

# **Crown Commercial Service** Annual Report and Accounts 2018/19

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# Welcome

## to the **Crown Commercial Service** Annual Report and Accounts 2018/19

In 2018/19 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

**£15.7bn**

of public sector spend channelled through our commercial agreements

an increase of

**£2.7bn**

from the previous year

Customers who have used our agreements have achieved commercial benefits worth **£945m** compared to current market comparators

**£22m**

of commercial benefits have been achieved through implementing business change initiatives with our customers

**1011** procurements (including call offs) carried out for customers with an annual contract value of **£946m**

Our employee engagement index as measured by the Civil Service People Survey has increased from 63% in 2017 to

**66%** in 2018

Our Net Promoter Scores (NPS) for customer satisfaction over the year reached **+48** for Customer Service and **+56** for Assisted Procurement

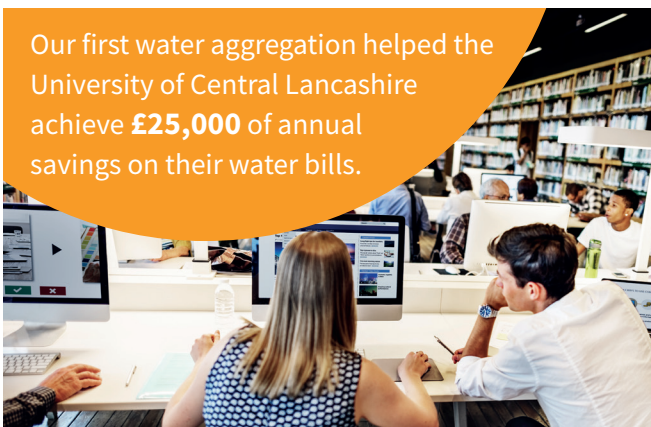
# Commercial benefits including savings



We helped **9 education** customers save **£161,500** on IT hardware such as laptops, tablets and projectors using the Technology Products 2 framework.



Through an aggregated further competition, we helped **12 customers** save an average **69%** on their mobile voice and data connections compared to the prices they were paying - **equivalent to £1.9 million over a 2 year period.**



Our first water aggregation helped the University of Central Lancashire achieve **£25,000** of annual savings on their water bills.



Our Digital Outcomes and Specialists 3 (DOS3) framework has 2,953 suppliers – **94%** of them small and medium sized enterprises (SMEs) with whom **£198 million** has been spent.



Using G-Cloud, Croydon Council streamlined its software packages by moving to one cloud-based system, and saved **£250,000**, enabling more flexible and outcome-focused service delivery.



Topspeed Couriers are a small business based in Cheshire and specialise in the safe transportation of goods requiring special handling across the UK. Since becoming a CCS supplier Topspeed have been able to create 60 new jobs and invest in new processes, allowing them to win similar public sector contracts.

# Year at a glance

## April 2018



We showcase a dedicated theatre and stand at Procurex North in Manchester, presenting on a number of topics including making bidding easier, cloud services, and procurement policy.

## May 2018



We bring all colleagues together across our four sites to set out our strategic objectives and challenges for the year ahead.

## June 2018



We bring together hundreds of small business owners for the 'Winning Public Sector Business' event in Newcastle. The event was hosted by the Crown Representative for Small Business and supported by speakers including representatives of major government departments.

## July 2018



We launch the new simplified Public Sector Contract, which removes duplication from the application process and streamlines procurement for companies that supply to government.

## August 2018



Five West of England councils save £187,000 on office supplies. The local authorities identified our Office Supplies for the Wider Public Sector framework as the best route to market for its needs.

## September 2018



Management Consultancy Framework Two completes the CCS suite of management and business consultancy frameworks. The agreements cover: finance, audit, HR, health, education, ICT, infrastructure, business, procurement, supply chain and commercial, transformation and strategic consultancy.



## October 2018



We host Digitech18, our first technology and procurement showcase, bringing together over 60 technology sector exhibitors and showcasing to over 500 delegates.

## November 2018



We announce our collaboration with Electronics Watch to help analyse, detect and mitigate the risk of modern slavery in the technology hardware supply chain.

## December 2018



The Wider Public Sector Legal Services panel launches, offering access to a range of law firms from regional SMEs to multi-national practices across England, Wales, Scotland and Northern Ireland.

## January 2019



Supported by the Department for Education (DfE), we launch the first contract in the UK for supply teachers and the education recruitment sector, with a new digital solution which helps schools find temporary staff.

## February 2019



School Switch launches, allowing schools and academies across the UK to switch their energy supplier in a few easy steps. It's the first of its kind in the public sector, providing a flexible and simple way to compare quotes and buy energy, without the need for specialist knowledge. Schools are set to save 20% on average on their gas and electricity bills.

## March 2019



Our Data and Application Solutions (DAS) framework opens for business to help public sector organisations buy a broad range of software solutions. Of the 80 suppliers awarded a place on the framework, 46% are SMEs.

# Vision, purpose, goals, strategy, ambition & values

Our vision is to be the ‘go to’ provider of commercial solutions for common goods and services for the public sector, the UK’s most admired commercial operation and a brilliant place to work, delivering outstanding value, commercial benefits and excellent customer service.

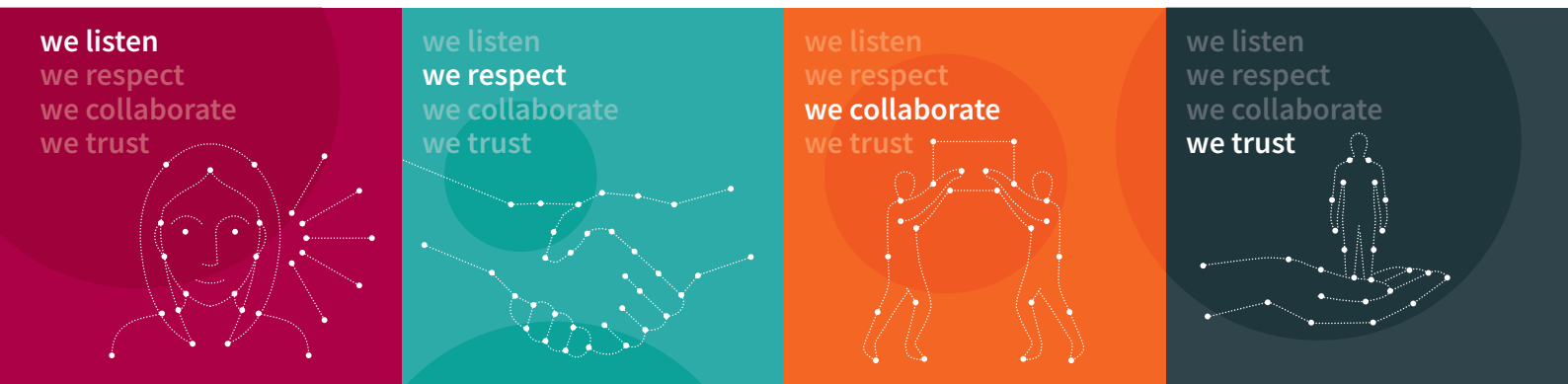
Our purpose is to deliver commercial benefits for UK central government, arm's length bodies and the wider public sector. We do this by establishing and managing outstanding customer focussed commercial agreements for common goods and services, bringing to bear our category expertise and procurement capability so that our customers can buy as effectively and efficiently as possible.

Our goals are to maximise commercial benefits; focus on the customer; and support the government’s public procurement policy priorities.

Our strategy is to achieve our goals by doubling the spend through our commercial agreements over the next four years from a baseline of £13 billion in 2017/18, and in doing so, enable our customers to achieve greater value for money and commercial benefits from their procurement of common goods and services.

Our ambition is to be ‘the best’ procurement organisation for common goods and services in the UK public sector. We will achieve this by transforming the organisation into an even more customer focussed business, making it simpler and easier for customers to access and consume our products and services. We will identify new categories, establish new commercial products and enter new markets. In parallel, we will also continuously improve our capabilities through the development of our people and ways of working.

Our values shape and drive everything we do. We will LISTEN, RESPECT, COLLABORATE and TRUST in order to DELIVER with CONFIDENCE.





# Performance report

# Overview

## Chairman's statement



Tony van Kralingen  
Chair

**The last year has been one of real achievement for Crown Commercial Service (CCS) in its important role to help the UK public sector save money when buying common goods and services. We have made excellent progress against the business plan and the organisation continues to grow at pace.**

Most notably, we have seen the single biggest year on year increase in spend through our commercial agreements, a strong financial performance and an increase in delivering commercial benefits for customers.

This year we have put a particular focus on listening to and supporting our customers and I am pleased that we have received such positive customer feedback through our Net Promoter Scores (NPS). All of this is testimony to the hard work and commitment of our people throughout the organisation.

I would like to thank Simon Tse for stepping up to the role of Interim Chief Executive for five months of this year and I was delighted to announce his permanent appointment to the role in December 2018. I am also very appreciative of the time and effort provided to CCS by the non-executive directors and for their counselling, advice and challenge to the executive team.

CCS has a clear vision and has set ambitious plans to grow over the next four years and drive even further value for the public sector by doubling the amount of spend through its commercial agreements by 2023, from the 2017/18 baseline of £13 billion. We will transform our systems, processes, structures and ways of working, ensuring that CCS is organised to succeed as a customer focussed, digitally enabled and commercially driven organisation. I have every confidence that Simon and the leadership team will deliver significant progress in this next phase of CCS's journey. I look forward to working with them, the Board and CCS staff over the coming year.

## Chief Executive's introduction



**CCS is a fantastic place to work. I knew that when I took on the interim role of leading the organisation in the summer and I was really pleased and privileged to be appointed to the role of CEO on a permanent basis from December 2018.**

**Simon Tse**  
Chief Executive

We've had a great year, growing the spend through our commercial agreements by over 20% and in turn helping to generate commercial benefits for the public sector of just under £1 billion. So let me say first and foremost a big thank you to all at CCS for their hard work and commitment. I also want to recognise the important role played by colleagues in teams across central government, arm's length bodies and the wider public sector in helping us achieve this growth. Without the support, collaboration and constructive challenge of all our stakeholders - those in the Government Commercial Function (GCF) and beyond - we could not have delivered as much as we have.

We're not resting on our laurels though - far from it. As an organisation, we play a key role in helping the public sector and taxpayers get value for money and this is a great motivation to keep driving our work forward - for me personally, and also for everyone at CCS. Our strategic objectives remain to: maximise commercial benefits; focus on the customer; and strengthen the UK economy through effective policy delivery.

Each year at CCS, we help over 17,000 customers to buy the common goods and services they need to deliver frontline services for citizens. The range of what we offer is vast: customers can buy a diverse range of goods and services, from laptops to locum doctors, research services to laundry, building materials to marketing. And our experienced and talented teams are committed to giving them the help and support they need to make public procurement simple, whilst getting the best deal on quality and price.

This year we saw £15.7 billion of spend through our commercial agreements, up from £13 billion last year. This is a huge achievement, but there is an even bigger opportunity for CCS to add more value, particularly helping the wider public sector get better value for their procurement, and we must grasp it. I want CCS to now build on what we have achieved and grow further and faster, to meet our ambition to double our spend from the 2017/18 baseline (£13 billion) over the next 4 years and deliver more commercial benefits than ever.

To do this, I need to make sure CCS is as effective an organisation as possible. To that end, we have been investing in our people and in making sure CCS is a great place to work. Our People Survey 2018 told us that our staff engagement scores have risen again, which puts us in the top quartile for the Civil Service, and our staff turnover rate is lower than ever. But we're not complacent - we continue to address the feedback we have had on bullying and harassment by beginning some new initiatives, such as our Respect at Work course, which has already begun to have a positive impact. To date, 86% of our staff have attended the course and feedback has told us that it has been well received and has given everyone a greater appreciation of respect in the workplace. We are also focussing as an organisation on wellbeing and mental health in the workplace, including investing in Mental Health First Aid training for c.100 colleagues.

We're also helping our people to develop. We have invested in continuous improvement across the various professions in CCS, not just commercial, but finance, project management, HR, data, digital and more; supported 81 people to undertake their Chartered Institute of Procurement and Supply (CIPS) qualifications; while c.100 people have been through our leadership training programme. CCS also remains an active participant in the Government Commercial Organisation (GCO) - 46 CCS colleagues in senior commercial roles are currently employed through the GCO and the final wave of colleagues in the GCO expansion will transfer in 2019/20. At the same time, we are growing the talent we have in the organisation through careful and targeted recruitment, with 126 new people joining CCS over the course of 2018/19.

For CCS to succeed in its ambitions, it must be even more of a customer centric organisation. We've made some good progress in addressing customer satisfaction in 2018/19, evidenced by consistently high Net Promoter Scores (NPS) from users of our procurement service (+56 over 2018/19) and Customer Service Centre (+48 over 2018/19). These good scores have been underpinned by the work we've done to provide the support and services our customers need. We have:

- refreshed our category strategies, ensuring that we can capture and communicate to our customers our market insight, and can design the channels that will enable buyers and suppliers to access the goods and services they need
- begun to expand our portfolio of digital solutions to make our agreements easier to access and use; we continue to test, iterate and improve these solutions and an overall digital presence as we get to better understand what our customers want and need
- established 24 new commercial agreements
- run 1,011 procurements for customers with a combined annual contract value (ACV) of £946 million
- supported NHS Future Operating Model (FOM), acting as the Category Tower Service Provider for Tower 9 - Office Solutions, helping to achieve significant commercial benefits
- achieved 2,750 digital registrations as a result of targeted marketing campaigns tailored to appeal to the right customers at the right time.

This year we have also further defined our role in delivering social value. Our new agreements now give customers the means to deliver their social value objectives - from creating more apprenticeships for young people, to reducing carbon emissions; from promoting equality and diversity, to assuring supply chains are free from modern slavery. We have also put tools and guidance in place to help build social value into procurements, and to measure the social value element of bids received.

The evidence of our overall impact for our customers is also clear. Comparing the prices achieved through CCS agreements with relevant market comparators, this year we have helped to deliver £621 million commercial benefits for our central government customers and £324 million for the wider public sector - £945 million in total, increasing from £601 million in 2017/18. In addition to this, we have identified a further £22 million in commercial benefits from other business change initiatives to help our customers buy better. And of course, we have delivered added value for customers in many ways that we do not measure in pounds and pence.

But there's more room for improvement. We've been consulting customers to understand how we can improve and they have told us: pace, consistency, ease of use and engagement are their top priorities. Key to our achieving this is the development of a really effective digital presence which means that our agreements are easy to access and easy to use for the whole range of buyers across the public sector, in such a way that they can be confident they are getting great value. We have also recognised that over the longer term CCS will need to transform more fundamentally, and our digital transformation needs to be rooted in the evolution of the organisation as a whole. We're now taking forward the online access to our digital products and the creation of a scalable digital solution as part of a wider programme of organisational change.

A key early step in our Transformation journey has been the formation of a new Customer Experience Directorate. This new team is focussed on listening to our customers across the UK public sector - in central government, arm's length bodies and the wider public sector - understanding their needs and helping them to access our agreements and services so that they can get the best possible value for the public purse.

So that we are focussed on our core objectives, we've also taken steps to streamline the business. We've now transferred our legacy responsibility for the Whitehall heating and standby power systems to the Government Property Agency, and we've completed the process of transferring to the Cabinet Office both the funding and reporting lines for the commercial central teams which serve the whole commercial function, including the public procurement policy team. This doesn't mean we have lost focus on our responsibility to implement procurement policy - as well as our work on social value, we have continued to support small and medium sized enterprises, designing our agreements' lotting structures and putting in place dynamic purchasing systems to make it easier for new and smaller suppliers to access public procurement opportunities.

Our strong performance in 2018/19 has set us a solid platform to continue to transform at pace and our journey to put the customer at the heart of what we do is truly on its way. Inevitably there will be challenges, but we will keep focussed on delivering for our customers, making our agreements easier to use and making them digital wherever possible.

As always, our values shape and drive everything we do. We will LISTEN, RESPECT, COLLABORATE and TRUST in order to DELIVER with CONFIDENCE.



Simon Tse  
Chief Executive and  
Accounting Officer  
10 July 2019

## Statement of purpose, scope and strategy

### Strategic objectives

CCS is a key constituent of the Government Commercial Function (GCF). We develop commercial solutions for the procurement of common goods and services to support the public sector in achieving value for money from spend with suppliers.

We have three overarching strategic objectives:

1. Maximising commercial benefits
2. Focus on the customer
3. Strengthening the UK economy through effective policy delivery

### Performance overview

#### 1. 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 our wider public sector customers, putting in place 24 new commercial agreements in 2018/19.

Over the course of the year, £15.7bn was spent through our commercial agreements - an increase of £2.7bn (20%) on the previous year. This has been driven by growth in both central government departments and their arm's length bodies (increasing from £6.7bn in 2017/18 to £9.1bn in 2018/19) and the wider public sector (increasing from £6.3bn in 2017/18 to £6.6bn in 2018/19).

The more spend that is channelled through CCS, the more commercial benefits we are able to achieve for our customers. In 2018/19 we achieved commercial benefits worth £945m through the use of our agreements compared to market rates (£621m for central government and £324m for wider public sector) as well as £22m of change initiatives for central government customers.



## **2. Focus on the customer**

We have continued to implement and embed a simpler, more efficient and more customer centric operating model through the establishment of a regional and sector based approach to customer engagement and business development. The capacity of the Customer Service Centre has also been increased to provide an improvement to first line advice and support to our customers, and we have established communities of practice amongst buyers.

We have also been able to provide our standard procurement call off service to a broader range of customers - with a particular focus on carrying out more high value / high complexity procurements.

Our continued investment in technology and user research has also enabled us to launch new commercial agreements, such as the Utilities Switching Service for schools, that are more intuitive and provide a simpler self-service customer experience.

Taken together these improvements are being reflected in a significant improvement in our 2018/19 Net Promotor Scores (NPS) - +56 for Assisted Procurement and +48 for Customer Service - an increase of +32 and +12 respectively on 2017/18.

## **3. Strengthening the UK economy through effective policy delivery**

We have continued to support the public procurement policy team, now in the Cabinet Office, in addressing key policy challenges for public sector procurement, and to support the delivery of the government's priorities.

Work has continued in support of the government's growth and industrial strategies through public procurement and increasing spend with SMEs. More than 80% of the suppliers that have been successful in securing a place on the new commercial agreements that we have launched this year are SMEs. We have also continued to simplify our commercial documents and bidding processes, making it easier to do business with us. The bidding packs have been simplified and we have rolled out a clearer standard Public Sector Contract which works with dynamic purchasing systems - helping to continue to level the playing field for suppliers.

We are also continuing to support initiatives for advancing social value and other key policy objectives through public procurement, including tackling modern slavery, by addressing these issues in the design, build and operation of our commercial agreements where relevant and appropriate.

The government's preparations for the UK's exit from the EU have also been well supported by CCS, through the provision of commercial and policy advice, along with technical development of an appropriate alternative mechanism to advertise contracting opportunities.

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## Financial performance

We exceeded our financial targets in 2018/19. Total income was £91.8m and expenditure was £64.2m, delivering a surplus before other operating costs of £27.6m (2017/18: £5.5m deficit). Other operating costs of £6.8m were also incurred relating to NHS Future Operating Model, Digital Projects, Crown Marketplace, Public Sector Resourcing and Find a Tender Project. After interest and dividends, the retained surplus was £14.8m which was £9.8m better than budgeted (2017/18: £10.1m deficit).

The opening General Reserve of £10.0m was therefore increased to £24.8m. There was no change to Public Dividend Capital (£0.35m), meaning that the total of taxpayers' equity in CCS increased from £10.4m to £25.2m. The return on capital employed for the year was 117.1% (2017/18: minus 53%), generating an average return on capital employed from April 2014 to March 2019 of 4.6% (2014 to 2018: average ROCE of minus 23.5%), achieving the target set by Her Majesty's Treasury. More information is contained within the Notes to the accounts on pages 69 to 84.

We continue our commitment to paying creditors in line with government policy on prompt payment. In 2018/19 CCS paid 98% of undisputed supplier invoices within five days (2017/18: 94%) and 100% of undisputed payments due within 30 days (2017/18: 100%).

## 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 level. Risk management is coordinated across a network of business managers representing each delivery function within the business.

The Executive Board reviews a strategic risk register on a monthly basis, as do the main Board six times a year as a standing agenda item. Operational risks are reviewed on a monthly basis by the Business Performance Board - a sub-committee of the Executive Board. Additionally, the Audit Committee provides scrutiny of the overall system of risk management, key areas of risk and 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 opposite along with a summary of corresponding actions.

|   | Risk   | Key mitigations  |
|---|--|--|
| 1 | Failure to adequately detect, respond to and recover from existing and emerging cyber threats. | <p>Creation of an information assurance and cyber security strategy, roadmap and plan, and enhancing threat intelligence.</p> <p>Attract and retain an effective security talent base and collaborate with other government departments.</p> <p>Define and implement appropriate policies and procedures and embed a strong security culture through the business and supply chain.</p>                            |
| 2 | Failure to keep pace with innovation in technology.  | <p>Innovation hubs developed, working with key strategic partners.</p> <p>Grow the architecture function and maintain market intelligence.</p> <p>Continue exploitation of world class platforms and services with strong supplier engagement and talent development.</p>  |
| 3 | Failure to monitor effective supplier assurance and compliance within the supply chain.        | <p>Conduct risk based due diligence and ensure supplier contract conditions adhere to legal and policy requirements.</p> <p>Ensure good practice is adopted through training.</p> <p>Centralised supplier assurance process in place.</p>  |
| 4 | Failure to meet customer expectations.   | <p>Spend migration plans in place.</p> <p>Obtain qualitative senior customer representative feedback.</p> <p>Utilise opportunity tracker to develop opportunities into plans.</p> <p>NPS surveys ongoing.</p>  |
| 5 | Failure to attract and retain the best people.   | <p>Prompt, targeted recruitment and proactive succession and talent management.</p> <p>Inclusion and diversity strategy and action plan and annual capability plan in progress.</p> <p>Consideration of top talent in appropriate committees.</p> <p>Recruit and retain business development team to grow the business.</p>  |
| 6 | Failure to keep up with competitors and remain relevant.                                       | <p>Continually provide customer focussed outcomes and consideration of new categories.</p> <p>'Digital first' approach.</p> <p>Proactive strategic supplier relationship management and deep competition analysis.</p> <p>Active learning and development programmes.</p> <p>Greater recruitment in the customer experience directorate, for business development to be more proactive in customer engagement.</p> |

# Performance analysis

## How CCS measures its performance

Organisational performance has been measured on a monthly basis through a corporate dashboard which tracks progress against business plan objectives and the business strategy, and forms the basis of a formal monthly review at the Business Performance Board. Progress and areas of concern are reported to the Executive Board.

Quarterly deep dive performance reviews have been carried out across the four category pillars and half yearly organisational performance reviews have been carried out by the Cabinet Office Permanent Secretary (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. Additionally, a monthly summary performance report has been issued to the Board and for use by staff.

## 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 SMEs 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 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 technology enabled or digital channels.

Key areas of risk to the organisation, and the associated ongoing mitigation action that is taken, are aligned to key elements of organisational performance and that which is 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 implemented a Respect at Work programme which has been rolled out across the organisation. Staff are consulted and engaged in taking the organisation forward through regular all staff events, as well as through our broader leadership group and regional leadership groups. We track staff engagement through the annual Civil Service People Survey and our engagement score in 2018/19 was 66%, an increase of 3 points on 2017/18 and 5 points on 2016/17.

## 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 £830m (£900m stretch) of commercial benefits comprising: <ul style="list-style-type: none"> <li>CG £468m (£515m stretch)</li> <li>WPS £262m (£285m stretch)</li> <li>Initiatives of £100m</li> </ul> | <b>Achieved</b><br>Total £967m of commercial benefits achieved comprising: <ul style="list-style-type: none"> <li>CG £621m</li> <li>WPS £324m</li> <li>Initiatives of £22m</li> </ul>   |
| Strengthening the UK economy through effective policy delivery | To support the Cabinet Office (CO) in the delivery of the government's objectives on procurement policy  | Increase CG spend directly with small businesses via CCS's commercial agreements   | <b>Partially achieved &amp; ongoing</b><br>Spend directly with SMEs reached £912m (12%) which is +£173m on 2017/18 and flat as a percentage of total direct spend   |
|  |  | Simplify and improve commercial documents and supplier bidding processes   | <b>Achieved</b><br>A shorter and concise standard Public Sector Contract developed, which is the default contract for new commercial agreements. Dynamic purchasing system version also developed<br><br>Established forum for suppliers to provide feedback to ensure continuous improvement   |
|  |  | Advance procurement policy objectives (social value, tackling modern slavery, equality, sustainability and single use plastics) through design of CCS category strategies and commercial agreements          | <b>Achieved</b><br>All relevant category strategies are reviewed to ensure that, at a minimum, there is compliance with policy requirements<br><br>Exemplar social value procurement for vehicle hire implemented in partnership with Department for Culture, Media and Sport (DCMS) and CO<br><br>Consumer Single Use Plastic (CSUP) elimination scheme implemented within CCS |

Performance against Business Plan objectives *continued*

| Strategy element      | Strategic objective   | Performance measure  | Assessment and achievements  |
|-----------------------|---|--|--|
| Focus on the customer | To provide commercial agreements and associated services to customers that are easy to access, use and which meet their needs | To deliver a standard procurement service to 18 CG departments with a wider service to CO and HMT, delivering up to 1400 competitions via our portfolio of commercial agreements with a total annual contract value (ACV) of c.£450m   | <p><b>Partially achieved</b><br/>1011 procurements carried out for customers</p> <p><b>Achieved</b><br/>ACV of £946m</p>   |
|                       |   | <p>To provide outstanding customer service and easy customer access to the portfolio of commercial agreements and associated customer enquiry and procurement services</p> <p>Net Promoter Score (NPS) coverage will be extended across the organisation to more service lines with a common target of +15 (+25 stretch)</p> | <p><b>Partially achieved &amp; ongoing</b><br/>New website launched and capacity added to the Customer Service Centre</p> <p><b>Achieved</b><br/>Assisted Procurement NPS of +56 achieved<br/>Customer Service NPS of +48 achieved</p> |
| Building capability   | To continue to build and improve our people and organisational capability   | Enable CCS to have the right people and skills in place through provision of specialist HR, recruitment, learning and development services   | <p><b>Achieved &amp; ongoing</b><br/>126 new hires recruited adding capacity to the Customer Service Centre, commercial agreement management and business development teams</p>  |
|                       |   | <p>Maintain top quartile position in People Survey engagement scores. Target a 3 point improvement on 2017/18 performance - increasing overall score from 63 to 66</p> <p>Actively reduce bullying and harassment rates across the organisation</p>  | <p><b>Achieved</b><br/>Top quartile maintained. People Engagement score of 66% achieved (+3% on 2017/18)</p> <p><b>Not achieved</b><br/>Scores increased from 11% to 14%</p>   |

| Strategy element  | Strategic objective   | Performance measure   | Assessment and achievements   |
|---|---|---|---|
|   |   | Continue to improve people capability and development, including the delivery of people aspects associated with the capability blueprint and CCS business improvement programme | <p><b>Partially achieved &amp; ongoing</b><br/>Ongoing management of Government Commercial Organisation (GCO) staff and support through assessment development centres (ADCs) and attendance at development events; began the process of transfer of Grade 7s to the GCO</p> <p>Management development programme launched in October, c.100 managers have commenced the programme from all areas of CCS</p> <p>Customer service training implemented with continued emphasis on values and behaviours with our Respect at Work training</p> |
|   |   | Develop and embed a new integrated HR & finance system  | <p><b>Achieved</b><br/>Phase 1 implemented on time and within budget</p>  |
| <b>Growth from increased spend through our solutions / products</b> | To grow public sector spend through our centralised commercial agreements                         | <p>Achieve £15.2bn of spend through commercial agreements comprising:</p> <ul style="list-style-type: none"> <li>• CG £8.2bn</li> <li>• WPS £7bn</li> </ul>                     | <p><b>Achieved</b><br/>Spend of £15.7bn achieved through CCS commercial agreements</p> <p><b>Achieved</b><br/>CG spend of £9.1bn achieved representing growth of £2.4bn compared to 2017/18</p> <p><b>Not achieved</b><br/>WPS spend of £6.6bn was achieved representing growth of £0.3bn compared to 2017/18</p>   |
| <b>Effective category strategies</b>                                | To develop and maintain highly effective category strategies and launch new commercial agreements | Refresh up to 80 category strategies  | <p><b>Partially achieved &amp; ongoing</b><br/>Of 67 category strategies planned in year, 60 (90%) were completed</p>   |
|   |   | Launch up to 50 new commercial agreements   | <p><b>Not achieved</b><br/>24 new commercial agreements awarded. This was due to the combination of the cancellation of agreements due to changes in business requirements and planned delays to awards into 2019/20</p>  |

Performance against Business Plan objectives *continued*

| Strategy element                                      | Strategic objective   | Performance measure   | Assessment and achievements   |
|---|---|---|---|
| Central Government and Wider Public Sector strategies | To continue to strengthen relationships and stimulate growth in spend through our products across CG      | <p>To establish and manage a pipeline of current and future business growth opportunities and associated commercial benefits:</p> <p>Commercial benefits of between £568m and £615m (stretch) are achieved for customers (including £100m of initiative-based benefits)</p> <p>CG spend grows to £8.2bn</p> <p>To support the implementation of the departmental spend migration initiative to move common goods and services spend into CCS commercial agreements</p> <p>To influence and contribute to pillar category strategies to support CG future growth targets</p>   | <p><b>Achieved</b><br/>£643m of commercial benefits achieved (including £22m of initiatives)</p> <p><b>Achieved</b><br/>CG spend of £9.1bn achieved representing growth of £2.4bn compared to 2017/18</p> <p><b>Partially achieved &amp; ongoing</b><br/>Spend migration reached £724m, in line with in year plan</p> <p><b>Partially achieved &amp; ongoing</b><br/>Category strategies refreshed as part of a standard approach</p>   |
|   | To continue to strengthen relationships and stimulate growth in spend through our products across the WPS | <p>To establish and manage a pipeline of current and future business growth (using a theme-based approach) and associated commercial benefits opportunities:</p> <p>Commercial benefits of between £262m and £285m (stretch) are achieved for customers</p> <p>WPS spend grows to £7.0bn</p> <p>Targets agreed with specific sectors or organisations are agreed and achieved</p> <p>To influence and contribute to pillar category strategies to support future WPS growth targets</p> <p>To establish and maintain effective strategic partnerships with Public Buying Organisations (PBOs) to support growth through CCS commercial agreements</p> | <p><b>Achieved</b><br/>£324m of commercial benefits achieved</p> <p><b>Not achieved</b><br/>WPS spend of £6.6bn was achieved representing growth of £0.3bn compared to 2017/18</p> <p><b>Not achieved</b><br/>No targets were agreed. The focus moved to achieving spend related commercial benefits measured at a pillar level</p> <p><b>Partially achieved &amp; ongoing</b><br/>Category strategies refreshed as part of a standard approach</p> <p><b>Partially achieved &amp; ongoing</b><br/>Partnership arrangements in place and being managed and ongoing strategy is being reviewed</p> |



| Strategy element     | Strategic objective  | Performance measure   | Assessment and achievements   |
|----------------------|--|---|---|
| Crown Marketplace    | To continue to develop the Crown Marketplace (CMp)   | To implement the digitisation workstream - complete a digitisation evaluation for all new commercial agreements due to go-live over the next two years to form a content pipeline   | <p><b>Partially achieved &amp; ongoing</b><br/>Eight digital / technology enabled commercial services developed</p> <p>Following a review, it was agreed to replace the CMp Programme with a Transformation programme, taking forward the digitisation strategy as part of wider organisational change, more closely aligned to and integrated with business units</p>  |
|                      |  | To implement the solution workstream commencing with priority digital projects including Travel, Utilities Switch and Facilities Management   |   |
|                      |  | To create a commercial strategy, engage the market to identify solution providers and develop an appropriate specification to take to market  |   |
|                      |  | To secure sign off of the business case and secure funding  |   |
| Business improvement | To continually improve our business processes, data, insights and systems that underpin service delivery and growth through our products and solutions | To implement the portfolio of initiatives to improve the efficiency and effectiveness of business processes in line with planned milestones and costs   | <p><b>Partially achieved &amp; ongoing</b><br/>Business process redesign has taken place implementing improvements to core business processes, including category management and commercial agreement lifecycle management</p>  |
|                      |  | To implement the portfolio of digital projects to improve business systems (including website phase 2, e-sourcing platform replacement, MISO replacement, Salesforce CRM and commercial agreement management) in line with planned milestones and costs | <p><b>Partially achieved &amp; ongoing</b><br/>A number of internal business enabling projects were implemented including a new integrated HR and finance system, a replacement e-sourcing system along with a new supplier management information system. Opportunity pipeline management tool established to better track and support onboarding of customer requirements to our commercial solutions</p> <p>The CCS website was refreshed and relaunched, providing customers with more intuitive and simpler user journeys to access our portfolio of commercial agreements and solutions</p> |
|                      |  | To ensure benefits from all business improvement projects are achieved in line with business cases  | <p><b>Partially achieved &amp; ongoing</b><br/>Benefits realisation plans are in place and are being tracked by CCS Corporate Programme Management Office</p>   |

Performance against Business Plan objectives *continued*

| Strategy element                                   | Strategic objective  | Performance measure  | Assessment and achievements   |
|--|--|--|---|
| Effective governance, risk management & efficiency | We will ensure that CCS is a well run, efficient and sustainable business with strong governance | To provide rigorous corporate governance and systems of internal control ensuring accountability throughout the business   | <b>Achieved</b><br>Moderate audit opinion maintained with improvements made in advancing processes and internal controls, new ways of working and the effective use of technology. Business management assurance processes in place supported by an Operational Governance Self Assessment (OGSA) Framework. Business Performance Board established as a sub-committee of the Executive Board to review performance and hold the business to account on a monthly basis |
|  |  | To provide data insights (underpinned by an enterprise-wide data model), business and market intelligence to support organisational growth and efficiency objectives | <b>Achieved</b><br>Reporting and data models have been updated and aligned to support improved corporate reporting. Over 100 market insight reports were delivered in-house this year, and a new platform for distribution across CG put in place via the GCF Contract and Spend Insight Engine (CaSIE) tool. Additionally we have established new subscription agreements for wider industry intelligence to inform category strategy development                      |
|  |  | To provide robust financial management to achieve the 2018/19 budget   | <b>Achieved</b><br>Financial targets for 2018/19 exceeded   |
|  |  | To develop the CCS Corporate Strategy and Annual Plan, operate the corporate performance framework and govern commercial benefits across CCS                         | <b>Achieved</b><br>Strategy reviewed and refined, two year Business Plan covering 2019/20 to 2020/21 endorsed by the Board and CO Permanent Secretary (CCS Sponsor). Medium Term Financial Forecast (MTFF) to 2022/23 developed and endorsed by the Board. Corporate reporting and variance management improved through further embedding of corporate dashboard, quarterly cross pillar reviews, risk management and Board reporting                                   |
|  |  | To provide technology and digital services that are focussed on customer and business outcomes   | <b>Partially achieved &amp; ongoing</b><br>Digital strategy endorsed by the CCS Board. A sourcing model is in place for specialist capability to implement digital by default customer facing solutions. A defined roadmap has been developed to direct us to our endorsed enterprise target architecture model   |

## Sustainability report

CCS remains supportive of the Greening Government Commitments to reduce our impact on the environment. We continue to emphasise the reduction of greenhouse gas emissions, waste and water usage, making CCS a more sustainable organisation.

All buildings that CCS occupies are managed by other government departments; this means all estate related performances (e.g water, waste, energy and gas emissions) are therefore collected at building level and reported by the landlords.

Looking forward, CCS aims to build an Environmental Management System (EMS) framework; this framework will align to ISO 14001:2015 Standard and will commence in 2019/20. The framework will be created from work presently in development by the Government Property Agency and Cabinet Office, completing during October 2019. One major benefit of the proposed EMS framework will see CCS products and services designed, manufactured, distributed, consumed and disposed of using a life-cycle approach. This approach prevents adverse environmental impacts unintentionally shifting elsewhere.

The CCS travel policy is regularly reviewed to ensure the most sustainable and cost efficient methods are used wherever possible. CCS also continues to invest in technology to encourage staff to work flexibly using teleconferencing and video chats to reduce travel between offices.

CCS continues to work in partnership with Cycle Solutions to promote the Cycle to Work scheme. The programme launched in 2017/18 with a total of 17 people so far signing up.



### Greenhouse gas emissions: official business travel

| Tonnes CO <sup>2</sup>     | 2009/10<br>(Baseline) | 2015/16    | 2016/17    | 2017/18    | 2018/19    |
|----------------------------|-----------------------|------------|------------|------------|------------|
| Official Travel - Road     | 98                    | 70         | 63         | 41         | 25         |
| Official Travel - Rail     | 57                    | 193        | 290        | 229        | 185        |
| Official - Air             | 128                   | 47         | 44         | 35         | 23         |
| <b>Total GHG Emissions</b> | <b>283</b>            | <b>310</b> | <b>397</b> | <b>305</b> | <b>233</b> |

### Expenditure on official business travel

|                                      | 2009/10<br>(Baseline) | 2015/16      | 2016/17      | 2017/18      | 2018/19      |
|--------------------------------------|-----------------------|--------------|--------------|--------------|--------------|
| <b>Financial indicators<br/>(£k)</b> | <b>1,183</b>          | <b>1,540</b> | <b>1,674</b> | <b>1,367</b> | <b>1,142</b> |

## Sustainable procurement

CCS makes every effort to ensure that its commercial agreements offer sustainable solutions and comply with all relevant and appropriate standards, and in some specific areas (e.g. Technology Products) uses updated EU-compliant buying standards, rather than Government Buying Standards. In addition, CCS consistently encourages suppliers to adopt energy efficient methods of working to reduce carbon emissions, including the following initiatives:

- In line with the Clean Growth Strategy, CCS provides a variety of solutions enabling government departments to access a range of low carbon technologies, in particular through CCS's new Heat Networks and Electricity Generation Assets (HELGA) dynamic purchasing system, which launched in November 2018. Users of this agreement have access to a wide range of market-leading suppliers that provide a range of services supporting all activities from consultancy, design, build and operate, through to commoditised products, aimed at supporting renewable and self generation projects; for example, onsite solar.
- The CCS travel team continues to support the public sector with the reduction of its carbon footprint for travel. Our Public Sector Negotiated Programmes include special fares which make rail travel more cost-effective than flying for longer UK journeys, such as London to Glasgow; and our new Public Sector Vehicle Hire Solutions agreement will include a car share option.
- The Crown Hosting framework has demonstrated substantial energy efficiency benefits for public sector customers in their transformation journey as they move to adopt the 'cloud first' approach. The data centre has the lowest fixed operational Power Usage Effectiveness (PUE) efficiency rate, which is also guaranteed. This also represents major savings in excess of 30% on through life-cycle energy costs. The campus itself has been built on a sustainable ecosystem from the point of its inception, such as with 'green' supply of power, solar panels providing power to common areas, rainwater harvesting, water reuse, and environment and wildlife support.
- The Department for Environment, Food and Rural Affairs (Defra) has stated that the commitment in the 25 Year Environment Plan to remove all Consumer Single Use Plastic (CSUP) from most of the central government estate offices will be delivered by 2020, with the option for any department to do so earlier if desired. To support departments and facilities management (FM) providers in supply chains to phase in alternatives to CSUP in time for the ban coming into force, CCS has worked closely with the Cabinet Office procurement policy team and FM suppliers to develop a CSUP elimination scheme to be implemented through suppliers on our FM framework. The scheme has established steps that could be taken to remove CSUP from new and existing contracts with departments, at neutral cost, in support of this commitment. Phase 1 of the scheme ran from August 2018 to January 2019 and results at the end of the period showed that of the 22 departments and agencies that reported their activity, 73% have eliminated/part-eliminated plastic cutlery and straws, among other measures.

## Social Value

CCS recognises that for customers across the public sector, maximising value means securing social value for citizens as well as commercial benefits. Our customers can use our commercial agreements to deliver social value benefits in accordance with their priorities and objectives.

CCS continues to lead the way in developing commercial solutions that have a high social value and is working hard to ensure modern slavery does not occur in our supply chains. Through our collaboration with Electronics Watch, CCS helps to analyse, detect and mitigate the risk of modern slavery in the hardware supply chain. In order to support this, all live Technology Pillar commercial agreements are being assessed for potential risks, and suppliers identified as 'high risk' will be invited to complete the Modern Slavery Assessment Tool (MSAT), which may result in further investigation and possible intervention.

Our commitment to assisting customers to deliver real social value benefits is also demonstrated by our new vehicle hire agreement that will be launched in 2019/20. We have woven social value into the fabric of the commercial agreement by including a social value priority statement in the specification of requirements, which is supported by the inclusion of clauses and key performance indicators (KPIs) throughout the agreement and related schedules. Social value elements include: environmental sustainability; community benefits; diverse and safe/secure supply chains.

The government has introduced statutory targets for public sector bodies to contribute to the goal of achieving 3 million apprenticeships by 2020. At least 2.3% of the workforce in public sector bodies will have to be apprentices. We have placed in excess of 2,300 apprenticeship starts through our Apprenticeship commercial agreement in support of the public sector target.

In addition to social value measures, CCS continues to structure its commercial agreements to ensure that our customers are able to utilise a diverse supply base. This means that we are encouraging more and more SMEs to bid for contracts, as well as bringing new suppliers to the public sector market. £912 million was spent directly with SMEs through CCS's commercial agreements in 2018/19.

The creation, development and implementation of the simplified Public Sector Contract and CCS's core Terms and Conditions across our commercial agreements will continue to make it easier for SMEs to do business with the public sector. It also re-states the requirement for all our suppliers to comply with the government's Supplier Code of Conduct.



Simon Tse  
Chief Executive and  
Accounting Officer  
10 July 2019



Crown

Commercial

Service

# 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, CCS is accountable to the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office. For the financial year 2018/19, the Rt Hon David Lidington CBE MP served in the role. 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 during the full reporting period. Malcolm Harrison was Chief Executive for the period 1 April 2018 to 27 July 2018 and Simon Tse was appointed to the Board as Interim Chief Executive from 28 July 2018 and then as Chief Executive from 20 December 2018. The attendance list is provided on page 37 and the remuneration of all Board members during the year is shown on page 45 of the remuneration and staff report.

Malcolm Harrison undertook the role of Accounting Officer for the Trading Fund for the period 1 April 2018 to 27 July 2018. HM Treasury appointed Simon Tse as Interim Accounting Officer from 28 July 2018 and as Accounting Officer from 20 December 2018.

CCS has procedures in place 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  | Position held   | Declaration of interest   | Live or closed                   |
|---|---|---|----------------------------------|
| T van Kralingen<br>(Chair)                  | Non-Executive Chair<br>Honorary Professor                                       | Wm Morrison Supermarkets PLC<br>University of Nottingham  | Live<br>Live                     |
| S Maizey<br>(Non-Executive Director)        | Chair<br>Non-Executive Director<br>Non-Executive Director<br>Director           | NHS Business Services Authority<br>John Menzies plc<br>Network Rail<br>Saffron Solutions Ltd    | Live<br>Live<br>Live<br>Live     |
| G Rhys Williams<br>(Non-Executive Director) | Government Chief Commercial Officer<br>Member of Board of Companions<br>Trustee | Employee of the Cabinet Office<br>Chartered Management Institute<br>Fauna & Flora International | Live<br>Closed<br>Live           |
| D Wakefield<br>(Non-Executive Director)     | Chair<br>Chair<br>Chair<br>Board member   | NHS Bolton Foundation Trust<br>Leverhulme Academy<br>UHNH NHS Trust<br>OFQUAL                   | Closed<br>Closed<br>Live<br>Live |
| R Wilmot<br>(Non-Executive Director)        | CEO   | Crowdicity Ltd  | Live                             |
| S Tse<br>(CEO 28.07.18 - present)           | Chair   | Mumbles Community Association   | Live                             |
| M Harrison<br>(CEO 01.04.18 - 27.07.18)     | None  | None  | N/A                              |
| P Coombs<br>(Executive Director)            | Audit and Risk Committee member   | Intellectual Property Office  | Live                             |

### Statement of Accounting Officer's responsibilities

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

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

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- Prepare the financial statements on a going concern basis
- Confirm that as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware
- Confirm that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information
- Confirm that the annual report and accounts as a whole is fair, balanced and understandable
- Confirm that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable

CCS's operating activities, together with the factors likely to affect its future development and performance, are set out in the Chief Executive's Introduction and Performance Overview. In addition, the Governance Statement sets out the principal risks and uncertainties which exist within the business and how they are managed.

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 period 1 April to 27 July 2018 and Simon Tse was the Accounting Officer for the period 28 July 2018 to 31 March 2019. 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 CCS'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

As Accounting Officer, I have responsibility for reviewing the effectiveness of CCS's governance, risk management and system of internal control. My review has been informed by the assurance of individual governance returns from each director and other external sources of assurance. Further assurance has been gained from internal audit reports and the annual audit report from the Government Internal Audit Agency (GIAA). I have considered the evidence provided to support this Governance Statement and sought relevant Audit Committee assurance. Overall I conclude that CCS has maintained a sound system of governance, risk management and internal control during the financial year 2018/19.

## 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 document will be revised and updated in 2019/20.

The 2018/19 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.

Following the 2017 Public Accounts Committee's review of CCS, the accountability and funding arrangements for the commercial central teams were reviewed. These teams, and the funding arrangements, were transferred to the Cabinet Office on 1 June 2018 and continue to report to the Government Chief Commercial Officer.

During 2018/19, 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 2018/19 there were four sub-committees of the Board: the Audit Committee, Customer Committee, Senior Appointments and People 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 and Accounts.
- 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 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.
- The Technology Committee supported the Board and Accounting Officer by reviewing CCS's digital and technology strategy and key technology programmes and initiatives.

The executive team was led by the Chief Executive and included representatives from all the key areas of the organisation. This group met as an Executive Board on a monthly basis and its role was to manage the delivery of the strategic aims and to provide leadership to the organisation. The Executive Board was supported by internal sub-committees covering People, Business Performance, and Investment & Change.

**Board and Committee attendance**

| Meeting attendance per board member of meetings eligible to attend |  |       |                 |                    |  |                      |
|--|--|-------|-----------------|--------------------|--|----------------------|
| Name   | Position   | Board | Audit Committee | Customer Committee | Senior Appointments & People Committee | Technology Committee |
| T van Kralingen  | Non-Executive Chair  | 6/6   | N/A             | N/A                | 2/2                                    | N/A                  |
| S Maizey   | Non-Executive Director and Chair of the Customer Committee   | 5/6   | 4/4             | 4/4                | 1/2                                    | N/A                  |
| G Rhys Williams  | Non-Executive Director                                       | 6/6   | N/A             | 3/4                | 2/2                                    | N/A                  |
| D Wakefield  | Non-Executive Director and Chair of the Audit Committee      | 5/6   | 4/4             | N/A                | 2/2                                    | 6/7                  |
| R Wilmot   | Non-Executive Director and Chair of the Technology Committee | 6/6   | 3/4             | N/A                | 2/2                                    | 7/7                  |
| M Harrison   | Chief Executive  | 2/2   | 1/1*            | 1/1                | 1/1                                    | 3/3                  |
| S Tse  | Chief Executive  | 4/4   | 3/3*            | 3/3                | 1/1                                    | 4/4                  |
| P Coombs   | Director of Finance, Planning and Performance                | 6/6   | 4/4*            | N/A                | N/A                                    | 7/7                  |

- There were six full board meetings during the year and one strategy day.
- \* Attendance by the Accounting Officer and Director of Finance, Planning and Performance at the Audit Committee was in an attendee, not member capacity.

## Board sub-committee reports

### Audit Committee

The Audit Committee is established under Board delegation with approved terms of reference aligned with the HM Treasury 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 (NAO) and Cabinet Office. In addition, other executive directors and managers attended as appropriate at the request of the Committee. The Committee is committed to reviewing its effectiveness and although no formal review was undertaken in 2018/19, a review will take place in 2019/20 as part of a wider Board effectiveness review.

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. In reviewing the past twelve months, the Committee fully recognised the scale of change undertaken in recent years and the further progress made in 2018/19. Throughout the last few years, the Committee was keen to support management to deliver against its objectives whilst ensuring controls were evidenced and underpinned by solid practices and management oversight. Establishing a new operating model, organisational structure and ways of working all introduced different levels of complexity and the Committee were pleased to note that throughout this period, improvements in core controls, risk management and key assurance processes were maintained.

During 2018/19, the Committee sponsored 12 internal audit assurance reviews and three advisory reviews and noted the proactive approach adopted by management to the identification of potential risks inherent in the implementation of new systems and processes. The Committee noted that the core controls remained satisfactory throughout the year and is mindful that further time and investment in training, systems development and improvement in some support processes will be required on an ongoing basis, to assure the Accounting Officer and Board on the robustness of the organisation's governance arrangements.

### Customer Committee

The Customer Committee met four times in 2018/19. Core membership of the Committee comprised two Non-Executive Directors and other regular attendees included the Chief Executive, Director of Customer Experience and the Central Government Account Director. The Committee regularly considered CCS's plans for growth and performance against spend and commercial benefits targets across central government departments and the wider public sector. It also considered the strategic approach to engagement with "non-core" organisations, primarily arm's length bodies (ALBs), to support the CCS growth target. The Committee reviewed performance in customer satisfaction from targeted Net Promoter Score surveys and qualitative surveys with departmental commercial directors, and welcomed the positive customer feedback throughout the year. It also considered the marketing plans during the year, and the performance of marketing campaigns in delivering against lead generation and digital registration targets.

A further area of focus during the year was the setting up of the Customer Experience Directorate and the creation of business development capability, in particular a stronger regional presence to support CCS's ambitions for 2019/20 and beyond. The Committee also provided advice and suggestions on CCS's customer engagement approach and the establishment of a steering group for customers across the wider public sector and ALBs. Looking forward, the Committee has agreed that it should focus less on reporting and more on looking at CCS through a customer lens.

### Senior Appointments & People Committee

The Senior Appointments & People Committee met twice in 2018/19. The Committee's focus during this period was the recruitment, performance, development, talent management and succession planning of senior leadership roles within CCS. The Committee also reviewed the people dashboard and performance against key indicators including headcount, absenteeism, turnover, reward, and learning and development.

### Technology Committee

The Technology Committee met seven times during 2018/19 and continued to provide assurance to the Board on the organisation's digital and technology strategy, and the development of digital transformation workstreams to ensure the successful delivery of CCS services and support its growth plans over the next few years.

Much of the Committee's focus was on reviewing and advising on the Crown Marketplace programme through its development phase and reset, advocating that CCS's digital transformation needed to be part of a wider programme of organisational change. In line with the Infrastructure and Projects Authority's review recommendations, the Committee supported the closure of the Crown Marketplace programme and reviewed the business case for the Transforming CCS programme. This culminated in a recommendation to the Board for endorsement of the transformation delivery plan, overall direction and governance processes.

The Committee considered and endorsed the Digital & Technology strategy 2018/21 which set out how the Digital Services function will support and enable the operational running of CCS's technology services and the transformation of the business offering for customers over the next three years.

Additionally, the Committee reviewed and advised on CCS's ongoing technology based business process systems, including, for example, CCS's new website, e-sourcing platform and HR and finance management software solution. It received regular updates on operational performance including service availability, incidents, information security, resource management and delivery projects, which provided the necessary assurance that core controls, risk management and key assurance processes were being maintained and monitored.

### 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 HM Treasury/Cabinet Office "Corporate Governance in Central Departments: Code of Good Practice 2017". 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.

### Board effectiveness

In line with the Code, the Board reviewed its performance and that of its Committees in 2018. The Board agreed that the current governance structure and its sub-committees were appropriate and overall was content with the assessment of its performance and effectiveness. Options for an independent review of the effectiveness of the Board and its sub-committees are being considered in 2019/20.

## Internal Audit

### Work of Internal Audit

CCS has a dedicated Internal Audit service provided by the Government Internal Audit Agency (GIAA) which is delivered in accordance with the GIAA Charter and the Public Sector Internal Audit Standards (PSIAS). The current Head of Internal Audit was appointed in April 2018 and 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. Internal Audit has a key role in the governance framework of the organisation 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 2018/19 was developed with reference to CCS's corporate objectives and risks, and was reviewed, discussed and subsequently approved by the Audit Committee in March 2018. During 2018/19, 12 internal audit (assurance) reviews were completed and three consultancy/advisory reports were produced covering the breadth of CCS, including corporate core, operations, transformation, digital and data, and business assurance. In consultation with management, the Internal Audit Plan was reviewed regularly throughout the year to ensure that it remained fit for purpose and any proposed changes were presented to the Audit Committee for approval. Through this process, three reviews were deferred or removed and three additional pieces of work prioritised and included for delivery in year, including assurance on EU Exit preparedness and consultancy/advisory support in respect of the new HR and finance system implementation, which went live in April 2019.

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 and effectiveness of CCS's risk management, internal control and governance arrangements. The opinion is provided below as part of this Governance Statement.

### Head of Internal Audit opinion - Moderate

CCS remains exposed to substantial risks resulting from its ongoing transformation programme, the aim of which is to refine and improve core operational processes and controls to facilitate achievement of its growth strategy, improve customer service and become more digitally enabled. However, the Head of Internal Audit considers that CCS has demonstrated progress in advancing process and internal control in its operational areas, establishing new ways of working and progressing the effective use of technology.

There is evidence of a continually improving risk management approach and compliance culture, in particular in respect of the management assurance framework and Corporate Portfolio Management Office (CPMO). There is still work to be done to fully integrate this into "business as usual" and it will take a period of time before this fully embeds. However, based on the internal audit work undertaken during 2018/19 and taking consideration of the findings of other independent bodies (National Audit Office and Infrastructure and Projects Authority) during the year, the opinion of the Head of Internal Audit on the adequacy and effectiveness of internal control, risk management and governance processes is Moderate: some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

## **Risk management**

During 2018/19, CCS continued to focus on embedding rigorous risk management processes and culture across all parts of the business. Specific improvements in the year included consistent and standardised risk registers across directorates and projects which were reviewed monthly as part of the monthly CCS corporate dashboard and discussed as a standing agenda item at the Business Performance Board. Raising awareness and understanding of risk management across the business is also improving, through mandatory online training for all staff and a series of ongoing internal workshops.

The focus has been to closely align risks with objectives at strategic and directorate level, and for confidence in the mitigations in place put forward 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.

## **Management assurance**

This year, the management assurance process progressed to a self assessment model, referred to as Operational Governance Self Assessment (OGSA). The OGSA process was facilitated by CCS's business assurance service team and completed by each directorate within CCS.

The purpose of the OGSA exercise is to provide an annual account of operational governance structures and internal control processes in place across the organisation, which contributes to the body of evidence upon which the Accounting Officer can place reliance for the annual Governance Statement. It also supports directors in identifying areas for improvement, noting trends potentially requiring a corporate response.

The results of the 2018/19 OGSA exercise demonstrated broadly strong performances in the areas of leadership, partnership and financial management. The CCS Executive Board committed to corporate responses to three common challenges identified across directorates, an example being to develop an issues management framework. Directors continue to reflect on any specific challenges highlighted within their own directorate.

This OGSA approach adopted by CCS is similar to those in place in other parts of government and CCS will continue to identify and follow best practice within the annual self assessment exercise.

CCS self assessed its performance against five of the seven Government Commercial Function Commercial Operating Standards for 2018/19. 'Early engagement of suppliers' and 'Working with suppliers to design & shape market' remained at 'Better' and 'Good' respectively. 'Using MI for demand and category management' and 'Awareness of commercial terms' improved to 'Better' and 'Best'. 'Extending contracts based on value for money considerations' moved from 'Better' to 'Good', due to an increase in the numbers of extended contracts as a result of uncertainty in markets. This will be rectified in 2019/20 by the launch of a new streamlined gateway process for commercial agreements which will be overseen by an approvals board.

In February, GIAA reported on the internal governance arrangements in place to assess whether CCS's reporting was accurate. GIAA provided advisory recommendations on documenting roles, responsibilities and process. These will be implemented over the next year alongside the baselining of the new Government Commercial Standards Framework launching in 2019/20.

## 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 Her Majesty's Government Security Policy Framework, together with Cabinet Office's 10 Steps to Cyber Security and Good Practice guides published by the National Cyber Security Centre. In addition, CCS adheres to Cabinet Office guidance on information risk management, including bulk data security guidance. The General Data Protection Regulation (GDPR) came into force on 25 May 2018 and compliance standards have been embedded and approved by the Cabinet Office Data Protection Officer.

The CCS Senior Information Risk Owner (SIRO) 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 information assets are managed effectively and appropriate risk controls are in place. All staff agree to an Acceptable Use Policy before accessing IT systems. During 2018/19, there have been no material breaches and no incidents reportable to the Information Commissioner's Office (ICO).

### Fraud, Bribery and Whistleblowing

CCS has policies and guidance in place to ensure compliance with the Bribery Act and an ongoing programme of raising awareness in all aspects of anti-fraud, bribery, conflicts of interest, gifts and hospitality and whistleblowing.

There have been no reported cases of attempted fraud or whistleblowing in 2018/19.

### Official and Parliamentary correspondence

During 2018/19, CCS returned 107 Freedom of Information (FOI) cases to the Cabinet Office FOI team, of which 82% were within the required timeframes. Additionally, CCS answered 233 Parliamentary Questions, of which 99.5% were within Parliamentary timeframes and 85 MPs' and Peers' correspondence cases, of which 96% were within specified timeframes.

### Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman received no complaints about CCS for 2017/18 (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 CCS (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 equivalent Government Commercial Organisation (GCO) grades. The precise funding available to departments each year is decided by the government in response to the 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 Review Body can be found at [www.gov.uk/government/organisations/review-body-on-senior-salaries](http://www.gov.uk/government/organisations/review-body-on-senior-salaries).

### **Performance and reward**

The 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 2017/18, which was paid in 2018/19. These awards were within the overall cost envelope set by the SSRB 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 SCS can be found at [www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward](http://www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward).

### **Service Contracts**

The Constitutional Reform and Governance Act 2010 requires that 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 2018/19 (Audited)

The following table provides details of the remuneration interests on Board member executive directors and non-executive directors employed by CCS.

|  | To 31 March 2019 |                |                                  |                                   |         | To 31 March 2018 |                |                                  |                                   |         |
|--|------------------|----------------|----------------------------------|-----------------------------------|---------|------------------|----------------|----------------------------------|-----------------------------------|---------|
|  | Salary           | Bonus payments | Benefits in kind to nearest £100 | Pension benefits to nearest £1000 | Total   | Salary           | Bonus payments | Benefits in kind to nearest £100 | Pension benefits to nearest £1000 | Total   |
|  | Note 1<br>£000   | Note 2<br>£000 | Note 3                           | Note 4<br>£000                    | £000    | £000             | £000           |                                  | £000                              | £000    |
| <b>T van Kralingen</b>                           | 15-20            | -              | -                                | -                                 | 15-20   | 15-20            | -              | -                                | -                                 | 15-20   |
| Non-Executive Chairman                           |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| <b>S Maizey</b>                                  | 10-15            | -              | -                                | -                                 | 10-15   | 10-15            | -              | -                                | -                                 | 10-15   |
| Non-Executive Director                           |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| <b>G Rhys Williams (Note 5)</b>                  | -                | -              | -                                | -                                 | 0       | -                | -              | -                                | -                                 | 0       |
| Non-Executive Director                           |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| <b>D Wakefield</b>                               | 10-15            | -              | -                                | -                                 | 10-15   | 10-15            | -              | -                                | -                                 | 10-15   |
| Non-Executive Director                           |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| <b>R Wilmot</b>                                  | 10-15            | -              | -                                | -                                 | 10-15   | 10-15            | -              | -                                | -                                 | 10-15   |
| Non-Executive Director                           |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| <b>M Harrison</b>                                | 65-70            | 90-95          | -                                | -                                 | 160-165 | 195-200          | 35-40          | -                                | -                                 | 235-240 |
| Chief Executive<br>(01/04/2018 - 27/07/2018)     |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| Full Year Equivalent                             | 195-200          | 90-95          | -                                | -                                 | 290-295 | 195-200          | 35-40          | -                                | -                                 | 235-240 |
| <b>S Tse (Note 6)</b>                            | 95-100           | -              | -                                | 40                                | 135-140 | -                | -              | -                                | -                                 | -       |
| Chief Executive<br>(28/07/2018 - 31/03/2019)     |                  |                |                                  |                                   |         |                  |                |                                  |                                   |         |
| Full Year Equivalent                             | 145-150          | -              | -                                | 40                                | 185-190 | -                | -              | -                                | -                                 | -       |
| <b>P Coombs</b>                                  | 125-130          | 5-10           | -                                | 31                                | 165-170 | 105-110          | -              | -                                | 22                                | 125-130 |
| Director of Finance,<br>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 2017/18 and 2018/19. P Coombs received a bonus for performance during 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 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** S Tse is an employee of the Government Commercial Organisation but as the Chief Executive of CCS, details of actual salary, bonus and pension benefits have been included.

### Senior management pension entitlements FY 2018/19 (Audited)

The pension entitlements of the Board member executive directors within CCS were as follows. These figures are calculated based on the duration of their tenure on the Board.

|   | Accrued pension and lump sum at pension age as at 31 March 2019 | Real increase in annual pension and lump sum at pension age | CETV at 31 March 2019 | CETV at 31 March 2018 (or date of board appointment) | Real increase in CETV |
|---|---|---|-----------------------|--|-----------------------|
|   |   | (Note 1)  | (Note 2)              |  |                       |
|   | £000  | £000  | £000                  | £000   | £000                  |
| <b>M Harrison (Note 3)</b><br>Chief Executive                       | N/A   | N/A   | N/A                   | N/A  | N/A                   |
| <b>S Tse</b><br>Chief Executive                                     | 45-50   | 0-2.5   | 676                   | 609  | 24                    |
| <b>P Coombs</b><br>Director of Finance,<br>Planning and Performance | 20-25   | 2.5-5   | 382                   | 269  | 74                    |

**Note 1** When calculating the real increase in Cash Equivalent Transfer Values (CETV) and the pension benefits accrued during the year 2018/19 for the single total figure of remuneration, the Scheme Administrator takes account of inflation. The Consumer Price Index (CPI) increase for September 2018 was 2.4%. Consequently, the Pensions Increase factor for April 2019 will be 2.4%. The in-service revaluation factor for alpha will also be 2.4%.

**Note 2** For an explanation of pensions benefits and CETV, please refer to page 47 and page 48. CETV is a combined value of the CETV in both PCSPS and alpha schemes.

**Note 3** M Harrison opted out of the Principal Civil Service Pension Scheme (PCSPS) and therefore no benefits have accrued.

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### 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 2018/19.

### Fair pay disclosure (Audited)

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

|  | 2018/19 | 2017/18 |
|--|---------|---------|
| Full time equivalent band of the highest paid Board member executive director (£000) | 145-150 | 235-240 |
| Median total remuneration (£)  | 37,632  | 39,316  |
| Ratio of highest paid to median  | 3.92    | 5.98    |

The banded remuneration of the highest paid Board member executive director in the financial year 2018/19 was £145,000 - £150,000 (2017/18: £235,000 - £240,000). This was 3.92 times (2017/18: 5.98) the median remuneration of the workforce, which was £37,632 (2017/18: £39,316).

Including those deployed from the GCO, total remuneration ranged from £18,463 - £182,257 (2017/18: £18,684 - £235,417). 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 2018/19 is derived from the annualised payments of all staff made in March 2019. Part time employees' payments are adjusted to a full time basis.

In 2018/19, three (2017/18: nil) GCO deployed staff received salary in excess of the highest paid Board member executive director. The change from the previous year is the result of a new CEO being appointed during 2018/19.

## Staff report

The figures in this report include staff in the commercial central teams (CCT) and public procurement policy team within Cabinet Office who were funded through the CCS Trading Fund until 1 June 2018 and 1 August 2018 respectively.

### Staff numbers and composition

There has been a decrease in SCS headcount by 27 (CCS and GCO) due to the transfers of the public procurement policy team and CCT staff to Cabinet Office during 2018/19.

Senior Civil Service (SCS) staff by salary band:

| Salary band<br>(Note 1) | CCS SCS within band<br>as at 31 March 2019 |           | GCO Deployed SCS<br>within band as at<br>31 March 2019<br>(Note 2) |           | Total CCS and GCO<br>Deployed SCS within<br>band as at 31 March 2019<br>(Note 3) |           | Total CCS and GCO<br>Deployed SCS within<br>band as at 31 March 2018 |           |             |
|-------------------------|--|-----------|--|-----------|--|-----------|--|-----------|-------------|
|                         | £000                                       | Number    | Percentage   | Number    | Percentage   | Number    | Percentage   | Number    | Percentage  |
| 60 - 70                 |  | 5         | 26.32%   | 1         | 4.35%  | 6         | 14.29%   | 4         | 5.80%       |
| 71 - 80                 |  | 3         | 15.79%   | 3         | 13.04%   | 6         | 14.29%   | 6         | 8.70%       |
| 81 - 90                 |  | 3         | 15.79%   | 2         | 8.70%  | 5         | 11.90%   | 7         | 10.14%      |
| 91 - 100                |  | 2         | 10.53%   | 2         | 8.70%  | 4         | 9.52%  | 8         | 11.59%      |
| 101 - 110               |  | 2         | 10.53%   | 1         | 4.35%  | 3         | 7.14%  | 10        | 14.49%      |
| 111 - 120               |  | 3         | 15.79%   | 5         | 21.74%   | 8         | 19.05%   | 15        | 21.74%      |
| 121 - 130               |  | 1         | 5.26%  | 3         | 13.04%   | 4         | 9.52%  | 5         | 7.25%       |
| 131 - 140               |  | 0         | 0.00%  | 1         | 4.35%  | 1         | 2.38%  | 0         | 0.00%       |
| 141 - 150               |  | 0         | 0.00%  | 2         | 8.70%  | 2         | 4.76%  | 3         | 4.35%       |
| 151 - 160               |  | 0         | 0.00%  | 2         | 8.70%  | 2         | 4.76%  | 3         | 4.35%       |
| 161 - 170               |  | 0         | 0.00%  | 0         | 0.00%  | 0         | 0.00%  | 2         | 2.90%       |
| 171 - 180               |  | 0         | 0.00%  | 0         | 0.00%  | 0         | 0.00%  | 0         | 0.00%       |
| 181 - 190               |  | 0         | 0.00%  | 1         | 4.35%  | 1         | 2.38%  | 1         | 1.45%       |
| 191 - 200               |  | 0         | 0.00%  | 0         | 0.00%  | 0         | 0.00%  | 5         | 7.25%       |
| <b>Total</b>            |  | <b>19</b> | <b>100%</b>  | <b>23</b> | <b>100%</b>  | <b>42</b> | <b>100%</b>  | <b>69</b> | <b>100%</b> |

**Note 1** The figures shown are salary band only and not total remuneration.

**Note 2** The table above illustrates the SCS deployed from the Government Commercial Organisation (GCO).

**Note 3** The figures shown are headcount and exclude interim SCS.

### Staff numbers and costs (Audited)

The following information also provides details of staff deployed from GCO.

#### 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 |                   |                   |
|---|-------------------|-------------------|
|   | 2018/19           | 2017/18           |
| Salaried staff (Note 2)                           | 602               | 641               |
| GCO deployed staff (Note 3)                       | 54                | 66                |
| Agency and contract staff                         | <u>32</u>         | <u>31</u>         |
| <b>Total</b>                                      | <b><u>688</u></b> | <b><u>738</u></b> |

**Note 1** Figures above exclude Fast Streamers and loans out.

**Note 2** The public procurement policy team of 38 staff moved in to the Cabinet Office on a permanent basis in 2018/19, reducing the average number of FTEs.

**Note 3** The commercial central team of 23 staff moved into the Cabinet Office on a permanent basis in 2018/19, reducing the average number of GCO deployed staff.

#### Total staff costs

|                                 | 2018/19              |                     |                      | 2017/18              |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|
|                                 | CCS                  | GCO                 | Total                | Total                |
|                                 | £000                 | £000                | £000                 | £000                 |
| Wages and salaries (Note 1)     | 24,613               | -                   | 24,613               | 28,865               |
| Bonus                           | 307                  | 305                 | 612                  | 1,256                |
| Social security                 | 2,565                | -                   | 2,565                | 3,054                |
| Superannuation (Note 2)         | 4,847                | -                   | 4,847                | 5,400                |
| Voluntary early retirement      | -                    | -                   | -                    | 24                   |
| Apprentice levy                 | 107                  | -                   | 107                  | 122                  |
| GCO staff costs (Note 3)        | -                    | 6,103               | 6,103                | 8,674                |
| Agency and contract staff costs | <u>4,404</u>         | <u>-</u>            | <u>4,404</u>         | <u>4,714</u>         |
| <b>Total</b>                    | <b><u>36,843</u></b> | <b><u>6,408</u></b> | <b><u>43,251</u></b> | <b><u>52,109</u></b> |

**Note 1** The public procurement policy team of 38 moved to Cabinet Office during August 2018, hence the reduction in wages compared to 2017/18.

**Note 2** 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 47. Details of the underlying liabilities applicable to Agency employees are not separately identifiable.

**Note 3** The commercial central team of 23 staff moved into the Cabinet Office during June 2018, hence the reduction of GCO staff costs compared to 2017/18.



## 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 2018/19, employer's contributions of £4,847,000 were payable to the PCSPS and alpha (2017/18: £5,400,000) 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 2018/19 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 £83,498 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 earning. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,824, 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 nil. Contributions prepaid at that date were nil.

Partnership pension contributions are included within the overall pension contributions figure of £4,847,000.

## Staff composition

|                      | Male  |            | Female |            | Total |            |
|----------------------|-------|------------|--------|------------|-------|------------|
|                      | Count | Percentage | Count  | Percentage | Count | Percentage |
| Board Members        | 6     | 85.71%     | 1      | 14.29%     | 7     | 100%       |
| SCS (CCS)            | 13    | 68.00%     | 6      | 32.00%     | 19    | 100%       |
| Staff (CCS)          | 270   | 42.59%     | 364    | 57.41%     | 634   | 100%       |
| SCS (GCO Deployed)   | 15    | 65.22%     | 8      | 34.78%     | 23    | 100%       |
| Staff (GCO Deployed) | 30    | 65.22%     | 16     | 34.78%     | 46    | 100%       |

**Note 1** This table shows the gender composition for each category of staffing group as at 31 March 2019. 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.

**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 4,062. The average number of days lost per employee in the 12 month period was 6.75 (based on average FTE of 602 - excludes interims as we do not record their absence and does not include GCO deployed staff). This compares to 5.71 average days lost in 2017/18 and an average of 6.90 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 CCS has set the risk rating as 'green', signifying that the practices comply.

### CCS new recruits 2018/19

| CCS - New hires |           |           |            | GCO - New hires |          |          |          | Total      |
|-----------------|-----------|-----------|------------|-----------------|----------|----------|----------|------------|
| Band            | Male      | Female    | Total      | Band            | Male     | Female   | Total    |            |
| Band 1          | 6         | 13        | 19         | Band 1          | 0        | 0        | 0        | 19         |
| Band 2          | 15        | 23        | 38         | Band 2          | 0        | 0        | 0        | 38         |
| Band 3          | 14        | 13        | 27         | Band 3          | 0        | 0        | 0        | 27         |
| Band 4          | 10        | 10        | 20         | Band 4          | 0        | 0        | 0        | 20         |
| Band 5          | 8         | 11        | 19         | Band 5          | 0        | 0        | 0        | 19         |
| Band 6          | 3         | 0         | 3          | Band 6          | 1        | 1        | 2        | 5          |
| Band 7          | 0         | 0         | 0          | Band 7          | 0        | 0        | 0        | 0          |
| SCS 1           | 0         | 0         | 0          | SCS 1           | 2        | 1        | 3        | 3          |
| SCS 2           | 0         | 0         | 0          | SCS 2           | 0        | 0        | 0        | 0          |
| <b>Total</b>    | <b>56</b> | <b>70</b> | <b>126</b> | <b>Total</b>    | <b>3</b> | <b>2</b> | <b>5</b> | <b>131</b> |

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

### Staff policies and other employee matters

During 2018/19, Trade Unions were consulted on the resolution of an existing policy harmonisation issue and the design of the new staff Recognition Scheme which was launched in November 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 and have been implementing our action plan during 2018/19. We have also:

- expanded our staff networks, e.g. Gender Equality and Black and Minority Ethnic (BAME) networks have been introduced
- continued to support our inclusion agenda through a number of initiatives, such as celebrating Black History Month, Pride Month, International Women's Day and International Men'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
- continued as a Stonewall Champion and a Disability Confident Employer
- introduced an Internal Development Policy focusing on providing all our people with an easier and more transparent approach for development opportunities in CCS
- 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:

- giving full and fair consideration to applications for employment by the agency made by disabled persons, having regard to their particular aptitudes and abilities
- continuing the employment of, and arranging appropriate training for, employees of the agency who have become disabled persons during the period when they were employed by the agency
- 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 again had a 95% response rate to the survey this year, among the best in the Civil Service.

Our results continued improving in all of the 10 categories of the survey and importantly, our overall Engagement Index has increased again by a further three points to 66%, a 13 point increase since 2015.

In some areas, such as understanding our organisation's objectives, our results have increased dramatically in recent years. 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 in Health and Safety (H&S) matters
- build positive working partnerships and relationships with Trade Union colleagues and local FM providers
- develop systems and measures to promote CCS wide H&S compliance, particularly take-up of mandatory learning interventions
- support colleagues with specialist equipment needs, as required by occupational health workstation assessment reports
- collaborate with HR colleagues to promote work-based welfare improvement campaigns, including raising awareness concerning musculoskeletal injuries
- increase the profile of H&S by embedding the H&S Committee into the People Board in 2018/19.

Two separate incidents were reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 2013 (RIDDOR). Both incidents were investigated by the Health, Safety and Estates Manager and CCS was not deemed to be at fault.

### Expenditure on consultancy and temporary staff

|                         | 2018/19    | 2017/18    |
|-------------------------|------------|------------|
| Consultancy spend       | £2,220,563 | £3,191,422 |
| Contingent labour spend | £4,404,162 | £4,713,544 |

Consultancy costs have decreased by 30% since 2017/18, and contingent labour costs have reduced by 7%. This is due to reducing our reliance on interims - where contingent labour has been engaged it has generally been for shorter duration engagements on specific projects.

### 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 and digital capability as we transform the organisation.

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months:

|   |    |
|---|----|
| No. of existing engagements as of 31 March 2019                             | 64 |
| Of which...   |    |
| No. that have existed for less than one year at time of reporting           | 58 |
| No. that have existed for between one and two years at time of reporting    | 6  |
| No. that have existed for between two and three years at time of reporting  | 0  |
| No. that have existed for between three and four years at time of reporting | 0  |
| No. that have existed for four or more years at time of reporting           | 0  |

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 any off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, 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 2018 and 31 March 2019                              | 9 |
| Of which...   |   |
| No. of these engagements which were assessed as caught by IR35  | 8 |
| No. of these engagements which were assessed as not caught by IR35 (Note 1)   | 1 |
| No. engaged directly (via PSC contracted to department) and are on the departmental payroll   | 0 |
| No. of engagements reassessed for consistency / assurance purposes during the year for whom assurance has been requested but not received | 0 |
| No. of engagements that saw a change to IR35 status following the consistency review.   | 0 |

**Note 1** The engagement was assessed as not caught by IR35 using the HMRC assessment tool due to the nature of the project involved.

For any off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019:

|  |            |
|--|------------|
| 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, Board Member, as he is paid by Cabinet Office and does not receive remuneration for his Non-Executive role.

**Note 2** Includes S Tse, CEO, who is paid by the Government Commercial Organisation.

### 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.

|                                  | 2018/19                           | 2017/18 | 2018/19                           | 2017/18       | 2018/19   | 2017/18       |
|----------------------------------|-----------------------------------|---------|-----------------------------------|---------------|---|---------------|
| 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             | 1   | 1             |
| £100,001 - £150,000              | -                                 | -       | -                                 | -             | -   | -             |
| £150,001 - £200,000              | -                                 | -       | -                                 | -             | -   | -             |
| £201,000 - £250,000              | -                                 | -       | -                                 | -             | -   | -             |
| £250,000 +                       | -                                 | -       | -                                 | -             | -   | -             |
| Total number of packages by type | -                                 | -       | 1                                 | 1             | 1   | 1             |
| <b>Total cost £</b>              | -                                 | -       | <b>80,274</b>                     | <b>75,618</b> | <b>80,274</b>                                       | <b>75,618</b> |

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



Simon Tse  
Chief Executive and  
Accounting Officer  
10 July 2019

# 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.



## Fees and charges (Audited)

As a Trading Fund, CCS manages the funded operations so that the revenue of the fund is sufficient to cover general running costs and the cost of capital, which are chargeable to the Statement of Comprehensive Income. Charges are set to recover full costs and to achieve the required rate of return on capital employed, before interest and dividends, of 5.0% a year averaged over the five year period from 01/04/2014 to 31/03/2019.

CCS provides services to government departments (including agencies in other departments), non-departmental public bodies and other bodies within central government. CCS also provides commercial services to National Health Service (NHS) bodies and the wider public sector.

As per the segmental analysis shown in Note 2 of the Notes to the accounts on page 72, five types of charges are applied from which income is derived:

- **Commercial agreements** – a commission levy is applied at the appropriate rate on sales reported by suppliers and also a monthly levy for energy based on the number of sites and a fee for data centre hosting
- **Other Operating Segments:**
  - **Whitehall** – service charges were made to users of the Whitehall Systems in line with service and maintenance costs. This income ceased on 31 March 2019 and the system was transferred to the Government Property Agency on 1 April 2019, as described in the Events after the reporting period Note 24 on page 84 of the Financial Statements
  - **Commercial central teams (CCT)** – chargeable directly to customers for advice and support on: complex transactions; markets and suppliers and continuous improvement. The teams were part of CCS until 31 May 2018 and transferred to the Cabinet Office on 1 June 2018
  - **NHS Future Operating Model (NHS FOM)** – chargeable on a full cost recovery basis together with possible additional income based on savings achieved
- The remaining **Other Operating Income** includes money received from the Cabinet Office which contributes to the cost of digital investment and the development of a Find a Tender System.

In setting fees and charges, CCS follows the principles of Chapter 6 of Managing Public Money.

## Remote contingent liabilities (Audited)

CCS does not have any remote contingent liabilities.

## Long-term expenditure trends

An unaudited five-year summary of CCS's income and costs is shown on page 86. In recent years, increases in operating costs have reflected organisational expansion as a result of a more centralised approach to the procurement of common goods and services and the investment in key digital and automated tools to make access to value for money deals easier for customers. Planned deficits were used to utilise reserves in order to fund additional investment and project specific operating costs. CCS has now returned to a surplus position in 2018/19.

# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on Financial Statements

I certify that I have audited the financial statements of Crown Commercial Service for the year ended 31 March 2019 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Crown Commercial Service's affairs as at 31 March 2019 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

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

## Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

## Responsibilities of the Board and Accounting Officer for the Financial Statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## 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 judgement 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.
- 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.

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

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

## Other information

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

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept 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.

Gareth Davies  
Comptroller and Auditor General

11 July 2019

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



# Financial Statements

## Statement of comprehensive income year ended 31 March 2019

|  | Note | 2018/19<br>£000 | 2017/18<br>£000 |
|--|------|-----------------|-----------------|
| Income from external sales   | 2    | 86,932          | 71,508          |
| Other operating income   | 4    | 4,830           | 3,453           |
| <b>Total income</b>  |      | <b>91,762</b>   | <b>74,961</b>   |
| Staff costs  | 3    | (43,251)        | (52,109)        |
| Depreciation of property, plant and equipment                      | 7    | (764)           | (679)           |
| Amortisation of intangible assets                                  | 8    | (170)           | (-)             |
| Other expenditure  | 5.1  | (19,987)        | (27,720)        |
| <b>Total expenditure</b>   |      | <b>(64,172)</b> | <b>(80,508)</b> |
| <b>Surplus / (deficit) before other operating costs</b>            |      | <b>27,590</b>   | <b>(5,547)</b>  |
| Other operating costs  | 5.2  | (6,774)         | (2,611)         |
| <b>Operating surplus / (deficit)</b>                               |      | <b>20,816</b>   | <b>(8,158)</b>  |
| Finance income   | 6    | 141             | 58              |
| <b>Surplus / (deficit) for the financial year</b>                  |      | <b>20,957</b>   | <b>(8,100)</b>  |
| Dividend payable to Cabinet Office                                 |      | (6,158)         | (2,000)         |
| <b>Retained surplus / (deficit) for the financial year</b>         |      | <b>14,799</b>   | <b>(10,100)</b> |
| <b>Other comprehensive income</b>                                  |      | <b>-</b>        | <b>-</b>        |
| <b>Comprehensive income / (expenditure) for the financial year</b> |      | <b>14,799</b>   | <b>(10,100)</b> |

The Notes to the accounts on pages 69 to 84 form an integral part of these accounts.

## Statement of financial position as at 31 March 2019

|  | Note | 31 March 2019 |               | 31 March 2018 |               |
|--|------|---------------|---------------|---------------|---------------|
|  |      | £000          | £000          | £000          | £000          |
| <b>Non-current assets</b>                  |      |               |               |               |               |
| Property, plant and equipment              | 7    |               | 4,647         |               | 4,204         |
| Intangible assets                          | 8    |               | <u>1,521</u>  |               | —             |
|  |      |               | 6,168         |               | 4,204         |
| <b>Current assets</b>                      |      |               |               |               |               |
| Inventories                                | 9    |               | -             |               | 88            |
| Trade and other receivables                | 10   |               | 28,418        |               | 24,491        |
| Cash and cash equivalents                  | 11   |               | <u>18,892</u> |               | <u>30,587</u> |
|  |      |               | 47,310        |               | 55,166        |
| <b>Current liabilities</b>                 |      |               |               |               |               |
| Trade and other payables                   | 12   |               | (27,701)      |               | (48,536)      |
| Employee benefit payable                   | 13   |               | (608)         |               | (464)         |
|  |      |               | (28,309)      |               | (49,000)      |
| <b>Net current assets</b>                  |      |               | <u>19,001</u> |               | <u>6,166</u>  |
| Non-current assets plus net current assets |      |               | 25,169        |               | 10,370        |
| <b>Total assets less liabilities</b>       |      |               | <u>25,169</u> |               | <u>10,370</u> |
| <b>Capital and reserves</b>                |      |               |               |               |               |
| Public dividend capital                    | 16   |               | 350           |               | 350           |
| General reserve                            | 17   |               | <u>24,819</u> |               | <u>10,020</u> |
| <b>Total capital and reserves</b>          |      |               | <u>25,169</u> |               | <u>10,370</u> |

The Notes to the accounts on pages 69 to 84 form an integral part of these accounts.



Simon Tse  
Chief Executive and  
Accounting Officer  
10 July 2019



## Statement of changes in taxpayers' equity at 31 March 2019

|   | General Reserve      | Public Dividend<br>Capital | Total                |
|---|----------------------|----------------------------|----------------------|
|   | £000                 | £000                       | £000                 |
| Balance at 1 April 2017                                     | 20,120               | 350                        | 20,470               |
| Comprehensive income / (expenditure) for the financial year | (10,100)             | —                          | (10,100)             |
| <b>Balance at 31 March 2018</b>                             | <b><u>10,020</u></b> | <b><u>350</u></b>          | <b><u>10,370</u></b> |

|   | General Reserve      | Public Dividend<br>Capital | Total                |
|---|----------------------|----------------------------|----------------------|
|   | £000                 | £000                       | £000                 |
| Balance at 1 April 2018                                     | 10,020               | 350                        | 10,370               |
| Comprehensive income / (expenditure) for the financial year | 14,799               | —                          | 14,799               |
| <b>Balance at 31 March 2019</b>                             | <b><u>24,819</u></b> | <b><u>350</u></b>          | <b><u>25,169</u></b> |

The Notes to the accounts on pages 69 to 84 form an integral part of these accounts.

## Statement of cash flows for the year ended 31 March 2019

|   | 2018/19                | 2017/18              |
|---|------------------------|----------------------|
|   | £000                   | £000                 |
| Net cash (outflow) / inflow from operating activities         | (6,935)                | 14,740               |
| <b>Cash flows from investing activities</b>                   |                        |                      |
| Finance income  | 138                    | 51                   |
| Purchases of property plant and equipment                     | (1,207)                | (2,839)              |
| Purchases of intangible assets                                | (1,691)                | —                    |
| <b>Net Cash outflow from investing activities</b>             | <b>(2,760)</b>         | <b>(2,788)</b>       |
| <b>Net Cash (outflow) / inflow before financing</b>           | <b>(9,695)</b>         | <b>11,952</b>        |
| <b>Cash flows from financing activities</b>                   |                        |                      |
| Dividend paid   | (2,000)                | -                    |
| <b>Net Cash outflow from financing activities</b>             | <b>(2,000)</b>         | <b>—</b>             |
| <b>Net (decrease) / increase in cash and cash equivalents</b> | <b><u>(11,695)</u></b> | <b><u>11,952</u></b> |
| <br>  |                        |                      |
| Cash and cash equivalents 1 April                             | 30,587                 | 18,635               |
| Cash and cash equivalents 31 March                            | <u>18,892</u>          | <u>30,587</u>        |

See Note 18 in the Notes to the accounts, in which operating surplus / (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 69 to 84 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 (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM 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 CCS 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 2018/19 FReM for the first time

- IFRS 9 - financial instruments  
This standard, which is effective from 2018/19, includes requirements for classification, recognition and measurement, impairment, derecognition and general hedge accounting. The significant majority of CCS's financial instruments are trade receivables and payables as CCS does not operate hedge accounting, so the specific requirements of IFRS 9 for hedging instruments do not apply. Receivables are shown net of expected credit loss. These accounts do not include transition disclosures in respect of IFRS 9, due to the effect of IFRS 9 on CCS's accounts not being significant due to the breadth of the customer base and historical credit loss experience. The bad debts provided for are shown within Note 10.
- IFRS 15 - revenue from contracts with customers.  
CCS recognises revenue in proportion to goods or services delivered or reported. This is consistent with the requirements of IFRS 15. The introduction of the standard has not resulted in CCS needing to change any of its income recognition policies in note 1.3.

#### 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 2019 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 16 - leases  
Management expects IFRS 16 will be adopted by the FReM with effect from 1 April 2020. We have carried out an initial assessment of the new standard on leases to which CCS is a party, and have concluded that the only significant leases are those relating to the use of property. CCS has leases in place for office space in Liverpool, London, Newport and Norwich over varying lease terms. We expect that this will require the recognition of right to use assets and related

liabilities for future lease payment commitments. This will require an adjustment in the Statement of Financial Position. The change will be applied to transactions relevant to the period after the date of the policy change and will not affect prior periods. We estimate that as at 1 April 2020, we will recognise right to use assets and related liabilities of approximately £2.8m.

#### 1.2 Accounting convention

The Whitehall District Heating and Whitehall Standby Distribution Systems (the Whitehall Systems) included within property, plant and equipment, are shown at cost as a proxy for fair value.

The accounts have not been modified to account for the revaluation of other non-current assets to fair value as required in the FReM. 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 (VAT), trade discounts, and commission shares from the ordinary activities of the business. Income is recognised in line with IFRS 15 principles. In practice there has been no change in recognition from the policy followed under IAS 18 as performance obligating events remain unchanged.

The applicable segments are 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 and meters a department has. Income is recognised monthly based on site information provided by our suppliers.
  - c) Crown Hosting income – A charge is recovered from customers based on their rental hosting charges.

IFRS 15 Impact - Commercial agreements exist between CCS and each customer (suppliers to the end user) with separate call off arrangements between that customer and end user. The performance obligating event is the construction and award of the framework (i.e. the point at which control and access is handed to the customer and end user). CCS does not recognise the income at this point because of the uncertainty in the value of potential customer sales to the end user from which CCS earn a commission. Consequently, CCS recognises income at the point supplier sales are made. This information is disclosed within monthly management information provided to CCS from the customer.

## Notes to the accounts *continued*

### 2. Other operating segments

- a) Managed services** – income is recognised through invoices billed directly to customers for services received. Any un-invoiced amounts are accrued.

IFRS 15 Impact – The performance obligating event for contracts for managed services between CCS and specific customers continues to be the direct provision of the service to the customer. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time in proportion to contracted values. CCS has determined that the performance obligations are satisfied over time rather than at a point in time. This is because CCS's performance under the agreement does not create an asset with an alternative use to CCS and CCS has an enforceable right to payment for performance completed to date. Income is invoiced after the event and accrued if not invoiced before year end.

- b) 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.

IFRS 15 Impact – The performance obligating event for agreements in place between CCS and the customers is the direct provision of the service to the customer. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time through the incurrance of costs. This provides a faithful depiction of the transfer of services because the nature of work is that the costs of staff time, travel expenses and other costs incurred represent progress towards satisfaction of the performance obligation. Income is invoiced after the event and accrued if no invoices are received for work completed before year end.

- c) 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.

IFRS 15 Impact – The performance obligating event for the contract with the customer is the direct provision of the service to the customer. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time through the incurrance of costs. This provides a faithful depiction of the transfer of services because the nature of work

is that the costs of staff time, travel expenses and other costs incurred represent progress towards satisfaction of the performance obligation. Income is invoiced after the event and accrued if no invoices are received for work completed before year end. If savings are achieved, the gain share entitlement to income is calculated and recognised following agreement with the customer in line with IFRS 15.

- d) 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.

IFRS 15 Impact – The performance obligating event for the agreements with customers is the direct provision of the service to the customer. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time through the incurrance of costs. This provides a faithful depiction of the transfer of services because the nature of work is that the costs of staff time, travel expenses and other costs incurred represent progress towards satisfaction of the performance obligation. Non-Accelerator income is invoiced after the event and accrued if no invoices are received for work completed before year end, Accelerator income not recognised is held as deferred income.

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.

#### 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 was made to upgrade and enhance system capability and improve its environmental footprint. This investment is shown as part of Note 7. On 1 April 2019 the systems were transferred from CCS to the Government Property Agency (GPA). For further detail please refer to Note 24 on page 84.

## 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 25 years

## 1.5 Intangible assets

Software licences and costs directly associated with the development of identifiable and unique software products controlled by the Agency are capitalised where future economic benefits are expected. 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 10 years). The prescribed capitalisation level is £5,000.

## 1.6 Inventories

Inventories comprise oil stocks held in respect of Whitehall Systems. These were fully written off in the year.

## 1.7 Early retirement

Where applicable, 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. No provision has been required in year or in the prior year.

## 1.8 Leases

All costs of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the life of the lease. 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. 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 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 financial statements have been prepared on the basis that the Trading Fund is a going concern.

## Notes to the accounts continued

### 2.1 Segmental analysis

2018/19

31 March 2019

|  | Commercial<br>Agreements | Other<br>Operating<br>Segments | TOTAL                |
|--|--------------------------|--------------------------------|----------------------|
|  | £000                     | £000                           | £000                 |
| <b>Statement of Comprehensive Income</b>         |                          |                                |                      |
| <b>(SOCI)</b>                                    |                          |                                |                      |
| Gross income from external sales                 | 84,195                   | 8,033                          | 92,228               |
| Commission shares                                | (5,296)                  | -                              | (5,296)              |
| Net Income from external sales in SOCI           | 78,899                   | 8,033                          | 86,932               |
| Other operating income                           | -                        | 4,830                          | 4,830                |
| <b>Total income</b>                              | <b>78,899</b>            | <b>12,863</b>                  | <b>91,762</b>        |
| Operating costs                                  | (57,195)                 | (6,977)                        | (64,172)             |
| Surplus / (deficit) before other operating costs | 21,704                   | 5,886                          | 27,590               |
| Other operating costs                            | (3,682)                  | (3,092)                        | (6,774)              |
| <b>Operating surplus / (deficit)</b>             | <b><u>18,022</u></b>     | <b><u>2,794</u></b>            | <b><u>20,816</u></b> |
| <b>Statement of financial position</b>           |                          |                                |                      |
| Non-current assets                               | 2,248                    | 3,920                          | 6,168                |
| Current assets                                   | 44,697                   | 2,613                          | 47,310               |
| <b>Total assets</b>                              | <b><u>46,945</u></b>     | <b><u>6,533</u></b>            | <b><u>53,478</u></b> |

2017/18 (Restated)

31 March 2018

|  | Commercial<br>Agreements | Other<br>Operating<br>Segments | TOTAL                 |
|--|--------------------------|--------------------------------|-----------------------|
|  | £000                     | £000                           | £000                  |
| <b>Statement of Comprehensive Income</b>         |                          |                                |                       |
| <b>(SOCI)</b>                                    |                          |                                |                       |
| Gross income from external sales                 | 66,481                   | 9,286                          | 75,767                |
| Commission shares                                | (4,259)                  | -                              | (4,259)               |
| Net Income from external sales in SOCI           | 62,222                   | 9,286                          | 71,508                |
| Other operating income                           | -                        | 3,453                          | 3,453                 |
| <b>Total income</b>                              | <b>62,222</b>            | <b>12,739</b>                  | <b>74,961</b>         |
| Operating costs                                  | (55,714)                 | (24,794)                       | (80,508)              |
| Surplus / (deficit) before other operating costs | 6,508                    | (12,055)                       | (5,547)               |
| Other operating costs                            | (1,992)                  | (619)                          | (2,611)               |
| <b>Operating surplus / (deficit)</b>             | <b><u>4,516</u></b>      | <b><u>(12,674)</u></b>         | <b><u>(8,158)</u></b> |
| <b>Statement of financial position</b>           |                          |                                |                       |
| Non-current assets                               | 1,200                    | 3,004                          | 4,204                 |
| Current assets                                   | 51,297                   | 3,869                          | 55,166                |
| <b>Total assets</b>                              | <b><u>52,497</u></b>     | <b><u>6,873</u></b>            | <b><u>59,370</u></b>  |

The segments reflect how income and expenditure are currently managed and reported. The 2017/18 segments have been restated to reflect the CCS operational structure in 2018/19.

The commercial central teams (CCT) are part of the other operating segments until 31 May 2018. On 1 June 2018 the teams transferred to the Cabinet Office.

From 1 April 2018 to 31 May 2018 income recognised in respect of CCT was £642,000, operating costs were £2,332,000, and the operating deficit was £1,690,000. A budget transfer of £2,317,000 is included within the dividend paid over to the Cabinet Office, disclosed within the SOCI. A total of £3,938,000 of unspent deferred income for Accelerator was paid back to the Cabinet Office. As there was no change in the accountability for the CCT teams, which remained with the Government Chief Commercial Officer after the transfer, the move has not been accounted for as a Machinery of Government change within these accounts.

## 2.2 IFRS 15 Revenue from contracts with customers

Following the introduction of this accounting standard, CCS has not needed to change any of its income recognition policies or account for income any differently. Contract balances relating to the reporting segments disclosed opposite are as follows.

|                             | 31 March 2019<br>Commercial<br>Agreements | 31 March 2019<br>Other<br>Services | 31 March 2019<br>Other<br>Whitehall | 31 March 2019<br>Other<br>CCT | 31 March 2019<br>Other<br>NHS FOM | 31 March 2019<br>Other<br>Services<br>Total | 31 March 2019<br>Overall<br>Total |
|-----------------------------|---|------------------------------------|-------------------------------------|-------------------------------|-----------------------------------|---|-----------------------------------|
|                             | £000                                      | £000                               | £000                                | £000                          | £000                              | £000  | £000                              |
| <b>Contract assets</b>      |   |                                    |                                     |                               |                                   |   |                                   |
| Trade receivables           | 12,198                                    | 302                                | -                                   | -                             | -                                 | 302   | 12,500                            |
| Accrued income              | <u>12,013</u>                             | <u>1,669</u>                       | <u>-</u>                            | <u>642</u>                    | <u>-</u>                          | <u>2,311</u>                                | <u>14,324</u>                     |
|                             | <u>24,211</u>                             | <u>1,971</u>                       | <u>-</u>                            | <u>642</u>                    | <u>-</u>                          | <u>2,613</u>                                | <u>26,824</u>                     |
| <b>Contract liabilities</b> |   |                                    |                                     |                               |                                   |   |                                   |
| Accrued MoU                 | 3,378                                     | -                                  | -                                   | -                             | -                                 | -   | 3,378                             |
| Deferred income - Whitehall | -   | -                                  | 1,641                               | -                             | -                                 | 1,641                                       | 1,641                             |
| Deferred income - Other     | <u>573</u>                                | <u>639</u>                         | <u>-</u>                            | <u>-</u>                      | <u>-</u>                          | <u>639</u>                                  | <u>1,212</u>                      |
|                             | <u>3,951</u>                              | <u>639</u>                         | <u>1,641</u>                        | <u>-</u>                      | <u>-</u>                          | <u>2,280</u>                                | <u>6,231</u>                      |

Contract assets relate to invoices raised not paid, and income accrued and not invoiced.

Contract liabilities represent uninvoiced Memorandum of Understanding (MoU) Commission shares (where money is rebated to customers) and deferred income balances where income has been collected in advance of service provision.

## Notes to the accounts continued

### 3 Total staff costs

|                                 | 2018/19              | 2017/18              |
|---------------------------------|----------------------|----------------------|
|                                 | £000                 | £000                 |
| Wages and salaries              | 24,613               | 28,865               |
| Bonus                           | 307                  | 468                  |
| Social security                 | 2,565                | 3,054                |
| Superannuation (Note 1)         | 4,847                | 5,400                |
| Voluntary early retirement      | -                    | 24                   |
| Apprenticeship levy             | 107                  | 122                  |
| GCO staff costs (Note 2)        | 6,408                | 9,462                |
| Agency and contract staff costs | 4,404                | 4,714                |
| <b>TOTAL</b>                    | <b><u>43,251</u></b> | <b><u>52,109</u></b> |

**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 47.

**Note 2:** During the year, CCS has paid the Cabinet Office for the provision of 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

|  | 2018/19             | 2017/18             |
|--|---------------------|---------------------|
|  | £000                | £000                |
| <b>Income</b>                            |                     |                     |
| NHS FOM funding                          | 694                 | 566                 |
| Find a Tender / Contracts Finder funding | 2,220               | 207                 |
| Digital solutions funding                | 1,746               | 171                 |
| GCF CaSIE MI tool funding                | 171                 | 185                 |
| Strategic support team                   | (1)                 | 84                  |
| CCT Accelerator funding                  | -                   | 1,962               |
| Recruitment services                     | -                   | 278                 |
| <b>TOTAL</b>                             | <b><u>4,830</u></b> | <b><u>3,453</u></b> |

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

Find a Tender / Contracts Finder funding is income from the Cabinet Office to be spent on the provision of an electronic tender notification system.

Cabinet Office provided CCS with 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 was 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 was provided by the Cabinet Office to support the planned expansion and enhancement of commercial skills and capability across central government. During the year, the balance remaining of £3.9 million was paid back to the Cabinet Office.

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



## 5 Operating costs

### 5.1 Other expenditure

#### Charges include:

|                                      | 2018/19              | 2017/18              |
|--------------------------------------|----------------------|----------------------|
|                                      | £000                 | £000                 |
| Auditor's remuneration               | 61                   | 58                   |
| Government Commercial Function       | 997                  | 828                  |
| Capability Programme                 | -                    | 2,094                |
| Charges for operating leases         | 2,986                | 2,717                |
| Travel and subsistence               | 1,468                | 1,949                |
| Accommodation and utilities          | 231                  | 244                  |
| Marketing                            | 1,323                | 569                  |
| Training                             | 666                  | 777                  |
| Whitehall Systems Management         | 2,386                | 3,085                |
| Legal fees                           | 606                  | 578                  |
| Technology and telephony             | 5,915                | 6,916                |
| Recruitment                          | 507                  | 935                  |
| Consultancy                          | 1,085                | 2,684                |
| Dual workplace costs                 | 280                  | 2,798                |
| Other operating and external charges | 1,476                | 1,488                |
| <b>TOTAL</b>                         | <b><u>19,987</u></b> | <b><u>27,720</u></b> |

The Comptroller and Auditor General is the auditor of CCS's accounts. The charge for the year is £61,000. All of this cost is related to audit services.

### 5.2 Other operating costs

|  | 2018/19             | 2017/18             |
|--|---------------------|---------------------|
|  | £000                | £000                |
| Digital Transformation Programme             | 2,215               | 1,496               |
| Transformation / Crown Marketplace Programme | 2,701               | 989                 |
| Public Sector Resourcing                     | 14                  | 15                  |
| NHS FOM                                      | 26                  | 98                  |
| Find a Tender / Contracts Finder services    | 1,818               | 13                  |
| <b>TOTAL</b>                                 | <b><u>6,774</u></b> | <b><u>2,611</u></b> |

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

## 6 Finance income

|   | 2018/19           | 2017/18          |
|---|-------------------|------------------|
|   | £000              | £000             |
| Bank and short term investment interest | 141               | 58               |
| <b>TOTAL</b>                            | <b><u>141</u></b> | <b><u>58</u></b> |

## Notes to the accounts continued

### 7 Property, plant and equipment

| 2018/19                                   | 31 March 2019<br>Computer<br>Equipment<br>£000 | 31 March 2019<br>Fixtures &<br>Fittings<br>£000 | 31 March 2019<br>Whitehall<br>Systems<br>£000 | 31 March 2019<br>Asset under<br>construction<br>£000 | 31 March 2019<br>TOTAL<br>£000 |
|---|--|---|---|--|--------------------------------|
| <b>Cost</b>                               |  |   |   |  |                                |
| At beginning of period                    | 3,388  | 727   | -   | 2,800  | 6,915                          |
| Additions in period                       | 7  | -   | -   | 1,200  | 1,207                          |
| Transfers in                              | -  | -   | 4,000   | -  | 4,000                          |
| Disposals in period                       | -  | -   | -   | -  | -                              |
| Transfers out                             | -  | -   | -   | (4,000)  | (4,000)                        |
| <b>At end of period</b>                   | <b>3,395</b>                                   | <b>727</b>                                      | <b>4,000</b>                                  | <b>-</b>   | <b>8,122</b>                   |
| <b>Depreciation</b>                       |  |   |   |  |                                |
| At beginning of period                    | 2,249  | 462   | -   | -  | 2,711                          |
| Amount provided in period charged to SOCI | 608  | 76  | 80  | -  | 764                            |
| Disposals in period                       | -  | -   | -   | -  | -                              |
| <b>At end of period</b>                   | <b>2,857</b>                                   | <b>538</b>                                      | <b>80</b>                                     | <b>-</b>   | <b>3,475</b>                   |
| <b>Net book value at March 2019</b>       | <b><u>538</u></b>                              | <b><u>189</u></b>                               | <b><u>3,920</u></b>                           | <b><u>-</u></b>                                      | <b><u>4,647</u></b>            |
| <b>Net book value at March 2018</b>       | <b><u>1,139</u></b>                            | <b><u>265</u></b>                               | <b><u>-</u></b>                               | <b><u>2,800</u></b>                                  | <b><u>4,204</u></b>            |

| 2017/18                                   | 31 March 2018<br>Computer<br>Equipment<br>£000 | 31 March 2018<br>Fixtures &<br>Fittings<br>£000 | 31 March 2018<br>Whitehall<br>Systems<br>£000 | 31 March 2018<br>Asset under<br>construction<br>£000 | 31 March 2018<br>TOTAL<br>£000 |
|---|--|---|---|--|--------------------------------|
| <b>Cost</b>                               |  |   |   |  |                                |
| At beginning of period                    | 3,381  | 819   | -   | -  | 4,200                          |
| Additions in period                       | 21   | 18  | -   | 2,800  | 2,839                          |
| Disposals in period                       | (14)   | (110)   | -   | -  | (124)                          |
| <b>At end of period</b>                   | <b>3,388</b>                                   | <b>727</b>                                      | <b>-</b>                                      | <b>2,800</b>   | <b>6,915</b>                   |
| <b>Depreciation</b>                       |  |   |   |  |                                |
| 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)                          |
| <b>At end of period</b>                   | <b>2,249</b>                                   | <b>462</b>                                      | <b>-</b>                                      | <b>-</b>   | <b>2,711</b>                   |
| <b>Net book value at March 2018</b>       | <b><u>1,139</u></b>                            | <b><u>265</u></b>                               | <b><u>-</u></b>                               | <b><u>2,800</u></b>                                  | <b><u>4,204</u></b>            |
| <b>Net book value at March 2017</b>       | <b><u>1,721</u></b>                            | <b><u>322</u></b>                               | <b><u>-</u></b>                               | <b><u>-</u></b>                                      | <b><u>2,043</u></b>            |

## 8 Intangible assets

|                                     | 31 March 2019<br>Software<br>licences<br>£000 | 31 March 2019<br>Asset Under<br>Construction<br>£000 | 31 March 2019<br>TOTAL<br>£000 | 31 March 2018<br>Software<br>licences<br>£000 |
|-------------------------------------|---|--|--------------------------------|---|
| <b>Cost</b>                         |   |  |                                |   |
| At beginning of period              | -   | -  | -                              | -   |
| Additions in period                 | 1,004   | 687  | 1,691                          | -   |
| Disposals in period                 | -   | -  | -                              | -   |
| <b>At end of period</b>             | <b><u>1,004</u></b>                           | <b><u>687</u></b>                                    | <b><u>1,691</u></b>            | <b><u>-</u></b>                               |
| <b>Amortisation</b>                 |   |  |                                |   |
| At beginning of period              | -   | -  | -                              | -   |
| Amount provided in period           | 170   | -  | 170                            | -   |
| Disposals in period                 | -   | -  | -                              | -   |
| <b>At end of period</b>             | <b><u>170</u></b>                             | <b><u>-</u></b>                                      | <b><u>170</u></b>              | <b><u>-</u></b>                               |
| <b>Net book value at March 2019</b> | <b><u>834</u></b>                             | <b><u>687</u></b>                                    | <b><u>1,521</u></b>            | <b><u>-</u></b>                               |
| <b>Net book value at March 2018</b> | <b><u>-</u></b>                               | <b><u>-</u></b>                                      | <b><u>-</u></b>                | <b><u>-</u></b>                               |

Asset under construction comprises costs of the development of digital systems.

## 9 Inventories

|  | 31 March 2019<br>£000 | 31 March 2018<br>£000 |
|--|-----------------------|-----------------------|
| Fuel inventory for the Whitehall Systems | -                     | 88                    |
| <b>TOTAL</b>                             | <b><u>-</u></b>       | <b><u>88</u></b>      |

The disused Whitehall Systems fuel stocks were disposed of environmentally during the year.

## Notes to the accounts continued

### 10 Trade and other receivables

|  | 31 March 2019        | 31 March 2018        |
|--|----------------------|----------------------|
|  | £000                 | £000                 |
| <b>Current receivables</b>                   |                      |                      |
| Trade receivables                            | 12,552               | 9,574                |
| Less: bad and doubtful receivables provision | <u>(52)</u>          | <u>(94)</u>          |
| Net trade receivables                        | 12,500               | 9,480                |
| Other receivables                            | 62                   | 68                   |
| Prepayments and accrued income               | <u>15,856</u>        | <u>14,943</u>        |
| <b>Total current receivables</b>             | <u><b>28,418</b></u> | <u><b>24,491</b></u> |

|                                 | 31 March 2019        | 31 March 2018       |
|---------------------------------|----------------------|---------------------|
|                                 | £000                 | £000                |
| <b>Aged debt analysis</b>       |                      |                     |
| Within credit terms             | 8,067                | 6,132               |
| Past due date but not impaired: |                      |                     |
| 1-30 days                       | 1,719                | 1,568               |
| 31-60 days                      | 1,082                | 497                 |
| 61-90 days                      | 513                  | 468                 |
| Over 90 days                    | <u>1,119</u>         | <u>815</u>          |
| <b>Total receivables</b>        | <u><b>12,500</b></u> | <u><b>9,480</b></u> |

|  | 31 March 2019    | 31 March 2018    |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Bad and doubtful receivables provision analysis</b> |                  |                  |
| Provision at the beginning of the year                 | 94               | 9                |
| Decrease in the provision for the year                 | (208)            | (9)              |
| Increase in the provision for the year                 | <u>166</u>       | <u>94</u>        |
| <b>Provision at the end of the year</b>                | <u><b>52</b></u> | <u><b>94</b></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 2019        | 31 March 2018        |
|---|----------------------|----------------------|
|   | £000                 | £000                 |
| Government Banking Service and cash in hand | <u>18,892</u>        | <u>30,587</u>        |
| <b>TOTAL</b>                                | <u><b>18,892</b></u> | <u><b>30,587</b></u> |

## 12 Trade and other payables

|  | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
|  | £000          | £000          |
| <b>Current payables</b>                  |               |               |
| VAT                                      | 842           | 2,119         |
| Other taxation and social security costs | 3,293         | 3,140         |
| Trade payables                           | 4,244         | 4,857         |
| Other payables                           | 490           | 540           |
| Dividend                                 | 6,158         | 2,000         |
| Accruals and deferred income             | <u>12,674</u> | <u>35,880</u> |
| <b>TOTAL</b>                             | <u>27,701</u> | <u>48,536</u> |

## 13 Employee benefit payable

|                                     | 31 March 2019 | 31 March 2018 |
|-------------------------------------|---------------|---------------|
|                                     | £000          | £000          |
| Balance at beginning of period      | 464           | 604           |
| Increase / (decrease) in the period | <u>144</u>    | <u>(140)</u>  |
| <b>Balance at end of the period</b> | <u>608</u>    | <u>464</u>    |

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

## 14 Lease obligations

|  | 31 March 2019            | Restated<br>31 March 2018 |
|--|--------------------------|---------------------------|
|  | Land & Buildings<br>£000 | Land & Buildings<br>£000  |
| <b>Operating lease rentals due within:</b> |                          |                           |
| One year                                   | 1,617                    | 2,159                     |
| Two to five years                          | 2,452                    | 1,759                     |
| Over five years                            | <u>1,376</u>             | <u>-</u>                  |
| <b>TOTAL</b>                               | <u>5,445</u>             | <u>3,918</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 47 for further information).

|                                 | 31 March 2019<br>£000 | 31 March 2018<br>£000 |
|---------------------------------|-----------------------|-----------------------|
| Balance at beginning of period  | -                     | 7                     |
| Utilised in the period          | -                     | (7)                   |
| Increase in the period          | <u>-</u>              | <u>-</u>              |
| <b>Balance at end of period</b> | <u><u>-</u></u>       | <u><u>-</u></u>       |

### 16 Public dividend capital

|  | 31 March 2019<br>£000 | 31 March 2018<br>£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>            |
| <b>Balance at end of period</b>                      | <u><u>350</u></u>     | <u><u>350</u></u>     |

### 17 General reserve

|   | 31 March 2019<br>£000 | 31 March 2018<br>£000 |
|---|-----------------------|-----------------------|
| Balance at beginning of period              | 10,020                | 20,120                |
| Retained surplus / (deficit) for the period | <u>14,799</u>         | <u>(10,100)</u>       |
| <b>Balance at end of period</b>             | <u><u>24,819</u></u>  | <u><u>10,020</u></u>  |

## 18 Notes to the statement of cash flows

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

|  | Note  | 2018/19<br>£000       | 2017/18<br>£000      |
|--|-------|-----------------------|----------------------|
| Operating surplus / (deficit)                                |       | 20,816                | (8,158)              |
| Utilisation of provisions                                    | 15    | -                     | (7)                  |
| Depreciation charges   | 7     | 764                   | 679                  |
| Amortisation of intangible assets                            | 8     | 170                   | -                    |
| Decrease in inventories                                      | 9     | 88                    | 1                    |
| (Increase) in receivables                                    | 10    | (3,924)               | (2,057)              |
| (Decrease) / Increase in payables and Employee Benefit       | 12/13 | (24,849)              | 24,282               |
| <b>Net cash (outflow) / inflow from operating activities</b> |       | <b><u>(6,935)</u></b> | <b><u>14,740</u></b> |

### Note (ii): Analysis of changes in net funds

|                                 | 2018/19<br>£000      | 2017/18<br>£000      |
|---------------------------------|----------------------|----------------------|
| Net funds at 1 April            | 30,587               | 18,635               |
| Net funds (decrease) / increase | (11,695)             | 11,952               |
| Net funds at 31 March           | <b><u>18,892</u></b> | <b><u>30,587</u></b> |

The '(Decrease) in payables and Employee Benefit' was as a result of having a significant level of 'Accruals and Deferred Income' as at 31 March 2018 (Note 12). As at 31 March 2019, accruals have reduced and returned to a more normalised level.

## 19 Capital commitments

Capital commitments contracted for at 31 March 2019 were £72,000 (31 March 2018: £1.2 million).

## 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 to deliver this target. The five year rolling average ROCE achieved is 4.6% (2017/18: the four year rolling average ROCE achieved was minus 23.5%).

## 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.

During 2018/19, CCS had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities.

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

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 and Social Care's (DHSC) Future Operating Model and Procurement Transformation Programme for the NHS (NHS FOM). CCS received income of £694k from NHS BSA during the year for services provided. S Maizey was not involved in the approval and contract award process or the service provided. Effective from 1 April 2019, management of NHS Supply Chain transferred from NHS BSA to a newly formed company wholly owned by DHSC, Supply Chain Coordination Limited. This transfer removes any future conflict of interest for S Maizey.

D Wakefield (Non-Executive Director) is the Chair of the University Hospitals of North Midlands NHS Trust and until 31 March 2019 was the Chair of NHS Bolton Foundation Trust. During 2018/19, both organisations procured goods and services through CCS frameworks however D Wakefield was not involved in the procurement processes.

R Wilmot (Non-Executive Director) is the CEO of Crowdicity which is a supplier on CCS's G-Cloud 10 framework. During 2018/19, through this framework, Crowdicity was awarded a contract with DHSC. The contract value and resultant levy to CCS were immaterial. R Wilmot was not involved in the contract award process.

Compensation due to key management personnel in year has been disclosed in the Remuneration report (page 43).

### 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 Executive Board.

- 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 and IFRS 9, the carrying values of short term assets and liabilities (at amortised cost) are not considered different to fair value.



## Financial assets

|                               | Total<br>£000 | Floating<br>rate<br>£000 | Fixed<br>rate<br>£000 | Non-interest<br>bearing<br>£000 | Weighted<br>average<br>interest<br>rate % | Weighted<br>average<br>period<br>for which<br>fixed years | Non-interest<br>bearing<br>weighted<br>average term<br>until maturity |
|-------------------------------|---------------|--------------------------|-----------------------|---------------------------------|---|---|---|
| <b>31 March 2019</b>          |               |                          |                       |                                 |   |   |   |
| Trade receivables             | 12,500        | -                        | -                     | 12,500                          | -   | -   | -   |
| Accrued income                | 15,856        | -                        | -                     | 15,856                          | -   | -   | -   |
| Cash and cash equivalents     | 18,892        | -                        | 18,892                | -                               | 0.56                                      | 1.00  | -   |
| <b>Gross financial assets</b> | <b>47,248</b> | <b>-</b>                 | <b>18,892</b>         | <b>28,356</b>                   | <b>-</b>                                  | <b>-</b>  | <b>-</b>  |
| <b>31 March 2018</b>          |               |                          |                       |                                 |   |   |   |
| Trade receivables             | 9,480         | -                        | -                     | 9,480                           | -   | -   | -   |
| Accrued income                | 14,943        | -                        | -                     | 14,943                          | -   | -   | -   |
| Cash and cash equivalents     | 30,587        | -                        | 30,587                | -                               | 0.24                                      | 1.00  | -   |
| <b>Gross financial assets</b> | <b>55,010</b> | <b>-</b>                 | <b>30,587</b>         | <b>24,423</b>                   | <b>-</b>                                  | <b>-</b>  | <b>-</b>  |

## Financial liabilities

|                                    | Total<br>£000 | Floating<br>rate<br>£000 | Fixed<br>rate<br>£000 | Non-interest<br>bearing<br>£000 | Weighted<br>average<br>interest<br>rate % | Weighted<br>average<br>period<br>for which<br>fixed years | Non-interest<br>bearing<br>weighted<br>average term<br>until maturity |
|------------------------------------|---------------|--------------------------|-----------------------|---------------------------------|---|---|---|
| <b>31 March 2019</b>               |               |                          |                       |                                 |   |   |   |
| Trade payables                     | 4,244         | -                        | -                     | 4,244                           | -   | -   | -   |
| Accruals and other payables        | 16,470        | -                        | -                     | 16,470                          | -   | -   | -   |
| <b>Gross financial liabilities</b> | <b>20,714</b> | <b>-</b>                 | <b>-</b>              | <b>20,714</b>                   | <b>-</b>                                  | <b>-</b>  | <b>-</b>  |
| <b>31 March 2018</b>               |               |                          |                       |                                 |   |   |   |
| Trade payables                     | 4,857         | -                        | -                     | 4,857                           | -   | -   | -   |
| Accruals and other payables        | 25,920        | -                        | -                     | 25,920                          | -   | -   | -   |
| <b>Gross financial liabilities</b> | <b>30,777</b> | <b>-</b>                 | <b>-</b>              | <b>30,777</b>                   | <b>-</b>                                  | <b>-</b>  | <b>-</b>  |

The only financial instruments held by CCS are those which arise from CCS's day to day operational activities and include trade receivables (Note 10) and trade payables (Note 12).

## Notes to the accounts continued

### 23 Contingent liabilities

There were no contingent liabilities.

### 24 Events after the reporting period

On 28 February 2019, a Statutory Instrument (SI) was laid in Parliament which enabled the transfer of the Whitehall District Heating System and Whitehall Standby Distribution System ('the Whitehall Systems') from the Crown Commercial Service (CCS) Trading Fund to the Government Property Agency (GPA). GPA has agreed to operate and manage the Whitehall Systems with effect from 1 April 2019. The transfer formally took place on 1 April 2019 and will result in a £3.9m writedown in 2019/20 which has been built into CCS forward budgets and forecasts. As a result, on 1 May 2019, £1,641,000 was paid to GPA.

Breaking down the segmental analysis in Note 2 from within the Other segment, the contribution of the Whitehall Systems in 2018/19 is shown in the table below together with the impact of the transfer in 2019/20.

|  | 31 March 2019<br>Whitehall | 1 April 2019<br>Whitehall |
|--|----------------------------|---------------------------|
|  | £000                       | £000                      |
| Gross Income from external sales               | 2,659                      | -                         |
| Release of deferred income                     | 4,000                      | -                         |
| <b>Total Income</b>                            | <b>6,659</b>               | <b>-</b>                  |
| Operating costs                                | (2,579)                    | -                         |
| Depreciation costs                             | (80)                       | -                         |
| Writedown of Property, Plant & Equipment Asset | -                          | (3,920)                   |
| <b>Operating surplus / (deficit)</b>           | <b><u>4,000</u></b>        | <b><u>(3,920)</u></b>     |
| <b>Assets</b>                                  |                            |                           |
| Property Plant & Equipment                     | 3,920                      | -                         |
| Cash - Deferred Income Liability               | 1,641                      | 1,641                     |
|  | <b><u>5,561</u></b>        | <b><u>1,641</u></b>       |
| <b>Liabilities</b>                             |                            |                           |
| Deferred Income                                | (1,641)                    | (1,641)                   |
|  | <b><u>(1,641)</u></b>      | <b><u>(1,641)</u></b>     |
| <b>Total Assets Less Liabilities</b>           | <b><u>3,920</u></b>        | <b><u>-</u></b>           |

This transfer is considered a Machinery of Government transfer of function under the FReM and has not been treated as a discontinued operation under IFRS 5. It will be accounted for as a transfer by absorption in 2019/2020.

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 2014 to 31 March 2019

|   | Year<br>2018/19      | Year<br>2017/18        | Year<br>2016/17       | Year<br>2015/16       | Year<br>2014/15      |
|---|----------------------|------------------------|-----------------------|-----------------------|----------------------|
|   | £000                 | £000                   | £000                  | £000                  | £000                 |
| <b>Statement of financial position</b>                  |                      |                        |                       |                       |                      |
| Non-current assets                                      | 6,168                | 4,204                  | 2,043                 | 2,729                 | 3,403                |
| Total current assets less liabilities                   | 19,001               | 6,166                  | 18,434                | 26,482                | 36,554               |
| Provision for liabilities and charges                   | -                    | (-)                    | (7)                   | (344)                 | (2,521)              |
| <b>Assets employed</b>                                  | <b><u>25,169</u></b> | <b><u>10,370</u></b>   | <b><u>20,470</u></b>  | <b><u>28,867</u></b>  | <b><u>37,436</u></b> |
| <b>Financed by</b>                                      |                      |                        |                       |                       |                      |
| Public dividend capital                                 | 350                  | 350                    | 350                   | 350                   | 350                  |
| General reserve   | 24,819               | 10,020                 | 20,120                | 28,517                | 37,086               |
|   | <b><u>25,169</u></b> | <b><u>10,370</u></b>   | <b><u>20,470</u></b>  | <b><u>28,867</u></b>  | <b><u>37,436</u></b> |
| <b>Statement of Comprehensive Income</b>                |                      |                        |                       |                       |                      |
| <b>Income</b>   | <b><u>91,762</u></b> | <b><u>74,961</u></b>   | <b><u>73,355</u></b>  | <b><u>67,679</u></b>  | <b><u>70,244</u></b> |
| Operating costs   | (64,172)             | (80,508)               | (71,579)              | (66,257)              | (64,835)             |
| <b>Surplus / (deficit) before other operating costs</b> | <b>27,590</b>        | <b>(5,547)</b>         | <b>1,776</b>          | <b>1,422</b>          | <b>5,409</b>         |
| Other operating costs                                   | (6,774)              | (2,611)                | (8,230)               | (8,090)               | (3,500)              |
| <b>Operating surplus / (deficit)</b>                    | <b>20,816</b>        | <b>(8,158)</b>         | <b>(6,454)</b>        | <b>(6,668)</b>        | <b>1,909</b>         |
| Finance income  | 141                  | 58                     | 57                    | 99                    | 124                  |
| <b>Surplus / (deficit) for the year</b>                 | <b>20,957</b>        | <b>(8,100)</b>         | <b>(6,397)</b>        | <b>(6,569)</b>        | <b>2,033</b>         |
| Dividend payable to the Cabinet Office                  | (6,158)              | (2,000)                | (2,000)               | (2,000)               | (2,000)              |
| <b>Retained surplus / (deficit)</b>                     | <b><u>14,799</u></b> | <b><u>(10,100)</u></b> | <b><u>(8,397)</u></b> | <b><u>(8,569)</u></b> | <b><u>33</u></b>     |