial Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1a Standards issued and effective in the 2017/18 FRoM for the first time

There were no IFRS or FRoM changes giving rise to changes in accounting policy and applied for the first time in the current period.

1.1b Standards in issue but not in force

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

- IFRS 9 - financial instruments
CCS has debtor balances which will need to be reviewed regularly to determine and provide for any expected bad debts in accordance with the requirements of IFRS 9. Any impact is expected to be immaterial.
- IFRS 15 - revenue from contracts with customers
Once effective, CCS considers it will not need to materially change any of its income recognition accounting policies. Revenue is only recognised in proportion to goods or services delivered or transferred. This is consistent with the requirements of IFRS 15.
- IFRS 16 - leases
CCS currently has operating leases for the use of buildings which are expensed through the statement of comprehensive income. Once IFRS 16 is adopted within the FRoM, CCS will need to also account for these leases through the statement of financial position.

1.2 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 Whitehall Systems were fully impaired during the financial year 2013/14.

The accounts have not been modified to account for the revaluation of other non-current assets to fair value as required in the FRoM. Any difference is not material.

1.3 Income and segmental reporting

Income consists of the value of the goods and services net of Value Added Tax, trade discounts, and commission shares from the ordinary activities of the business. Income is recognised in segments as follows:

1. Commercial agreement income
 - a) General income – income is recognised in the calendar month in which spend takes place - at the appropriate commission rate on sales reported from suppliers
 - b) Energy income – a monthly levy is charged based on the number of sites a department has. Income is recognised monthly based on site information provided by our suppliers.
2. Managed Services – income is recognised through invoices billed directly to customers for services received. Any un-invoiced amounts are accrued.
3. Whitehall Systems income – standing charges are recognised quarterly in arrears with sales recognised in the month of consumption. Income is matched to costs as incurred. Any income received and not matched is held as deferred.
4. National Health Service Future Operating Model (NHS FOM) – income is recognised through monthly invoices billed directly to the customer for services received. Income is chargeable on a full cost recovery basis. Additional income may arise if agreed savings are achieved. Any un-invoiced amounts are accrued.
5. Commercial Central Teams – income is recognised through invoices billed directly to customers for services received. Any un-invoiced amounts are accrued. Accelerator income is matched to costs as incurred. Any income received and not matched is held as deferred.

The segmental analysis (Note 2) reflects the income and costs applicable to each segment.

1.4 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. Where material, assets are revalued but where assets have a short life or are low value, depreciated historic cost is used as a proxy for fair value.

Notes to the accounts continued

Whitehall Systems

The Whitehall Systems are a specialised asset and they have been stated at depreciated replacement cost and since 2013/14 have been fully impaired. During the year, a new investment is being made to upgrade and enhance system capability and improve its environmental footprint. This investment is shown as part of Note 7.

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 – four to 10 years
- Plant & equipment – five to 20 years

1.5 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.

1.6 Inventories

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

1.7 Early retirement

CCS 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 15 in the Notes to the accounts).

1.8 Leases

All costs of operating leases are charged to the Statement of Comprehensive Income as incurred. There are no finance leases.

1.9 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.

1.10 VAT

CCS charges output VAT on external sales and pays input VAT on VAT applicable costs. Income and expenditure are shown net of VAT.

1.11 Significant judgements and critical accounting estimates

The preparation of the financial statements requires CCS to make some estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and disclosure of lease obligations. Key assumptions are stated below:

Depreciation and amortisation

The useful lives of property, plant and equipment and those of intangible assets have been estimated for the purposes of applying the accounting policies for depreciation and amortisation respectively.

Lease obligations

Future lease obligations have been prepared on the basis of current year obligations being used as the estimates for future years.

Employee benefit obligations

Excess or deficit annual leave balances have been applied to the actual employee salary costs to derive a liability cost.

1.12 Going concern

The financial statements have been prepared under the going concern assumption. The net deficit for the year has been planned and expected, following HM Treasury approval to utilise reserves to invest and to improve savings realisation for departments.

The directors have formed the judgement at the time of approving the financial statements that CCS has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the accounts have been prepared on the basis that the Trading Fund is a going concern.

2 Segmental analysis

2017/18

31 March 2018

	Commercial Agreements	Managed Services	Whitehall Systems	NHS FOM	Commercial Central Teams	TOTAL
	£000	£000	£000	£000	£000	£000
Statement of comprehensive income (SOC)						
Gross income from external sales	66,481	608	3,276	-	5,402	75,767
Commission shares	(4,259)	(-)	(-)	(-)	(-)	(4,259)
Net Income from external sales in SOCI	62,222	608	3,276	-	5,402	71,508
Other operating income	564	-	-	566	2,323	3,453
Total income	62,786	608	3,276	566	7,725	74,961
Operating costs	(42,760)	(14,194)	(3,276)	(425)	(19,853)	(80,508)
Surplus / (deficit) before other operating costs	20,026	(13,586)	-	141	(12,128)	(5,547)
Other operating costs	(1,771)	(399)	(-)	(98)	(343)	(2,611)
Operating surplus / (deficit)	18,255	(13,985)	-	43	(12,471)	(8,158)
Statement of financial position						
Non-current assets	957	240	2,800	-	207	4,204
Current assets	50,958	368	1,763	55	2,022	55,166
Total assets	51,915	608	4,563	55	2,229	59,370

2016/17

31 March 2017

	Commercial Agreements	Managed Services	Whitehall Systems	NHS FOM	Commercial Central Teams	TOTAL
	£000	£000	£000	£000	£000	£000
Statement of comprehensive income (SOC)						
Gross income from external sales	59,504	7,830	2,496	-	6,245	76,075
Commission shares	(3,282)	(-)	(-)	(-)	(-)	(3,282)
Net Income from external sales in SOCI	56,222	7,830	2,496	-	6,245	72,793
Other operating income	-	-	-	-	562	562
Total income	56,222	7,830	2,496	-	6,807	73,355
Operating costs	(31,891)	(21,000)	(2,496)	(-)	(16,192)	(71,579)
Surplus / (deficit) before other operating costs	24,331	(13,170)	-	(-)	(9,385)	1,776
Other operating costs	(5,987)	(1,626)	(-)	(-)	(617)	(8,230)
Operating surplus / (deficit)	18,344	(14,796)	-	(-)	(10,002)	(6,454)
Statement of financial position						
Non-current assets	964	782	-	-	297	2,043
Current assets	37,002	1,330	1,223	-	1,598	41,153
Total assets	37,966	2,112	1,223	-	1,895	43,196

During the current year there is a new segment to reflect a new service contract (NHS FOM) provided to the NHS Business Services Authority for the provision of office solutions. The segments reflect how income and expenditure is currently managed and reported.

Notes to the accounts continued

3 Total staff costs

	2017/18	2016/17
	£000	£000
Wages and salaries	28,865	33,158
Bonus	468	498
Social security	3,054	3,594
Superannuation (Note 1)	5,400	6,379
Voluntary early retirement	24	-
Apprenticeship levy	122	-
GCO staff costs (Note 2)	9,462	135
Agency and contract staff costs	4,714	7,871
TOTAL	<u>52,109</u>	<u>51,635</u>

Note 1: Superannuation costs relate to staff participation in the Principal Civil Service Pension Scheme (PCSPS) and "alpha" defined benefits schemes. Further details about the pension benefits can be found on page 48.

Note 2: During the year CCS has paid the Cabinet Office for the provision of Government Commercial Organisation (GCO) staff who are filling CCS roles. Costs are invoiced to CCS quarterly by the Cabinet Office. Any uninvoiced amounts are accrued.

4 Other operating income

	2017/18	2016/17
	£000	£000
Income		
NHS FOM funding	566	-
Brexit funding	207	-
Digital solutions funding	171	-
GCF CaSIE MI tool funding	185	-
Strategic Support Team	84	-
Commercial Central Teams (CCT) Accelerator funding	1,962	-
Recruitment services	278	562
TOTAL	<u>3,453</u>	<u>562</u>

NHS Future Operating Model (NHS FOM) is a service CCS provide to the NHS Business Services Authority (NHS BSA) for the provision of office solutions.

Brexit is income from the Cabinet Office to be spent on the provision of an electronic tender notification system.

Cabinet Office provided CCS income for a number of digital solutions to accelerate growth through online portals in strategic category commercial vehicles/frameworks.

The Government Commercial Function (GCF) Contracts and Spend Insight Engine (CaSIE) tool enables a cross-central government (and wider public sector) view on all contract information and departmental spend data.

Strategic Support Team income is used to provide central government with advice and support in respect of large and / or expiring Information Technology contracts.

Commercial Central Teams (CCT) Accelerator funding is provided by the Cabinet Office to support the planned expansion and enhancement of commercial skills and capability across central government.

Recruitment services is a recharge to departments of recruitment costs for commercial specialists.

5 Operating costs	2017/18	2016/17
5.1 Other expenditure	£000	£000
Charges include:		
Auditor's remuneration	58	53
Government Commercial Function	828	-
Capability Programme	2,094	-
Charges for operating leases	2,717	2,485
Travel and subsistence	1,949	2,498
Accommodation and utilities	244	97
Marketing	569	239
Training	777	415
Whitehall Systems Management	3,085	2,306
Legal fees	578	706
Technology and telephony	6,916	5,583
Recruitment	935	1,305
Consultancy	2,684	2,680
Dual workplace costs	2,798	-
Other operating and external charges	<u>1,488</u>	<u>891</u>
TOTAL	<u>27,720</u>	<u>19,258</u>

The Comptroller and Auditor General is the auditor of CCS's accounts. The charge for the year is £58,000. All of this cost is related to audit services.

5.2 Other operating costs	2017/18	2016/17
	£000	£000
Commercial Accelerator Programme	-	3,982
Digital Transformation Programme	1,496	3,816
Crown Marketplace Programme	989	290
Public Sector Resourcing	15	142
NHS FOM	98	-
Brexit	<u>13</u>	<u>-</u>
TOTAL	<u>2,611</u>	<u>8,230</u>

Other operating costs relate to specific programmes of work which are in addition to costs relating to normal operations.

6 Finance income	2017/18	2016/17
	£000	£000
Bank and short term investment interest	<u>58</u>	<u>57</u>
TOTAL	<u>58</u>	<u>57</u>

Notes to the accounts continued

7 Property, plant and equipment

2017/18	31 March 2018 Computer Equipment	31 March 2018 Fixtures & Fittings	31 March 2018 Asset under construction	31 March 2018 TOTAL
	£000	£000	£000	£000
Cost				
At beginning of period	3,381	819	-	4,200
Additions in period	21	18	2,800	2,839
Disposals in period	(14)	(110)	-	(124)
At end of period	3,388	727	2,800	6,915
Depreciation				
At beginning of period	1,660	497	-	2,157
Amount provided in period charged to SOCI	604	75	-	679
Disposals in period	(15)	(110)	-	(125)
At end of period	2,249	462	-	2,711
Net book value at March 2018	<u>1,139</u>	<u>265</u>	<u>2,800</u>	<u>4,204</u>
Net book value at March 2017	<u>1,721</u>	<u>322</u>	<u>-</u>	<u>2,043</u>

2016/17	31 March 2018 Computer Equipment	31 March 2018 Fixtures & Fittings	31 March 2018 Asset under construction	31 March 2018 TOTAL
	£000	£000	£000	£000
Cost				
At beginning of period	3,381	819	-	4,200
At end of period	3,381	819	-	4,200
Depreciation				
At beginning of period	1,047	426	-	1,473
Amount provided in period charged to SOCI	613	71	-	684
At end of period	1,660	497	-	2,157
Net book value at March 2017	<u>1,721</u>	<u>322</u>	<u>-</u>	<u>2,043</u>
Net book value at March 2016	<u>2,334</u>	<u>393</u>	<u>-</u>	<u>2,727</u>

8 Intangible assets

	31 March 2018 Software licences £000	31 March 2017 Software licences £000
Cost		
At beginning of period	-	57
Disposals in period	-	(57)
At end of period	<u>-</u>	<u>-</u>
Amortisation		
At beginning of period	-	55
Amount provided in period	-	2
Disposals in period	-	(57)
At end of period	<u>-</u>	<u>-</u>
Net book value at March 2018	<u>-</u>	<u>-</u>
Net book value at March 2017	<u>-</u>	<u>-</u>

9 Inventories

	31 March 2018 £000	31 March 2017 £000
Fuel inventory for the Whitehall Systems	<u>88</u>	<u>89</u>
TOTAL	<u>88</u>	<u>89</u>

Notes to the accounts continued

10 Trade and other receivables

	31 March 2018 £000	31 March 2017 £000
Current receivables		
Trade receivables	9,574	9,117
Less: bad and doubtful receivables provision	<u>(94)</u>	<u>(9)</u>
Net trade receivables	9,480	9,108
Other receivables	68	69
Prepayments and accrued income	<u>14,943</u>	<u>13,252</u>
Total current receivables	<u>24,491</u>	<u>22,429</u>

Aged debt analysis

	31 March 2018 £000	31 March 2017 £000
Within credit terms	6,132	6,410
Past due date but not impaired:		
0-1 month	1,568	1,303
1-2 months	497	803
More than 2 months	<u>1,283</u>	<u>592</u>
Total receivables	<u>9,480</u>	<u>9,108</u>

Bad and doubtful receivables provision analysis

	31 March 2018 £000	31 March 2017 £000
Provision at the beginning of the year	9	34
Decrease in the provision for the year	(9)	(44)
Increase in the provision for the year	<u>94</u>	<u>19</u>
Provision at the end of the year	<u>94</u>	<u>9</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.

11 Cash and cash equivalents

	31 March 2018 £000	31 March 2017 £000
Government Banking Service and cash in hand	30,587	18,635
TOTAL	<u>30,587</u>	<u>18,635</u>

12 Trade and other payables

	31 March 2018 £000	31 March 2017 £000
Current payables		
Taxation and social security costs	5,259	3,141
Trade payables	4,857	2,912
Other payables	540	731
Dividend	2,000	-
Accruals and deferred income	35,880	15,331
TOTAL	<u>48,536</u>	<u>22,115</u>

13 Employee benefit payable

	31 March 2018 £000	31 March 2017 £000
Balance at beginning of period	604	575
Increase / (decrease) in the period	<u>(140)</u>	<u>29</u>
Balance at end of the period	<u>464</u>	<u>604</u>

Employee benefits represent accrued untaken leave. The decrease in the period is reflected within total wages and salaries (Note 1.11).

14 Lease obligations

	31 March 2018 Land & Buildings £000	31 March 2017 Land & Buildings £000
Operating lease rentals due within:		
One year	3,293	3,055
Two to five years	2,975	3,678
Over five years	-	-
TOTAL	<u>6,268</u>	<u>6,733</u>

Notes to the accounts continued

15 Provisions

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 48 for further information).

	31 March 2018 £000	31 March 2017 £000
Balance at beginning of period	7	344
Utilised in the period	(7)	(337)
Increase in the period	-	-
Balance at end of period	<u>-</u>	<u>7</u>

16 Public dividend capital

	31 March 2018 £000	31 March 2017 £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>

17 General reserve

	31 March 2018 £000	31 March 2017 £000
Balance at beginning of period	20,120	28,517
Retained (deficit) for the period	<u>(10,100)</u>	<u>(8,397)</u>
Balance at end of period	<u>10,020</u>	<u>20,120</u>

18 Notes to the statement of cash flows

Note (i): Reconciliation of operating (deficit) to net cash outflow from operating activities

	Note	2017/18 £000	2016/17 £000
Operating (deficit)		(8,158)	(6,454)
Utilisation of provisions	15	(7)	(337)
Depreciation charges	7	679	684
Amortisation of intangible assets	8	-	2
Decrease in inventories	9	1	15
(Increase) / Decrease in receivables	10	(2,057)	844
(Decrease) / Increase in payables and Employee Benefit	12/13	24,282	(4,144)
Net cash (outflow) from operating activities		<u>14,740</u>	<u>(9,390)</u>

Note (ii): Analysis of changes in net funds

	2017/18 £000	2016/17 £000
Net funds at 1 April	18,635	31,968
Net funds increase / (decrease)	11,952	(13,333)
Net funds at 31 March	<u>30,587</u>	<u>18,635</u>

19 Capital commitments

Capital commitments contracted for at 31 March 2018 were £1.2 million (31 March 2017: £nil).

20 Financial objective

The financial target was set at an annual average of 5% return on capital employed (ROCE) per annum over a five year period (April 2014 to March 2019). ROCE is measured as CCS's operating surplus as a percentage of the annual average of opening and closing net assets. CCS had a five year financial plan that aims to deliver this target. The current four year rolling average ROCE achieved is minus 23.5%. This is in line with the financial plan to incur deficit and utilise reserves for investments. Whilst there is an acknowledgement that CCS is unlikely to meet the current five year rolling average target, the ROCE position will improve in later years as surpluses are generated.

Notes to the accounts continued

21 Related party transactions

In accordance with IAS 24 Related Party Disclosures, as interpreted by the FReM, the following information is provided on related party transactions.

CCS is an Executive Agency within the Cabinet Office. Cabinet Office is regarded as a related party. G Rhys Williams is a Non-Executive Director at CCS and is also an employee of the Cabinet Office. No material transactions occurred between CCS and this individual during the year.

During 2017/18, CCS had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities. In addition, CCS has had dealings with all government departments during the year.

S Maizey is a Non-Executive Director for both CCS and NHS Business Services Authority (NHS BSA). CCS provide procurement services to NHS supply chain in support of the Department of Health's Future Operating Model and Procurement Transformation Programme for the NHS (NHS FOM). S Maizey was not involved in the approval and contract award process or the service provided.

As Director of Finance, Planning and Performance for CCS, and a member of the Audit and Risk Committee for the Intellectual Property Office (IPO), P Coombs was regarded as a related party. CCS is a sub-tenant of the IPO office MOTO and pays the IPO rent and service charges, but P Coombs is not involved in these transactions.

Compensation due to key management personnel in year has been disclosed in the Remuneration report (page 46).

22 Financial instruments

CCS 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.

CCS's 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 is included in the monthly operational review document used by the Board and Senior Leadership 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 on a fixed rate 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.

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 2018							
Trade receivables	9,480	-	-	9,480	-	-	-
Accrued income	14,943	-	-	14,943	-	-	-
Cash and cash equivalents	30,587	-	30,587	-	0.24	1.00	-
Gross financial assets	55,010	-	30,587	24,423	-	-	-

31 March 2017

Trade receivables	9,108	-	-	9,108	-	-	-
Accrued income	11,213	-	-	11,213	-	-	-
Cash and cash equivalents	18,635	-	18,635	-	0.23	1.00	-
Gross financial assets	38,956	-	18,635	20,321	-	-	-

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 2018							
Trade payables	4,857	-	-	4,857	0.00	0.00	-
Accruals and other payables	25,920	-	-	25,920	0.00	0.00	-
Gross financial liabilities	30,777	-	-	30,777	-	-	-

31 March 2017 (Restated)

Trade payables	2,912	-	-	2,912	0.00	0.00	-
Accruals and other payables	11,585	-	-	11,585	0.00	0.00	-
Gross financial liabilities	14,498	-	-	14,498	-	-	-

23 Contingent liabilities

There were no contingent liabilities.

24 Events after the reporting period

The Accounting Officer and Chief Executive will be leaving CCS at the end of July and a recruitment process is underway to appoint a successor.

During financial year 2018/19, the Commercial Central Teams and core Policy function will be transferring to the Cabinet Office. This will ensure that there is a clear line of sight from

both an accounting and reporting perspective for those teams which are under the direction of the Government Chief Commercial Officer.

In accordance with the requirements of IAS 10 - Events after the Reporting Period, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as being the date of the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

Treasury minute dated June 2017

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 the discharge of the Minister's functions in relation to that fund it shall be the Minister's 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 income and expenditure account; and
 - b. To achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. OGCBuying.solutions Trading Fund was established as the Buying Agency Trading Fund with effect from 1 April 1991. The name of the Buying Agency Trading Fund was amended to OGCBuying.solutions Trading Fund with effect from 3 April 2001 by the OGCBuying.solutions Trading Fund Order 1991 (S.I. 2001. No 922). The Buying Agency Trading Fund (Amendment) Order 2009 (S.I. 2009/647) then changed OGCBuying.solutions Trading Fund to the Buying Solutions Trading Fund from 6 April 2009, which was subsequently changed to the Government Procurement Service Trading Fund by the Buying Agency Trading Fund (Amendment) Order 2011 (S.I. 2011/2208) from 1 October 2011. The Government Procurement Service Trading Fund has since changed to the Crown Commercial Service Trading Fund by the Buying Agency Trading Fund (Amendment) Order 2014 (S.I. 2014/561) from 1 April 2014.
3. The Minister for the Cabinet Office, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by Crown Commercial Service Trading Fund for the 5 year period from 1 April 2014 to 31 March 2019 shall be to achieve a minimum return, averaged over the period as a whole, equivalent to 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 26 April 2012.
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 2013 to 31 March 2018

	Year 2017/18	Year 2016/17	Year 2015/16	Year 2014/15	Year 2013/14 Note 1
	£000	£000	£000	£000	£000
Statement of financial position					
Non-current assets	4,204	2,043	2,729	3,403	1,815
Total current assets less liabilities	6,166	18,434	26,482	36,554	35,663
Provision for liabilities and charges	(-)	(7)	(344)	(2,521)	(75)
Assets employed	<u>10,370</u>	<u>20,470</u>	<u>28,867</u>	<u>37,436</u>	<u>37,403</u>
Financed by					
Public dividend capital	350	350	350	350	350
General reserve	10,020	20,120	28,517	37,086	37,053
	<u>10,370</u>	<u>20,470</u>	<u>28,867</u>	<u>37,436</u>	<u>37,403</u>
Statement of comprehensive income					
Income	<u>74,961</u>	<u>73,355</u>	<u>67,679</u>	<u>70,244</u>	<u>47,807</u>
Operating costs	(80,508)	(71,579)	(66,257)	(64,835)	(49,089)
(Deficit) / surplus before other operating costs	(5,547)	1,776	1,422	5,409	(1,282)
Other operating costs	(2,611)	(8,230)	(8,090)	(3,500)	-
Operating (deficit) / surplus	(8,158)	(6,454)	(6,668)	1,909	(1,282)
Finance income	58	57	99	124	109
(Deficit) / surplus for the year	(8,100)	(6,397)	(6,569)	2,033	(1,173)
Dividend payable to the Cabinet Office	(2,000)	(2,000)	(2,000)	(2,000)	(2,641)
Retained (deficit) / surplus	<u>(10,100)</u>	<u>(8,397)</u>	<u>(8,569)</u>	<u>33</u>	<u>(3,814)</u>

Note 1 Operating as Government Procurement Service



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