

Annual Report and Accounts 2011/12

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(b) of the Government Trading Funds Act 1973
(as amended by the Government Trading Act 1990).

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Welcome to Government Procurement Service Annual Report and Accounts 2011/12

Government Procurement Service, an executive agency of the Cabinet Office, is the operational delivery arm of Government Procurement.

Our overall priority is to provide procurement savings for Central Government, Local Government, Health and organisations across the UK public sector.

Chair's Overview

As Government's Chief Procurement Officer and Head of Profession, I am proud to be chairing the Board at such an exciting and pivotal time in the history of Government Procurement Service (GPS). GPS is the delivery engine on behalf of Government Procurement and is at the forefront of the centralised procurement strategy, demonstrating that significant and sustainable savings can be achieved through centralisation, aggregation and standardisation.

GPS has changed dramatically over the last year. Working collectively with the Commercial Directors of the Departments on the Procurement Reform Boards, GPS is fully aligned with government policy, helping to deliver the challenging spend reduction targets and improve efficiency, delivering excellent value for the taxpayer through its procurement arrangements.

The Board has been strengthened with David Thomas and Vincent Godfrey, Commercial Directors of HM Revenue and Customs and Ministry of Justice respectively, joining as Non-Executive Directors to represent Departments.

I am particularly pleased by the speed and breadth of the business transformation. With extremely challenging targets to meet, GPS has made huge progress in very short time scales, creating a highly motivated, professional team which is commercially focussed and customer driven.

Throughout this period of major change, its procurement programme has continued at pace, with the team delivering some truly groundbreaking procurements across the core categories, including Information, Communication, Technology (ICT), Travel, Learning & Development, Energy and Fleet.

GPS is playing a key role in helping to deliver the Government's agenda to support Small and Medium sized Enterprises (SMEs) by making it quicker and less costly for SMEs to compete for government business, ensuring a level playing field for suppliers of all sizes. By structuring procurements to maximise competition and supplier innovation, GPS has demonstrated that major savings can be delivered whilst supporting economic growth. This is already yielding positive results with the recently awarded Civil Service Learning contract structured to ensure that 51% of business is sub-contracted through the main contractor, thereby opening up significant opportunities for SMEs. I was also very encouraged to see a number of SMEs compete for and win GPS let contracts across Travel, Facilities Management, Office Solutions and notably ICT, through the innovative CloudStore, where 74% of suppliers are SMEs.

As a Trading Fund, GPS is funded through a small commission paid by suppliers, averaging 0.42% of total spend for the year. By streamlining its operations and improving efficiency, GPS has already made a healthy contribution to the Procurement Investment Fund (PIF), which was set up to fund sustainable improvements to procurement capability and infrastructure across Government. I am proud that over £7m will have been invested by the end of 2012/13.

2011/12 has undoubtedly been a very challenging yet successful year for GPS and I am confident the Management Team in place will continue to build on the successes of the past year, as we strive to make GPS the procurement services provider of choice for Central Government and the UK public sector.

John Collington
Chair

Managing Director's Review of the Year

2011/12 has been one of the busiest and most challenging years in our history, driven by a major transformation programme to enable us to deliver the Government's requirement to increase spend under management, reduce costs, improve operational delivery and procurement efficiency.

Following the Strategic Review, which was approved by Rt Hon Francis Maude, Minister for the Cabinet Office, Ian Watmore, Permanent Secretary for the Cabinet Office and the Public Expenditure Committee (PEX) in May 2011, we changed our name to Government Procurement Service in October.

Key highlights of the year include:

- 10.9% increase in spend under management from £7.6bn in 2010/11 to £8.4bn.
- Increased efficiency through reduction in running costs from £29.6m in 2010/11 to £22.5m saving £7.1m.
- Increased surplus before restructuring and PIF of £5.7m.
- Funded £5.2m restructuring programme that reduced average FTE by 79.
- Invested £2.2m to deliver sustainable improvements across government procurement (PIF).

Our transformation programme enabled the organisation to focus on five key areas which are directly linked to the recommendations of the Strategic Review all of which are on track:

- People
- Customer
- Operational Delivery
- Enablers/Efficiency
- Transparency

People

The whole organisation has been restructured to focus on performance management, service delivery and eEnablement to provide sustainable procurement savings for the tax payer. Staff numbers have been reduced, with the number of support staff now accounting for just 15% of the workforce.

As part of our commitment to uplift our core skills capability across the organisation, we have developed and implemented a professional procurement training strategy for staff. We have also invested in leadership training for senior management staff to support the drive for increased commercial focus and improved customer delivery.

Building on the skills and capability of experienced, professional and committed staff, there is now a much stronger emphasis on performance management and increased accountability for each team to deliver the required results.

Customer

Customer service is fundamental to achieving our ambition to be the procurement provider of choice. To support this we've created a new customer team with dedicated relationship managers allocated to each Department and the health, education, local government and devolved sectors to provide a single point of contact.

We are working collaboratively across the Public Sector to ensure we maximise aggregation opportunities, delivering a groundbreaking deal with Eastern Shires Purchasing Organisation (ESPO) and Yorkshire Purchasing Organisation (YPO) on Multi-Functional Devices for example; and working closely with the NHS to support their temporary staffing needs.

To enable performance to be monitored effectively by sector and by Department over time, we have re-baselined the measures in our Customer Satisfaction survey and created a panel of key public sector stakeholders. We are open to and encourage feedback from all parts of the public sector and use it proactively to enhance service delivery, for example publishing procurement plans to assist future planning and establishing Customer Management Boards.

Operational delivery

Our performance during the year has been consistently strong, working with our customer departments and organisations across the wider public sector, we have been able to deliver combined price and demand savings of £2.5bn. Spend under management rose to £8.4bn, a 10.9% increase over last financial year. This included undertaking 16 eAuctions for a diverse range of products and services from carbon offsetting to cars, saving an estimated £104.6m on total pre-auction value of £319m.

We have cut our like for like total operating costs by 45% from our baseline financial year 2009/10 excluding restructuring and PIF (£23.4m in 2011/12 compared to £42.3m in 2009/10) and also relocated the Liverpool office, saving £5.2m over 10 years. 'Lean' principles have been adopted across the organisation, contributing to an impressive 42% reduction in procurement lead times year on year from an average of 220 working days to 127, while doubling the number of procurement events this financial year.

Improving supplier management has been a real focus, evidenced by vendor rating, improved management information, pre-procurement planning events and increased savings across all categories. Our success in further improving operational delivery was endorsed by the continuation of our Chartered Institute of Purchasing and Supply (CIPS) accreditation.

Managing Director's Review of the Year continued

Enablers / efficiency

As a result of our business transformation, managed spend per full time employee (FTE) increased by over 35% from financial year 2010/11, whilst the cost per FTE has fallen by 34% since financial year 2009/10, demonstrating a significant improvement in productivity and efficiency.

We have established and contributed to the Procurement Investment Fund (PIF) which was set up to invest in improving procurement capability and infrastructure across Government. The PIF Board has already approved £9.6m worth of projects over the next four years in areas of eEnablement and capability development training, with a proportion of funds set aside to drive strategic pan-government improvements.

The implementation of the eEnablement strategy has been a key priority, underpinning our ability to deliver sustainable procurement savings and efficiencies for the taxpayer. All key components have been delivered, including the Government eMarketplace, spend analytics, the new Government Procurement portal which was created with input from customers and suppliers and new further competition functionality together with contract and supplier management tools.

Transparency

During the year we have significantly improved corporate governance. We have split the roles of Chairperson and Managing Director; appointed two new Non-Executive Directors representing customer interests; and, provided operational performance and financial management information on a monthly basis to stakeholders and the Procurement Reform Board.

A major part of our transparency and accountability strategy has been to put in place Customer Service Agreements with the principal 17 government Departments. This collaboration will assist the transition of spend through new and existing Government Procurement Service arrangements to maximise the benefits of centralised procurement for the taxpayer.

A new transparency portal was created to improve access to financial and HR data, the procurement pipeline and supplier contract information. Our aim is to exceed the requirements and minimum standards for sharing information.

Procurement highlights

A total of 60 new procurement events were completed in 2011-12 with an estimated combined value of £21.98bn, these procurements have sought to drive and leverage committed volumes and are delivering excellent commercial outcomes across the core commodity categories.

Highlights of the year include:

Information Communication Technology (ICT)

- GPS is playing a key role in the delivery of the Government ICT strategy, procuring the first Public Services Network (PSN) compliant frameworks for Connectivity and Services worth up to £5bn collectively over 4 years. PSN is a fundamental layer of infrastructure enabling much of the Government's ICT Strategy.
- Also integral to the ICT strategy was the delivery of the first G-Cloud framework worth up to £60m for six months, which is set to revolutionise the purchasing, management and delivery of Public Sector IT services - introducing a "pay as you go" approach to IT.
- Memorandums of Understanding have been signed with Adobe, SAP, Microsoft and Oracle, and have been successful in reducing overall costs and obtaining license transferability across Central Government.

Travel

- Central Government travel contract worth up to £2.6bn awarded over four years, saving £20m on booking fees alone. Significant savings have been achieved during the year with both improved compliance, improved unit rates and demand management supplemented by driving down rates within the supply chain.

Office Solutions

- Delivery of the Government Office Supplies contract worth up to £400m over four years – the first of the new centralised contracts to be awarded, saving £18m annually.
- Groundbreaking joint procurement with Pro5 members ESPO and YPO for Multi Functional Devices and related services. Worth up to £904m over four years, this framework is delivering substantial savings averaging 46% on hardware costs and 49% on service costs through standardised specifications and eAuctions.

Energy

- The energy team managed the largest meter transfer for gas and electricity in British history, moving 21,831 public sector sites to GPS frameworks, primarily across MOD, DWP and Health estates. This will deliver £25m additional savings in the 2012-13 financial year and similar savings in subsequent years, achieved through state of the art trading and the application of lower supply chain costs to sites.
- New, more robust ways of working introduced to increase rigour within the trading functions, contributing to savings of over £50m across the energy portfolio.

Professional Services

- Innovative Civil Service Learning contract worth £250m to provide training across the Civil Service and public sector, supporting SMEs by mandating that a minimum of 51 per cent of business is delivered through an open and competitive supply chain.
- Non Permanent Staff framework delivered £12m price savings through aggressive management of the rate card with suppliers, an active SRM programme based on segmentation of the supply base and the introduction of a vendor rating scheme which was linked to the rate card performance of the suppliers.

Fleet

- GPS's fleet frameworks delivered over £32 million savings for customers in 2011/12. These innovative vehicle purchase and lease procurements worth up to £6bn over four years were shortlisted for the national GO awards in March – frameworks include standard specifications to maximise competition, using eAuctions to deliver additional savings. Customer access is through dedicated portal with real time pricing believed to be first of its kind.

Property & Facilities Management

- Modular Building Systems framework worth up to £200m over four years, offering a cost effective alternative to traditional build.
- Environmental & Sustainability Advice, Support & Delivery framework worth up to £120m over four years.

Expanding Government Procurement Service

During the year we have taken on responsibility for managing a number of new areas, while also expanding services available to customers. Responsibility for the category management of Communication Services transferred to Government Procurement Service in preparation for the closure of the Central Office of Information in March and a new centralised category strategy is now being introduced with the first procurements starting in June 2012. Working with Cabinet Office the transfer of the contract management Flex desktop services was completed. These two new areas have added an additional £170m of spend under management during the year.

We have introduced a number of new services demonstrating our commitment to improving our offering to meet customer needs effectively and efficiently. These include a new Spot Buy service to fulfil sub-OJEU requirements and simple procurements on behalf of departments. This service is now being made available across the public sector; we have introduced face to face / online lean sourcing training and development in partnership with CIPS to improve procurement efficiency

across government; we have undertaken spend analysis for all 17 Central Government Departments, covering over 80% of procurement expenditure and are rolling out the service to organisations across the public sector.

Looking forward

Many organisations deliver less impressive financial and operational results during times of significant transformation - we have done the opposite. Our success is the result of a real team effort working to very challenging targets and would not have been possible without the commitment, expertise and resilience of all staff.

The coming year will be challenging as we complete the implementation of the new eSourcing tools, spend analytics, operational category management and spot buy services across the public sector, while leveraging the core areas of sourcing and category management. We are targeting a minimum of £10bn spend under management and aim to increase spend through eAuctions to at least £1bn. We will also be working with Departments to deliver strategic procurement projects, providing access to a flexible procurement pool of resource supplemented by approved contractors.

With our strong procurement expertise and improved capability across the organisation, we will continue at pace to deliver further savings and efficiencies in the coming year, ensuring our customers across the whole of the public sector are able to reap the full benefits of centralisation, standardisation and aggregation.



D Shields
Accounting Officer
26 June 2012

Performance against targets

1 Savings

Benefits are calculated using guidance provided by the Cabinet Office's Efficiency and Reform and Group, and are described as delivering only cash releasing savings – these can be split into two types which are measured against a baseline year of 2009/10, and can be summarised as:-

- Price savings – current price paid now against price paid in 2009/10 baseline year
- Demand savings – measures consumption now compared to 2009/10 consumption using current price paid. For consultancy and contingent labour demand savings, Government Procurement Service administers the approvals process and supports Central Government departments in delivering these savings.

2011/12	Price £m	Demand £m	Total £m
Central Government	426	1,810	2,236
Wider Public Sector	224	44	268
Total	650	1,854	2,504

2 Customer Satisfaction

Customer satisfaction data has been captured on a quarterly basis using an online survey for Central Government (CG) customers and a Computer Assisted Telephone Interviewing (CATI) approach for Wider Public Sector (WPS) customers. Results for each quarter are shown in the table below.

2011/12	Target %	Q1 %	Q2 %	Q3 %	Q4 %
Central Government	70	64	69	69	68
Wider Public Sector	90	90	90	90	89

A more accurate method for capturing and re-baselining customer satisfaction data was introduced for 2011/12 which involves a Central Government panel and includes departments who were not previously surveyed.

Wider public sector remains a survey of a random selection of users registered on our website.

Performance against targets continued

3 Return on Capital Employed

Return on Capital Employed (ROCE) is measured as Government Procurement Service's operating surplus/(deficit), as a percentage of the annual average of opening and closing net assets, over a 5 year period starting in 2009/10.

ROCE	Target %	2011/12 %	2010/11 %	2009/10 %
ROCE in year	6.5	14.0	19.9	(5.4)
ROCE Rolling Average	6.5	9.5	7.3	(5.4)

4 Financial performance and resource efficiency

Government Procurement Service's primary purpose is to deliver an efficient, high quality procurement service whilst generating a surplus to invest in enhancing procurement capability across government through the Procurement Investment Fund (PIF).

Financial performance is shown in the table below.

Financial Performance	2011/12	2010/11	2009/10
Managed Spend (£m)	8,430	7,602	7,028
Revenue (£000)	54,198	76,279	104,430
Gross surplus and Other Operating Income (£000)	35,785	37,056	38,739
Total Operating Costs excluding Restructuring and PIF (£000)	(23,388)	(30,411)	(42,327)
Less Whitehall Depreciation (£000)	849	849	733
Total Costs excluding Restructuring, PIF and Whitehall Depreciation (£000)	(22,539)	(29,562)	(41,594)
Surplus before Restructuring and PIF (£000)	12,397	6,691	(3,555)
Restructuring Costs (£000)	(5,229)	(455)	-
Procurement Investment Fund (£000)	(2,239)	-	-
Operating Surplus/(Deficit) (£000)	4,929	6,190	(3,588)
Comprehensive income for the year (£000)	2,610	4,144	(5,661)

As part of the planning process before the start of the financial year, we set a number of targets for key performance indicators focusing on resource efficiency, cost management and managed spend growth. Performance against the year's targets is given in the table below with prior year comparisons.

Key Performance Indicators	Target 2011/12	2011/12	2010/11	2009/10
Staffing Full Time Equivalents (FTE)	333.6	313.3	392	383
Managed Spend per FTE (£m)	29	26.91	19.39	18.35
Gross surplus and Other Operating Income per FTE (£000)	N/A	111.51	94.53	101.15
Total Costs excluding Restructuring, PIF and Whitehall Depreciation per FTE (£000)	75	71.93	77.46	110.43
Average Commission Rate (%)	<0.5	0.42	0.49	0.55

Responding to change

The landscape for Government Procurement Service continues to be one of change and transformation whilst we support the ongoing development of a cohesive Government Procurement approach.

Our People Strategy

Our success continues to be a direct consequence of our people and we have continued to invest in supporting their development whilst driving the required change.

Capability Review

We have continued to develop the capability within the organisation to ensure we are a centre of excellence for procurement and category management within Central Government and the Wider Public Sector.

During the last year we have continued to concentrate on developing the number of Members of the Chartered Institute of Purchasing and Supply (MCIPS) qualified procurement and category management staff, in addition to launching a Training Delivery Centre, on behalf of Government Procurement, whose purpose is to grow the capability and skills across both Central Government and the Wider Public Sector. This programme is supported by the Chartered Institute of Purchasing and Supply (CIPS) and follows a Lean methodology

Staff Survey

During October 2011 Government Procurement Service participated in the annual Civil Service People survey, a civil service wide project run by the Cabinet Office.

227 Government Procurement Service employees participated in the survey – a response rate of 86%. This represents a constant in those taking part in this year's survey compared to the previous year.

The survey showed that our overall Employee Engagement Index remained constant at 56%, which given the voluntary redundancy programme and the significant transformation of the organisation during the past year is a real achievement.

There were some key areas which showed improvement on the previous year including Leadership which was up 13 points and organisational objectives & purpose which showed an increase of 3 points.

Recruitment & Staffing Levels

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

Government Procurement Service recruited the following staff over the last year:

Band	Male	Female
Band 1	0	0
Band 2	0	0
Band 3	0	0
Band 4	1	1
Band 5	3	4
Band 6	3	0
Band 7	4	3
SCS	0	0

Breakdown by age at 31 March 2012

Age Range	Male	Female	Total
21 – 30	9	20	29
31 - 40	52	44	96
41 - 50	53	49	102
51 - 60	40	23	63
61 - 70	6	2	8

Staff numbers and breakdown at 31 March 2012

Band	Permanent Male	Permanent Female	Interim Male	Interim Female
Band 1	4	15		
Band 2	22	28		
Band 3	19	25		
Band 4	47	40		
Band 5	22	23		
Band 6	20	7		
Band 7	5	7		
SCS Band 1	2	0		
SCS Band 1A	0	1		
SCS Band 2	1	0		
No Grade	0	0	4	0

Average staff numbers throughout the year: 305.2 Full Time Equivalent (FTE)

Responding to change continued

Health, safety & welfare

The health, safety and welfare of staff continues to be a key priority for Government Procurement Service.

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

The number of working days lost due to sickness absence was 2,406 (3,401 for 2011) with the average number of days per employee 7.8 (9 for 2011) against a target of 8.

Volunteering in the community

We encourage and support staff to undertake volunteering work in their communities. Our corporately sponsored volunteering policy allows staff to take two days paid leave for such work and we have actively engaged with charities in both Liverpool and Norwich to identify the best ways we can help. This resulted in the following programmes being supported over the last year:

- A Business in the community programme to provide a raft of support activity run in house and externally to help people get back into employment following homelessness or substance abuse. This also included CV writing, interview skills and coaching days.
- Physically helping to build homes for local people through Habitat for humanity.
- An employability programme in schools to help teenagers with interview skills and techniques.
- Support of individual volunteering at events or local charities such as hospice stores.
- Fundraising for Sports Relief and Comic Relief such as bake sales, Wii Fit competitions.
- Christmas Shoe box appeals
- Working with local SME's to support their business development and learning in line with the Government agenda.

In 2012/13 we will continue to raise awareness of the volunteering programme and make more opportunities available to staff.

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ended 31 March 2012**

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Management commentary

1 Statutory Background

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

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

2 History

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

Following the Gershon review of Central Government Procurement in 1999 a new organisation, the Office of Government Commerce (OGC), was set up within HM Treasury. TBA was transferred to OGC as an Executive Agency on 1 April 2000 and the Managed Services Division of Central Computer and Telecommunications Agency (CCTA) merged on 1 April 2001 to form a new Executive Agency of OGC. The Agency changed its name to OGCbuying.solutions on 3 April 2001. On 6 April 2009 the Agency underwent a further change of name to Buying Solutions in order to differentiate itself from OGC and clarify the respective roles of each body.

On the 1 October 2009, NHS PASA activities were transferred to Buying Solutions.

Following the election of the coalition government, Buying Solutions, along with OGC, transferred from HM Treasury and joined the newly formed Efficiency and Reform Group (ERG) within the Cabinet Office on 15 June 2010. On 1 October 2011, the Agency changed its name to Government Procurement Service to reflect its key role in delivering the centralised category procurement programme.

3 Strategic Review

The primary role of Government Procurement Service was revisited as part of its Strategic Review.

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

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

The review concluded that centralised procurement would be formalised under the remit and authority of the Cabinet Office and that a transformed, leaner and more efficient Government Procurement Service would become the engine room for delivering centralised government procurement spend and savings. Formalised agreements have been created between the Cabinet Office and Departments to deliver specific parts of Government Procurement on behalf of central government (and wider public sector where applicable). Ministers, Permanent Secretaries and Commercial Directors are held accountable for channelling common goods and services spend from their Departments and Arm's Length Bodies through Government Procurement Service under "the more you commit the more you save" principle.

The trading fund status and funding model of Government Procurement Service provides a mechanism for funding continuous improvement in procurement capability across government on a cost neutral basis.

4 Key Objectives

Government Procurement Service's objectives are:

- To operate within a financial discipline that generates a 6.5% return on capital employed as specified by the Trading Fund Order and the relevant HM Treasury minute as set out on page 52.
- To provide efficient and effective procurement and contract services to Central Government Departments and wider public sector customers complying with relevant public procurement regulations, which offer better value for money than customers could achieve otherwise.
- To deliver expert sourcing and category, data and customer management for centralised procurement.
- Increasing Central Government spend under management from £2.5bn to £5bn by 2012/13.
- To bring about a progressive improvement in the cost effectiveness and quality of service customers receive from Government Procurement Service suppliers and from Government Procurement Service itself.
- To maximise the savings potential of taxpayers' money by aggregating across the whole of the public sector where appropriate.
- To support and influence the Government's procurement agenda.
- To promote and facilitate effective access to a range of sustainable and "environmentally friendly" products and services wherever possible in its business activities.

Management commentary continued

- To be a good employer, managing Government Procurement Service's business efficiently and effectively, seeking continuous improvement, in line with our TORCH corporate values of Trust, Outward looking, Rigour, Can-Do and Helpful.
- To be a key delivery agent of Government policy.

With effect from 21 January 2009 the definition of Government Procurement Service's funded operations (as defined within the Buying Agency Trading Fund Order 1991) was amended to fully reflect and clarify the UK public sector base, taking full account of government structural changes since 1991.¹ The implication of this change was to clarify which organisations are able to use Government Procurement Service's procurement arrangements.

5 Principal Activities

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

Government Procurement Service's operations break down into three major areas of activity, namely framework agreements, managed services and Memorandums of Understanding (MoUs).

Framework agreements are a set of pre-tendered contracts with a range of suppliers from which public sector customers can purchase goods and services with ease.

A small commission (averaging 0.42%) of total spend is collected from the suppliers for each sale they make under our frameworks. Pre-tendered framework agreements cover over 500,000 individual products and services.

Managed services are ongoing, often more sophisticated, services provided by Government Procurement Service on behalf of public sector customers. In many cases, Government Procurement Service acts as the "intelligent customer" to a range of strategic partners. The economic model here varies by business area ranging from commission to traditional purchase and sale at a small margin designed to cover the cost of managing the service – see note 1.2 of the notes to the accounts on page 38.

Government Procurement Service manages several **MoUs** which provide public sector organisations with economies of scale and value for money across government.

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

ICT (IT Hardware, IT Software)

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

Telecoms & Telecare

Telecoms products and services include: Mobile Solutions and Specialist Solutions; Mts, a Managed Telecommunication Service; GSi, the Government Secure Intranet and Telecare services.

Energy

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

Property

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

Office Solutions

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

Communications

A broad range of communications services covering, advertising, media buying, market research, digital media, direct marketing and events.

Professional Services

Professional Services (including Health), embraces the areas of: functional and management consultancy; learning & development including eLearning; legal services; and resourcing.

Resourcing includes: interim managers, specialist contractors, recruitment services, clerical and administrative resource and non-medical and non-clinical resource.

Travel

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

Fleet

Fleet includes vehicle purchase, vehicle hire and fleet management services.

eCommerce

Offers a set of web-based tools to facilitate electronic purchasing, encompassing eSourcing, Government eMarketplace, Spend Analytics; eAuctions; the Government Procurement Card (GPC); a selection of fuel procurement cards and the Government Merchant Acquiring framework agreement.

¹ <http://www.legislation.gov.uk/uksi/2011/2208/contents/made>

Management commentary continued

6 Key Strengths and Resources

Our key strengths and resources are as follows:

- A Central Government commitment to promote the centralisation of category procurement for common goods and services;
- A highly-skilled workforce maintained by rigorous performance management processes, appropriate reward and recognition and a commitment to training and professional development;
- Category management approach to all procurement activity
- Technical knowledge – we act as the “intelligent” customer on behalf of the public sector;
- Easy access to value for money deals;
- A clear vision (“Savings for the Nation”) and strong supporting organisational values;
- Supplier management expertise;
- Flexible response to customer demand; and
- Robust internal control and governance.

7 Principal Risks

Our comprehensive and robust approach to risk management is described within the Governance Statement on pages 29-34. The key risks and opportunities managed currently and during the reporting year are as follows:

Operational Risk - Failure to deliver key strategic and operational objectives.

Stakeholder Risk - Suppliers fail to engage and/or resist delivering significant cost reductions.

Stakeholder Risk - Central Government Departments do not support the Government Procurement Service operating model to deliver key spend and savings targets.

Stakeholder Risk - We lose the support of current Wider Public Sector customers and do not achieve spend under management targets.

HR Risk - We do not retain key skills, recruit or have the capacity and capability to deliver our objectives
Information and Technology Risk - Failures to identify, produce, utilise and manage business critical data and infrastructure.

Financial Risk - Failure to deliver efficient and effective eEnablement solutions to drive increased savings and reduce costs.

Financial Risk - Government Procurement Service suffers a loss of financial stability, fraud or impropriety jeopardising the achievement of ministerial targets and the business’s ability to invest.

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

Legal Risk - Legal support does not meet business requirements leading to a successful legal challenge, missed procurement milestones and savings opportunities, reputational damage and a risk averse culture.

Reputational Risk - Negative press results in reputational damage and a loss of confidence in Government Procurement Service.

All risks have been closely managed and monitored to ensure key objectives are achieved.

8 Performance against Targets

Performance against targets are shown on page 10. Directors use a Balanced Scorecard approach and a detailed operational review to measure progress against these targets during the year.

9 Financial and Accounting Arrangements

The Buying Agency Trading Fund Order 1991 imposes a limit of £10 million on the sums that may be issued to the fund by way of a loan. Within its total borrowing power, Government Procurement Service may also negotiate loans of up to 12 months duration.

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

Government Procurement Service is able to generate its own cash via supplier commission and managed services fees and, as such, does not receive funding from the public purse. Any surplus cash is, in the short-term, invested in a high interest account or on deposit with the National Loan Fund and, longer term, invested to generate further savings for the nation. A “dividend” equal to 6.5% of capital employed is paid annually to the Cabinet Office. Our main tangible asset is Whitehall Systems which is detailed in the Notes to the Accounts on pages 39 and 44.

Management commentary continued

Surplus funds arising following payment of the dividend are reinvested in improving government procurement capability through the transparent mechanism of the Procurement Investment Fund (PIF). The core principles of the PIF are that investments will need to demonstrate procurement capability improvements across government and will need to show support for the delivery of pan government procurement savings.

PIF spending decisions are authorised by the PIF Board. PIF expenditure is considered to be an integral part of the operations of Government Procurement Service and are therefore not accounted for separately within the financial statements.

10 Financial Performance

The financial objective equivalent is to make a return on capital employed of 6.5% averaged over a five year period commencing 1 April 2009 to 31 March 2014. The financial year 2009/2010 was budgeted to return a deficit incorporating the cost of NHS PASA and investment in systems and processes, leaving the remaining four years to make up the average 6.5% return. Government Procurement Service's strategic plan aims to deliver this. This year, an actual ROCE of 14% has been achieved (28.8% excluding restructuring costs). The three year average ROCE from 2009/10 to 2011/12 is 9.5%.

Overall financial health and performance continue to be strong. The reduction in revenue to £54,198,000 (£76,279,000 for 2011) together with a corresponding decrease in cost of sales to £19,378,000 (£42,873,000 for 2011) have been as a direct result of the expiry of the Managed Telecommunication Service, part way through the reporting year. From January 2012, this former managed service has been replaced by a new framework, (see also note 1.3 on page 39).

Further reductions in operating costs have demonstrated good cost control during a period of significant change and an office relocation.

The operating surplus for the year amounted to £4,929,000 (£6,190,000 for 2011).

Finance income was £60,000 (£46,000 for 2011).

Surplus on ordinary activities for the period was £4,989,000 (£6,236,000 for 2011).

Government Procurement Service's Board set performance criteria at the start of the year against which a bonus would be payable. Some of the criteria were met and following an assessment of affordability a staff bonus is payable (see note 4.2 in the Notes to the Accounts).

A dividend of £2,379,000 (£2,092,000 for 2011) for the year to 31 March 2012 is payable to the Cabinet Office.

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

Comprehensive income of £2,610,000 has been taken to the General Reserve (£4,144,000 for 2011).

Cash and cash equivalents as at 31 March 2012 were £21,078,000 (£20,987,000 for 2011).

For more details see notes to the accounts on pages 38 to 51.

11 Customer Spend

	31 March 2012 £million	31 March 2011 £million
contractual agreements	8,034	7,232
managed services	36	62
memorandum of understanding	360	308
	<u>8,430</u>	<u>7,602</u>

The above table shows the total value of public sector transactions through Government Procurement Service's suppliers, through framework agreements and enabling contracts. The 2011/12 value is £828m above the 2010/11 level.

12 Contractual Arrangements

Government Procurement Service has framework agreements with more than 2,000 suppliers. It also has managed services contract agreements with the following strategic partners:

- **For Network Services:**

Energis Communications Limited (part of Cable and Wireless group), Global Crossing (UK) trading as Level 3

- **For Energy:**

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

- **For eCommerce:**

BravoSolution Limited, European Dynamics, EU Supply, Emptoris, ProcServe

13 Payment of Creditors

Government Procurement Service is committed to complying with the Late Payment of Commercial Debts (Interest) Act 1998, Confederation of British Industries (CBI) Prompt Payers Code and British Standards (BS) 7890. During the year 1 April 2011 - 31 March 2012, Government Procurement Service paid 97% of payments due (95% in the year ended 31 March 2011) within the credit period allowed.

Management commentary continued

14 Register of Interests

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

15 Significant Changes in Fixed Assets

There have been no significant changes in fixed assets during the year. Movements in fixed assets are disclosed in Note 9 in the Notes to the Accounts.

16 Research and Development

Government Procurement Service does not currently undertake pure research.

Government Procurement Service carries out a programme of development relevant to the present and future requirement of its activities and the needs of its customers.

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

17 Personal Data Related Incidents

Nil return

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2011/12

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

Table 2: Summary of other Protected Personal Data related incidents in 2011/12

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

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

18 Sustainability

Please see pages 21 to 23 for Government Procurement Service's sustainability report.

19 Events After The Reporting Period

There are no events to report.

20 Disclosure of Audit Information to the Auditors

So far as I am aware, there is no relevant audit information of which the auditors are unaware and I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. The Report and Accounts were authorised by the Accounting Officer to be issued on 2 July 2012.

21 Auditors

The Comptroller and Auditor General is the auditor of Government Procurement Service' accounts. The charge for the year is £72,800. All of this cost is related to audit services.



D Shields
Accounting Officer
26 June 2012

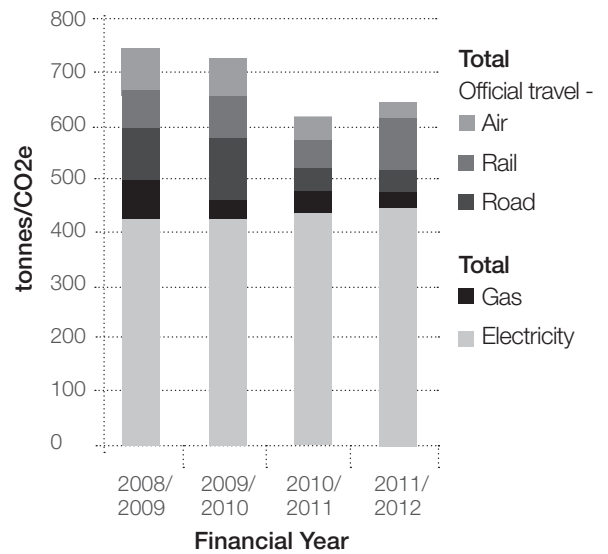
Sustainability report

Government Procurement Service is fully committed to the Greening Government Commitments (GGC) to significantly reduce the impact we have on our environment, with particular emphasis on reducing our greenhouse gas emissions, reducing our waste, reducing our water usage and making our procurements more sustainable.

Greenhouse Gas Emissions (GHG) and Energy Performance Commentary

GGC 1 – Reduce GHG emissions by 25% from an 09/10 baseline for our whole estate and business related transport.

Greenhouse gas emissions (GHG) and energy		2008/2009	2009/2010	2010/2011	2011/2012
Non - Financial indicators (tonnes CO2e)	Total gross emissions for scopes 1&2	509	453	475	470
	Total net emissions for scopes 1 & 2 (i.e. less reductions for - e.g. green tariffs)	509	453	475	470
	Scope 1 (Direct) GHG emissions	70	38	43	25
	Scope 2 (Energy Indirect)	439	415	432	445
	Scope 3 (Official business travel emissions)	98	128	61	43
Related energy consumption (million kWh)	Electricity: Non-renewable	-	-	-	-
	Electricity: Renewable	0.75	0.71	0.79	0.75
	Gas (Rosebery Court office, Norwich only)	0.35	0.19	0.21	0.12
	LPG	-	-	-	-
	Other	-	-	-	-
Financial indicators (£k)	Expenditure on energy	89	71	60	61
	CRC gross expenditure (2010 onwards)	-	-	-	-
	Expenditure on accredited offsets (e.g. GCOF)	-	-	-	-
	Expenditure on official business travel (£k)	1,152	1,183	867	739



Performance Commentary

Government Procurement Service has reduced total GHG emissions by 10.65% from 2009/10.

The Agency is located over two sites – The Capital Building in Liverpool from November 2011, (formerly located in the Royal Liver Building) and Rosebery Court in Norwich. Government Procurement Service is a tenant in both offices and pays a service charge for facilities management and accommodation services.

Government Procurement Service occupies approximately 17% of the office space in Rosebery Court so utilities costs are based on 17% of the building total. In Liverpool, utilities costs until October 2011 are based on invoiced bills for the Royal Liver Building and on estimates for the Capital Building (until such time as separate meter readings will be available). In respect of Capital Building data, Government Procurement Service will be working with our lessor, UK Border Agency (UKBA) / Home Office Property Group with the overall aim of achieving localised metering for all electrical supplies over the coming year.

Once we have benchmarked data from the first quarter's readings we will look to implement suitable control measures with the overall aim of reducing consumption on a quarter by quarter basis.

Direct Impacts Commentary

Within both offices, energy consumption is due to heating, cooling, lighting and ICT equipment usage. Electricity supplies for both offices are on green tariffs. Gas is used at Rosebery Court only.

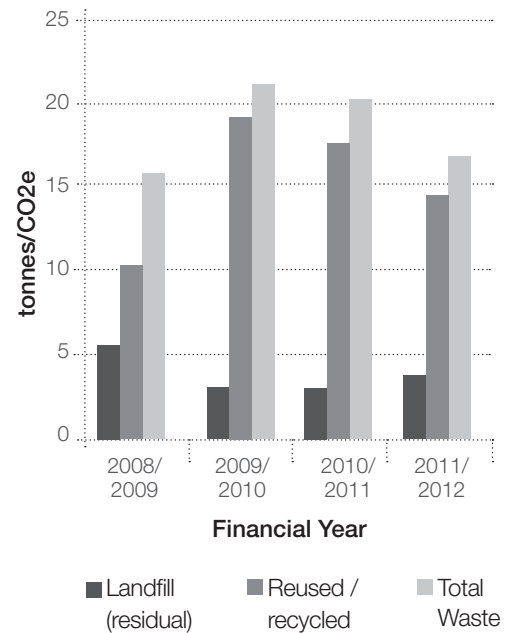
Our procurement role and two site location does mean that business travel is necessary. We constantly review our travel policy to ensure the most sustainable and cost efficient travel methods are used as far as possible. Consequently, there has been a reduction in the amount of road travel and a corresponding increase in rail travel.

Sustainability report continued

Waste Commentary

GGC 2 – Reduce the amount of waste generated by 25%
from a 2009/10 baseline

Waste		2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	
Non Financial indicators (t)	Total waste (not including construction)	16.04	19.35	20.30	16.78	
	Proportion of total waste recycled	65%	90%	90%	87%	
	Hazardous waste	Total	-	-	-	-
		Landfill (residual)	5.55	1.98	2.01	2.12
	Non hazardous waste	Reused / recycled	10.49	17.37	18.29	14.66
		Incinerated / energy from waste	-	-	-	-
		Construction landfill	-	-	-	-
Construction recycled		-	-	-	-	
Financial indicators (£k)	Total waste disposal cost (Rosebury Court, Norwich only. Cost for RLB Liverpool not available.)	1.93	2.30	1.45	1.66	
	Hazardous waste - Total disposal cost	-	-	-	-	
	Non hazardous waste - Total disposal cost	Landfill	0.75	0.30	0.54	0.87
		Reused / recycled	1.18	2.00	0.92	0.79
		Incinerated / energy from waste	-	-	-	-



Performance Commentary

Total waste disposed by Government Procurement Service has reduced by 13.29% compared to 2009/10.

Rosebery Court data is based on 17% of the total waste calculations for the building. Data for the Royal Liver Building is based on measurement by weight. Data for the Capital Building is not available yet so an average measurement of the previous twelve months has been applied.

Direct Impacts Commentary

Within the Capital building, waste data arising from our occupation during 2012/13 will be aggregated by UKBA. This will improve over 2013 as UKBA enter into a recycling regime with the building landlord Downing Developments and we can then drill further into our own waste data sets.

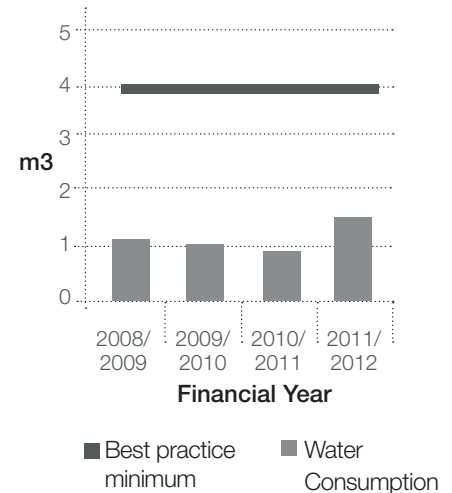
In support of the GGC requirement to cut paper use and for Government to go to market with a requirement for “closed loop” recycled paper, Government Procurement Service let a centralised Office Supplies Contract (managed by HMRC) incorporating a closed loop capability for paper recycling to improve sustainability and yield the commercial value of Government waste paper.

Sustainability report continued

Water Consumption Commentary

GGC 3 – Reduce water consumption from a 2009/10 baseline and report on office water use against best practice benchmarks

Water			2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012
Non- Financial supplied indicators (m3)	Water Consumption	Supplied (Rosebert Court, Norwich only, to February / March data in 2010 / 2011. Liverpool and Norwich full data from 2011/2012)	419	417	355	489
		Abstracted	-	-	-	-
Financial indicators (£k)	Water Supply costs (Rosebery Court, Norwich only)		0.87	0.91	1.00	0.61
FTE's	Liverpool and Norwich total FTE's		310	383	392	309.9
M ³ per FTE	Water Consumption per FTE		1.35	1.09	0.91	1.58



Performance Commentary

Government Procurement Service's water usage is within best practice benchmarks, achieving 1.58m³ per full time employee (FTE).

Following the relocation of our Liverpool office, accommodation within the Capital Building provides toilet facilities specific to each floor rather than communal facilities provided at the Royal Liver Building (RLB). This has resulted in an increase in water consumption reported, compared to prior years when no figures for RLB toilet facilities were available.

Direct Impacts Commentary

Water consumption monitoring will require re-engineering of pipe works and installation of localised meters within the Capital Building. We have asked the building landlords to implement this as soon as possible.

Supply Chain Commentary

GGC 4 – Ensure government buys more sustainable and efficient products and engages with its suppliers to understand and reduce the impacts of its supply chain.

Government Procurement Service is undertaking a project with a G-Cloud supplier to deliver a tool enabling suppliers to report their environmental performance.

This project is in direct support of the Greening review commitment to deliver sustainable procurement in the public sector.

Initial assessments of companies will be made based upon information already in the public domain (i.e. annual report), and will then be made available back to suppliers.

Remuneration report

1 Introduction

This report sets out the policy and disclosures on directors' remuneration as required by the Companies Act section 234B and schedule 7A and as interpreted in the Government Financial Reporting Manual (the FReM – paras 5.2.15-21). The Companies Act requirements include some disclosures that are not likely to be relevant in Government Procurement Service (such as those on shareholdings, share options, long-term incentive schemes and excess pension benefits paid). However, the report has been prepared to be compliant so far as is practicable and appropriate.

2 Senior Salaries Review Body

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

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com

3 Service Contracts

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

Unless otherwise stated below, the directors covered by this report hold appointments, which are open-ended until they reach retirement age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at

www.civilservicecommissioners.gov.uk

Remuneration report continued

4 Senior Management Salary Entitlements

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

	Salary (Note 1)	Bonus (Note 2)	Total Remuneration to 31 March 2012	Salary to 31 March 2011	Bonus to 31 March 2011	Total Remuneration to 31 March 2011
	£000	£000	£000	£000	£000	£000
D Shields Managing Director Full Year Equivalent	150-155		150-155	65-70 205-210		65-70 205-210
M Chown Director of Government Procurement Projects	115-120		115-120	115-120	5-10	125-130
D Murray Director of Resources	100-105		100-105	100-105	5-10	110-115
K Brookes Director of Human Resources	80-85	0-5	85-90	80-85	0-5	85-90
H MacCarthy Director of Customer Service	80-85		80-85	80-85		80-85
R Clegg Non-Executive Director	15-20		15-20	15-20		15-20
M Bryant Non-Executive Director	10-15		10-15	10-15		10-15
J Watkinson Non-Executive Director	10-15		10-15	10-15		10-15
J Collington Non-Executive Chairman	No remuneration paid					
V Godfrey Non-Executive Director (from 6.9.2011)	No remuneration paid					
D Thomas Non-Executive Director (from 6.9.2011)	No remuneration paid					
Band of Highest Paid Director's Total Remuneration (£'000)	150-155			205-210		
Median Total Remuneration	38.1			33.4		
Ratio	4.0			6.2		

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

Note 1 Salary includes gross salary, overtime, recruitment and retention allowances, private office allowances and any other allowances to the extent that they are subject of UK taxation. This report is based on accrued tax payments made by Government Procurement Service and thus recorded in these accounts.

Note 2 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2011/12 relate to performance in 2011/12.

Note 3 No benefits in kind were provided during this year.

Note 4 No remuneration was paid to the following members of the Board:- J Collington (Non-Executive Chairman), V Godfrey (Non-Executive Director) and D Thomas (Non-Executive Director)

Remuneration report continued

4 Senior Management Pension Entitlements

The pension entitlements of the Executive Directors of Government Procurement Service were as follows

	Accrued pension and lump sum at age 60 at 31 March 2012 £000	Accrued pension and lump sum at age 60 at 31 March 2011 £000	Real increase in annual pension £000	CETV at 31 March 2012 (Note 1 & 2) £000	CETV at 31 March 2011 £000	Real increase in CETV £000
D Shields Managing Director Full Year Equivalent	15	12	0-2.5	189	150	23
M Chown Director of Government Procurement Projects	8	6	2-2.5	50	32	12
D Murray Director of Resources	32	30	0-2.5	384	353	-2
K Brookes Director of Human Resources	6	4	0-2.5	48	29	13
H MacCarthy Director of Customer Service	104	97	2-2.5	360	323	8

This table has been audited.

Note 1 The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/2011 and 31/3/2012 have both been calculated using the new factors, for consistency.

The CETV at 31/3/2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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

Remuneration report continued

4 Pension Benefits

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

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

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

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

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

Cash Equivalent Transfer Values

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

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

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

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

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



D Shields
Accounting Officer
26 June 2012

Statement of Government Procurement Service's and Managing Director's responsibilities

Under Section 4(6A) (b) of the Government Trading Funds Act 1973, the Treasury has directed Government Procurement Service 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 Government Procurement Service and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- Prepare the financial statements on a going concern basis

The Treasury has appointed the Managing Director of Government Procurement Service as Accounting Officer of Government Procurement Service. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Government Procurement Service's assets, are set out in Managing Public Money published by the Treasury.

Corporate governance statement 11/12

Context

Government Procurement Service is an executive agency of the Cabinet Office¹ and is a trading fund. Our overall priority is to deliver procurement savings for the UK Public Sector as a whole and specifically to deliver centralised procurement for Central Government Departments.

The 2011/12 year began with the fund operating under the name of Buying Solutions and its primary role was revisited as part of a fundamental Strategic Review. The review concluded that centralised procurement would be formalised under the remit and authority of the Cabinet Office and that a transformed, leaner and more efficient Government Procurement Service would become the engine room for delivering centralised government procurement spend and savings. The trading and funding model was retained providing a mechanism for funding the investment needed in improving procurement capability and use of eEnabled tools led by Government Procurement.

On 1 October 2011 the fund formally changed its name to Government Procurement Service. The focus is to deliver savings by:

- expert sourcing, category and data management;
- eEnabled delivery; and
- spend analytics.

The requirement of a Trading Fund is to have a framework document in place which outlines key activities and governance. The document sets out Government Procurement Service's roles and responsibilities and the framework within which it operates. The framework document was presented to, and approved by, the Government Procurement Service Board in December 2011 and submitted to Cabinet Office.

The changes have served to put Government Procurement Service into a very different position compared to its predecessor body. From being relatively remote from central policy it has been placed at the centre of the new procurement delivery model with challenging stakeholder relationships, stretching objectives and the need for focused performance driven management.

Corporate Governance

The management of Government Procurement Service is directed by the Government Procurement Service Board comprising the Chair, Managing Director, Executive Directors and Non-Executive Directors.

The Board is chaired by John Collington, Government Chief Procurement Officer who also chairs the Procurement Reform Board (formerly Procurement Executive Board) which determines overall procurement strategy for central government. In August 2011 two central government departmental Commercial Directors joined the Board as Non-Executive Directors in addition to the three independent Non-Executive Directors.

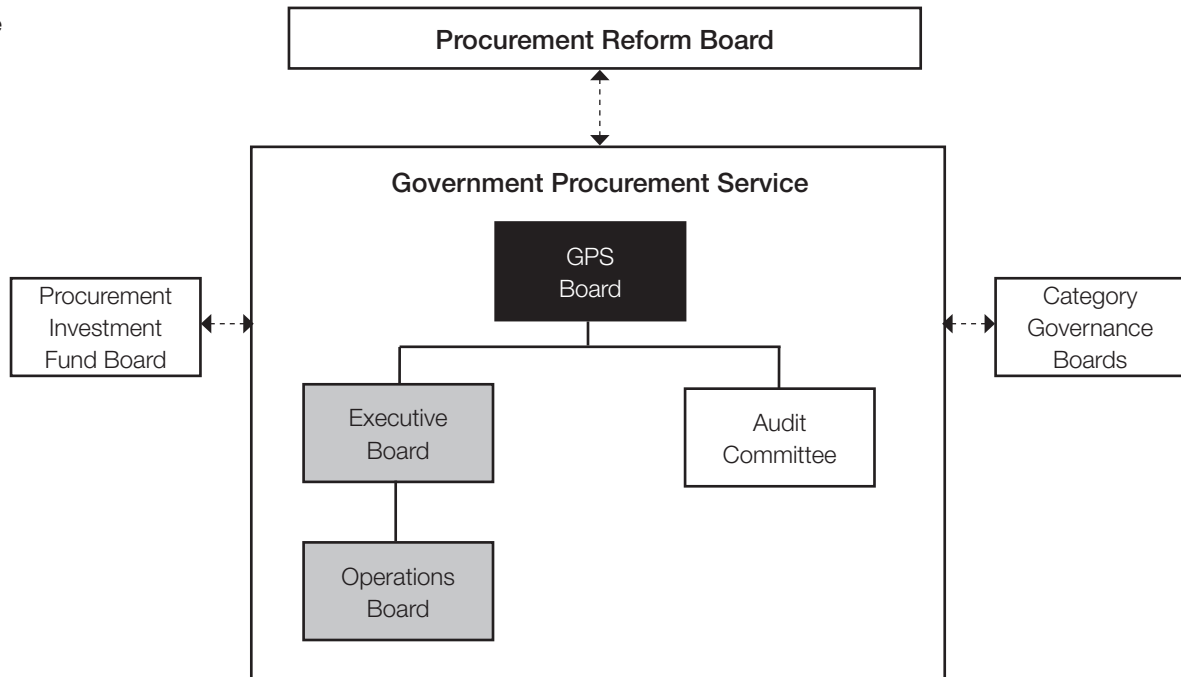
The primary responsibility of the Board is to advise the Chair and Managing Director (who is Accounting Officer for the Trading Fund) on matters of strategic importance to Government Procurement Service. In addition the Board:

- Defines the fund's objectives and targets within the strategy agreed by Minister for the Cabinet Office;
- Reviews and agrees the Annual Business Plan which sets out financial and human resources to deliver the targets;
- Monitors the operational performance of the business and any actions needed to keep performance on plan;
- Reviews the Annual Report and Accounts prior to sign-off by the Managing Director in his role as Accounting Officer for the fund;
- Sets the fund's vision, standards and values; and provides a scheme of delegated authority;
- Maintains a transparent system of prudent and effective controls (including internal controls and oversight of risk management); and
- Oversees the management of funds allocated to Government Procurement Service by the Board of the Procurement Investment Fund.

¹ Government Procurement Service operates as a trading fund under authority of the Buying Agency Trading Fund (Amendment) Order 2011, Statutory Instrument No 2208 of 2011.

Corporate governance statement 11/12 continued

Structure



The principal role of the Audit Committee is to advise the Board and Accounting Officer on the adequacy of the system of internal control. The Committee is chaired by an independent Non-Executive Director and includes in its membership the two other independent Non-Executive Directors. A representative of the Cabinet Office also attends the Committee. The Accounting Officer, Director of Resources and Head of Internal Audit participate as invitees to the meetings.

The principal role of the Executive Board is to support and challenge the delivery of the strategic aims of Government Procurement Service within Efficiency Reform Group (ERG) and the Wider Public Sector and provide leadership on operational issues to be progressed by the Operations Board. The Executive Board is chaired by the Accounting Officer and includes the four Executive Directors of Government Procurement Service.

The Operations Board is chaired by a member of the Executive Board to provide a strong link between the two boards. It is attended by the senior operational managers who report to the Executive Directors and it is responsible for delivering the business plan targets.

Some procurement categories, Energy as an example, have an External Governance Board. The purpose of these boards is to represent the interest of Government Procurement Service customers, enable direct customer input into the purchasing strategy, scrutinise strategy delivery and ensure transparency to all customers of value for money and performance. The influence of the external boards is limited to category management and performance and not directly to the corporate governance of Government Procurement Service. The Accounting Officer carries out performance reviews of all procurement categories monthly and twice yearly with the full Board.

The Corporate Plan details the anticipated income based on levels of spend under management² and the total running costs of Government Procurement Service together with an estimate of funds potentially available for the Procurement Investment Fund (PIF). The annual comprehensive income is used to finance the PIF. The fund is governed by the PIF Board, whose role is to review and approve finance and investments from the PIF to develop the capability of all Government procurement staff, invest in Government Procurement and improve procurement tools and systems, demonstrating transparent use of finances. The PIF Board does not form part of the corporate governance of Government Procurement Service.

² Spend under management is the consolidation of spend through defined central arrangements, for example, frameworks.

Corporate governance statement 11/12 continued

Government Procurement Service Board attendance:

Mr J Collington	Chair	6/7	3. Does a process need to be established for the regular review of skills and understanding requirements of Board members?
Mr D Shields	Managing Director	7/7	i. The Board agreed this should form part of a planned self assessment provisionally scheduled for June 2012.
Mr M Chown	Director of Government Procurement Projects	7/7	4. Should a lead Non-Executive Board Member be appointed?
Mr D Murray	Director of Resources	7/7	i. The Board agreed this will be reviewed as part of the June 2012 review of its effectiveness.
Ms K Brookes	Director of HR	7/7	
Ms H MacCarthy	Director of Customer Service	6/7	
Mr R Clegg	Non-Executive Director	7/7	
Mr M Bryant	Non-Executive Director	7/7	
Mr J Watkinson	Non-Executive Director	7/7	
Mr V Godfrey	Non-Executive Director	2/5	
Mr D Thomas	Non-Executive Director	4/5	

Code of Corporate Governance

Government Procurement Service has undertaken a fundamental review of its compliance with the Corporate Governance Code of Good Practice 2011, abiding with the principle of “comply or explain”.

Government Procurement Service Board:

A paper was produced and presented to Government Procurement Service Board in December 2011 detailing the key principles of the Code and the degree of compliance. A high degree of Code compliance was evidenced and four questions were raised with the Board under the “comply or explain” principle. These were:

1. Is it still appropriate for the Board to subsume oversight of risk management in the absence of a Risk Committee?
 - i. The Board decided this approach is still appropriate. Risk Management is firmly the Board’s responsibility. The Board considered that it would complicate and reduce the efficiency of the executive processes if it set up a discrete Risk Committee.
2. Should a Nominations and Governance Committee be established?
 - i. The Board decided this is not appropriate for Government Procurement Service. Oversight for the effectiveness of governance processes is part of the Audit Committee’s responsibilities.

Government Procurement Service Audit Committee:
A paper was produced and presented in October 2011 which evidenced a high degree of Audit Committee compliance with the Code and no “comply or explain” exceptions were raised.

Assessment of Performance

Consistent with good practice recommended in the Corporate Governance Code 2011 the Government Procurement Service Audit Committee conducts, annually, a self-assessment of its efficiency and effectiveness.

The Chair of the Audit Committee requested a review to be completed in Q3 2011-12 and to report its initial findings to the December Audit Committee. The self-assessment questionnaire was produced afresh to seek to review the performance of the Audit Committee against the requirements of the Corporate Governance Code and the objectives as set out in the Committee’s terms of reference.

The Chair of the Audit Committee sought and received contributions from Audit Committee members, internal and external invitees including National Audit Office and their contractors. The results were discussed initially at the December 2011 Audit Committee and in greater detail during a specific and more detailed review in January 2012. The review recognised the high performance of the Audit Committee and focused on enhancing further its value adding activities to Government Procurement Service.

A Self-Assessment Questionnaire has been developed as a tool to assist in reviewing the effectiveness of the Government Procurement Service Board.

It has been designed to build on the high level review of Board compliance with the July 2011 Corporate Governance Code of Good Practice presented to the Board by the Director of Resources in December 2011. This questionnaire focuses on compliance, where appropriate, with the more detailed supporting provisions.

Recognising the relatively new membership of the Government Procurement Service Board the Chair determined that it would be more appropriate to complete the self assessment review in June 2012.

Corporate governance statement 11/12 continued

Work of the Audit Committee

The committee meets, formally, four times a year and operates to a defined but flexible calendar.

The work of the Audit Committee is not just confined to just four formal meetings but an ongoing process throughout the year. The Chair of the Audit Committee has regular dialogue and meetings with the Head of Internal Audit. Together they meet with the Accounting Officer formally three weeks prior to each Audit Committee meeting to discuss key areas of governance in relation to the Audit Committee agenda. Equally other Audit Committee members engage with Government Procurement Service senior management on a regular basis. In addition the Chair of the Audit Committee maintains regular discussions and meetings with the National Audit Office and its contractors to discuss the External Audit process and the evolving nature of good practice across Central Government.

Audit Committee meetings usually precede the Government Procurement Service Board meetings and the Chair of the Audit Committee briefs the Board on the key areas covered at the committee. Annually the Chair of the Audit Committee submits a report to the Accounting Officer summarising the work of the Audit Committee over the fiscal year, providing a summary of findings and areas of focus for the year ahead.

A feature of the current year has been the increased engagement with executive and senior operational management who are routinely invited to attend the Audit Committee to discuss internal audit findings and areas of risk. This will be developed further into 2012-13.

Government Procurement Service Audit Committee attendance:

Mr R Clegg	Non-Executive Director and Chair	4/4
Mr J Watkinson	Non-Executive Director	4/4
Mr M Bryant	Non-Executive Director	4/4

Work of Internal Audit

Government Procurement Service has a dedicated Audit and Assurance Unit (AAU) the independence and operation of which is enshrined in a Charter signed by the Accounting Officer, the Chair, the Audit Committee and the Head of Internal Audit. An annual assessment against Government Internal Audit Standards is completed and presented to Government Procurement Service's Audit Committee. In addition the AAU has now completed three full operational years since audit provision was in sourced and a self assessment of compliance against HM Treasury Internal Audit Quality Assessment Framework has been completed. This self assessment will form part of an external independent review to be arranged via the Treasury in quarter one of 2012-13.

The Internal Audit Plan is risk based on Government Procurement Service's own assessment of its key corporate risks. Any proposed changes to the plan are discussed, initially, with the Accounting Officer and Chair of the Audit Committee before being presented to the full Audit Committee for discussion and approval.

This year the AAU has focused on the key areas of delivery for Government Procurement Service, for example energy, data integrity, customer and supplier management, eCommerce, savings and value, risk management and information assurance. There has been close liaison with the National Audit Office and the newly appointed contractors, Grant Thornton, to ensure no gaps or overlaps in audit coverage in areas of common interest.

Where appropriate audit work has been "real time" to enable Government Procurement Service management to take immediate remedial action where control weaknesses have been found. Audit Management actions are tracked by the AAU and reported to the Government Procurement Service Audit Committee for challenge and review.

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

Head of Internal Audit Opinion

*"It is evident that a more control conscious culture continues to develop and as such the organisation's systems of risk management, control and governance have seen significant improvement during what has been a challenging year of transformational change. In addition 2011/12 has been a year of significant achievement and it is in this context, therefore, and as a result of the work we have undertaken during the year, that in my opinion Government Procurement Service had **substantial***

Corporate governance statement 11/12 continued

systems of internal control, risk management and governance in operation during the year. That said, there remains scope for improvement, and where we have made recommendations during the year these have been accepted by senior management team and implementation has seen a significant improvement on prior years.” Mike Wood.

Risk Management

Government Procurement Service has, for the last two years, had an independent internal audit assessment of how the business benchmarks against the Treasury Risk Management Assessment Framework. At the beginning of 2011/12 benchmark targets were agreed by the Chair of the Audit Committee and Accounting Officer and progress against these targets has been assessed by Internal Audit. The assessment reported good progress to target with an increasing maturity in the corporate attitude to risk management. In five of the seven areas assessed Government Procurement Service met or exceeded the targets set. Led by the Accounting Officer, there has been increased willingness at senior levels to promote risk management as synonymous with good business management and the establishment of reporting mechanisms that put risk at the centre of business performance reporting.

In two areas Government Procurement Service failed to meet the target set. These are outcomes, where the impact of good risk management is generally good but the organisation is unable to demonstrate that significant improvements have been sustained in all areas. The partnership performance has been assessed as below target due to continuing issues with managing supplier related risks.

Each formal Board meeting agenda includes a review of the current Risk Log. In the year, Government Procurement Service has strengthened its risk management and control by implementing:

- A monthly review of the Corporate Risk Log by the Head of Internal Audit and Director of Resources. The log then forms part of the Board Reporting Pack issued monthly.
- A defined escalation process from the Operations Board to the Executive Board with all directorate risk logs now being a key component of dashboard reporting providing visibility for management review by exception.
- A risk management intranet site has been created to aid interactive and real time risk management.
- Strengthened linkage of risk to operational performance and reporting. Clear line of sight between the Board Reporting Pack, Corporate Risk Log and the Internal Audit Plan.
- Risk and governance training for senior management and directorate staff.

- Continued direct Government Procurement Service Board oversight such that The Guide to Integrated Assurance has been updated and simplified.
- An assurance framework has been defined with ownership, management and review agreed at Operations Board level.
- Internal Audit work is wholly risk based allowing for real time management of business risks.

Principal areas of risk and control

The focus of corporate risk management in 2011/12 reflects the outcomes of the Strategic Review. Specifically the business has been managing actively the risks in relation to the following key areas:

- Achievement of key corporate targets and in particular spend under management and savings
 - This has been managed by ensuring strong corporate governance linkage between Government Procurement Service and the Procurement Reform Board as a key escalation route particularly in relation to the ongoing issue of spend under management. Performance targets have been incorporated into all senior manager objectives and a strong culture of monthly operational review has been developed.
- Management of suppliers
 - A vendor rating system has been piloted and implemented providing a more robust understanding and classification of strategically important suppliers. Category performance reviews take place with the Accounting Officer monthly and with the Board twice yearly. These reviews expose Category Lead Managers to appropriate board scrutiny offering board members greater insight into the status of major category specific projects. A contract is in place with Dun and Bradstreet for the provision of supplier information.
- Management of customers
 - A significant amount of work has been devoted to customer engagement. The signing by Central Government Departments of Customer Service Agreements is a key achievement and control in relation to spend under management. However transition of spend under management plans, on which Government Procurement service is highly dependent, are still at the formative stage with variable responses from Central Government Departments. Spend through the Wider Public Sector (WPS)³ remains robust. Customer satisfaction is measured and monitored and shows

³Wider Public Sector includes any non Central Government Department and its Arm's Length Bodies.

Corporate governance statement 11/12 continued

a higher degree of satisfaction from the WPS. Category teams have been delivering plans to increase customer satisfaction in their areas.

- Government Procurement Service capability and capacity
 - Government Procurement Service has been through a significant period of change and restructuring. The transformation was implemented rapidly with staff working within their new structures for the whole of the financial year. A skills audit has been conducted and recruitment activity throughout the year has successfully closed the capacity and capability gap. The annual Civil Service Staff Survey had a response rate of 86.4% and compared favourably to the 2010 figure of 86.7%. The results showed progress despite the risk of change fatigue. Action plans have been agreed following staff team meetings and are being delivered and monitored.
- Data integrity, infrastructure and management
 - Government Procurement Service has a very different remit from previous years for data capture and management across Central Government. A key control component has been the introduction of a new Management Information System Online (MISO) which has become an important source of management information and internal control. A senior Management Information Steering Group has been created and its oversight and control will continue into the new financial year.
- eEnablement and the ability to drive increased savings and reduced costs
 - The Centralised Category Procurement (CCP) Programme mission is to transform how government buys common goods and services with the objective of delivering sustainable cost reductions from the existing baseline spend. Additionally, Government Procurement Service is seeking to implement a Central Government procurement data warehouse to provide robust procurement spend information. The Government Procurement portal, part of the wider eEnablement strategy, will act as a 'front door' to a number of integrated systems which will enable achievement of the above objectives. These include eSourcing, eMarketplace and Spend Analytics. This programme is still in its implementation phase and the risks are being monitored closely.

Government Procurement Service's Board agreed the risk appetite as "cautious" as defined in the Guide to Integrated Assurance and began 2011/12 with seven red and one amber corporate risks. During the year active risk management improved the risk profile to two green risks, five amber with one remaining red (predominantly in relation to central government customers and spend under management).

These areas will continue to be the focus of risk management in 2012/13.

There have been no ministerial directions given.

Fraud, Bribery and Whistle blowing

Government Procurement Service took steps in 2011/12 to ensure that it was fully prepared for the coming into force of the Bribery Act 2010. Amongst other things, the Accounting Officer issued a communication on the importance of Government Procurement Service's anti-bribery policies and has ensured that Government Procurement Service updated relevant policies eg on acceptance of gifts and rewards and whistle blowing.

A member of the Audit and Assurance Unit completed Fraud Awareness training, following which Government Procurement Service produced a specific Fraud Risk Log which was presented to the December 2011 Audit Committee. In addition the Fraud Policy and Procedures were reviewed in November 2011. An intranet notice to all staff was published in December 2011 highlighting the creation of a specific fraud section on the intranet and providing links to supporting information including best practice guidance published by the Cabinet Office and the Chartered Institute of Management Accountants in relation to fraud detection and prevention, and fraud risk management.

There has been no requirement for whistle blowing or fraud investigations in Government Procurement Service in 2011/12.

Data Security Lapses

The Information Assurance Maturity Model has been completed and submitted in accordance with Cabinet Office Guidelines. Information Assurance risk remains low in Government Procurement Service but is a standing item on the Audit Committee agenda, to reflect the importance of data security to Government Procurement Service.

There have been no material data security lapses.



D Shields
Accounting Officer
26 June 2012

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

I certify that I have audited the financial statements of Government Procurement Service for the year ended 31 March 2012 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Changes in Taxpayers' Equity, Statement of Financial Position, Statement of Cash Flows; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Managing Director and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Managing Director as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Government Procurement Service as at 31 March 2012 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 other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given the management commentary 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 part of the Remuneration 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.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1 W 9SP
2 July 2012

Statement of comprehensive income year ended 31 March 2012

	Note	31 March 2012		31 March 2011	
		£000	£000	£000	£000
Revenue	2		54,198		76,279
Cost of sales			(19,378)		(42,873)
Gross Surplus			34,820		33,406
Staff costs	4.2	(16,774)		(21,231)	
Depreciation of property, plant and equipment	8	(967)		(934)	
Amortisation of intangible assets	9	(12)		(11)	
Other operating charges	6	(13,103)		(8,690)	
Total operating costs			(30,856)		(30,866)
			3,964		2,540
Other operating income	5		965		3,650
Operating surplus			4,929		6,190
Finance income	7		60		46
Surplus for the financial year			4,989		6,236
Dividend to be payable to Cabinet Office	22		(2,379)		(2,092)
Retained surplus for the financial year	19		2,610		4,144
Other comprehensive income					
Net gain on revaluation of property, plant and equipment	18		-		1,622
Comprehensive income for the financial year	19		2,610		5,766

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

The notes to the accounts on pages 38 to 51 form an integral part of these accounts.

Statement of changes in taxpayers' equity at 31 March 2012

	General Reserve £000	Revaluation Reserve £000	PDC £000	Total £000
Taxpayers' equity at 1 April 2010	25,913	1,993	350	28,256
Recognition in statement of comprehensive income	4,144	1,622	-	5,766
Revaluation reserve transfer to general reserve	258	(258)	-	-
Taxpayers' equity at 31 March 2011	30,315	3,357	350	34,022

	General Reserve £000	Revaluation Reserve £000	PDC £000	Total £000
Taxpayers' equity at 1 April 2011	30,315	3,357	350	34,022
Recognition in statement of comprehensive income	2,610	-	-	2,610
Revaluation reserve transfer to general reserve	280	(280)	-	-
Taxpayers' equity at 31 March 2012	33,205	3,077	350	36,632

Statement of financial position as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	8		11,019		11,127
Intangible assets	9		25		16
			11,044		11,143
Current assets					
Inventories	10	126		134	
Trade and other receivables	11	14,724		11,757	
Cash and cash equivalents	12	21,078		20,987	
		35,928		32,878	
Current liabilities					
Trade and other payables	13	(9,784)		(9,261)	
Employee benefit payable	14	(395)		(407)	
		(10,179)		(9,668)	
Net current assets			25,749		23,210
Non-current assets plus net current assets			36,793		34,353
Provisions	16		(161)		(331)
Total assets less liabilities			36,632		34,022
Capital and reserves					
Public dividend capital	17		350		350
Revaluation reserve	18		3,077		3,357
General reserve	19		33,205		30,315
Total capital and reserves			36,632		34,022

The Notes to the Accounts on pages 38 to 51 form an integral part of these accounts.



D Shields
Accounting Officer
26 June 2012

Statement of cash flows for the year ended 31 March 2012

	31 March 2012	31 March 2011
	£000	£000
Net cash inflow from operating activities	3,313	9,048
Cash flows from investing activities		
Finance income	60	46
Purchases to acquire intangibles	(21)	(16)
Purchases of property plant and equipment	(862)	(7)
Net Cash (out) inflow from investing activities	<u>(823)</u>	<u>23</u>
Net Cash inflow before financing	2,490	9,071
Cash flows financing activities		
Dividend paid	(2,399)	(2,056)
Net Cash outflow from financing activities	<u>(2,399)</u>	<u>(2,056)</u>
Net increase in cash and cash equivalents	<u>91</u>	<u>7,015</u>

See Note 20 in the Notes to the Accounts, in which operating surplus (as shown in the Statement of Comprehensive Income) is reconciled to net cash flows from operating activities. The Notes to the Accounts on pages 38 to 51 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 "Accounts Direction.") 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 Government Procurement Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Standards and IFRSs in issue but not yet effective

As per the FReM, these accounts apply EU adopted IFRS and interpretations in place at 1 January 2011 that have an effective date of application of 1 April 2011 or earlier. IAS8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments

and interpretations that have been issued by the International Accounting Standards Board that are effective after this reporting period. None of these new or amended standards and interpretations are likely to have a future material impact on the financial statements of Government Procurement Service.

1.2 Accounting Convention

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

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

Notes to the accounts continued

1.3 Revenue

Revenue consists of the value of the goods and services net of Value Added Tax, Trade discounts and rebates, from the ordinary activities of the business. Income can be recognised in segments as follows:-

1. General framework Income – income is recognised in the calendar month in which spend takes place - at the appropriate commission rate on sales reported from suppliers
2. Energy framework Income – a monthly levy is charged based on the number of sites a department has. Income is recognised monthly based on site information provided by our suppliers.
3. Managed Telecommunication Service – Income is recognised in two stages i) line rental and similar is recognised quarterly in advance (with the advance element treated as income in advance and subsequently recognised in the calendar month to which it refers) ii) calls and similar are recognised in the month in which they occur from sales reported by our suppliers
4. Whitehall income – standing charges are recognised quarterly in arrears with sales recognised in the month of consumption.

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.

Whitehall Systems

The Whitehall Systems are a specialised asset and they have been stated at depreciated replacement cost. The cost of these assets is stated at historic cost with the revaluation movement netted off against the accumulated depreciation. This results in the net book value representing the revalued amount. These assets are independently revalued at net current replacement cost on a triennial basis. The estimated useful economic life and residual value of the asset are also independently re-assessed on a regular basis and assessed by the Audit Committee annually in between these independent assessments.

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

Depreciation

Depreciation is provided on property, plant and equipment on a straight-line basis at annual rates based on the estimated lives of the assets as follows:

- Computer equipment – three to six years
- Fixtures & fittings – five to 10 years
- Plant & equipment – five to 16 years

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

1.5 Intangible assets

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

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

1.6 Inventories

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

1.7 Early retirement

Government Procurement Service is required to meet the additional cost of liabilities beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of payments to employees who have or are due to retire early. Full provision is made in the Accounts for this cost (see Note 16 in the Notes to the Accounts).

1.8 Leases

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

1.9 Financial instruments cash and cash equivalents

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

1.10 Technology Investment Fund (TIF)

Under the provisions of the GSi Framework Contract, a fund, held by the contractor, was established in August 2004. The fund is not currently accounted for in the accounts of Government Procurement Service as the ownership of the fund has yet to be established with certainty through negotiation and/or legal proceedings. The fund balance as at 31 March 2012 was approximately £1.1 million (2011: £0.3 million). Amounts recoverable and payable under the contract are recognised in the accounts. Government Procurement Service and the contractor have agreed a programme of expenditure for amounts paid from the TIF.

Notes to the accounts continued

2 Segmental Analysis

	Frameworks Procurement 31 March 2012	Energy Procurement 31 March 2012	Managed Services Procurement 31 March 2012	Whitehall Procurement 31 March 2012	PIF & Restructuring 31 March 2012	TOTAL 31 March 2012
	£000	£000	£000	£000	£000	£000
Statement of comprehensive income						
Revenue from external sales	25,281	4,181	20,641	4,095	-	54,198
Gross surplus	25,281	4,181	3,701	1,657	-	34,820
Operating costs less other operating income	(14,258)	(3,846)	(3,349)	(967)	-	(22,420)
Procurement Investment Fund and restructuring costs	-	-	-	-	(7,471)	(7,471)
Operating surplus	11,023	335	352	690	(7,471)	4,929
Statement of financial position						
Non-current assets	549	169	137	10,189	-	11,044
Current assets	26,041	2,849	5,822	1,216	-	35,928
Total assets	29,590	3,018	5,959	11,405	-	46,972

	Frameworks Procurement 31 March 2011	Energy Procurement 31 March 2011	Managed Services Procurement 31 March 2011	Whitehall Procurement 31 March 2011	TOTAL 31 March 2011
	£000	£000	£000	£000	£000
Restated statement of comprehensive income					
Revenue from external sales	24,527	3,022	44,392	4,338	76,279
Gross surplus	24,538	3,022	4,184	1,662	33,406
Operating costs less other operating income	(18,637)	(3,849)	(3,760)	(970)	(27,216)
Operating surplus	5,901	(827)	424	692	6,190
Statement of financial position					
Non-current assets	73	19	13	11,038	11,143
Current assets	24,345	1,989	5,137	1,407	32,878
Total assets	24,418	2,008	5,150	12,445	44,021

There were no discontinued operations, however, the reduction in revenue is due to the cessation of the Managed Telecommunications Service on 31 December 2011 and is offset by a subsequent reduction in cost of sales associated with the service.

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

The chief operating decision maker is the Government Procurement Service Board. The Board makes decisions on the basis of the segmental analysis information shown.

3 Exceptional items

Total operating costs includes the following exceptional items:

Restructuring Costs

The implementation of the Strategic Review recommendations of a transformed and leaner Government Procurement Service required a reduction in full time equivalent staff. During the financial year, Government Procurement Service launched a Voluntary Redundancy Scheme. 94 staff left the organisation at a cost of £5.2 million.

Public Service Network Services (PSNS)

PSNS is a cross government collaboration to develop a Public Service Network compliant successor to the current Government Secure Intranet and Managed Telecommunications Services.

	31 March 2012 £000	31 March 2011 £000
Restructuring costs	5,229	-
PSN Services	-	2,709
TOTAL	<u>5,229</u>	<u>2,709</u>

4 Staff numbers and costs

4.1 Total staff numbers

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

	31 March 2012	Restated 31 March 2011
Board	5	5
Operational	250	297
Administration	51	67
Agency and contract staff	7	23
TOTAL	<u>313</u>	<u>392</u>

4.2 Total staff costs

Superannuation costs relate to staff participation in the PCSPS defined benefit scheme. Further details about the pension benefits can be found on page 27. Details of the underlying liabilities applicable to the Agency employees are not separately identifiable.

Due to the successful achievement of targets, a staff bonus is payable.

	31 March 2012 £000	31 March 2011 £000
Wages and salaries	11,749	14,319
Bonus	133	630
Social security	1,145	1,236
Superannuation	2,236	2,619
Voluntary early retirement	(67)	133
Agency and contract staff costs	1,578	2,294
TOTAL	<u>16,774</u>	<u>21,231</u>

Notes to the accounts continued

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

Exit package cost band:-	Number of compulsory redundancies	Number of other departures agreed		Total number of exit packages by cost band	
<£10,000		2		2	
£10,000 - £25,000		30	(2)	30	(2)
£25,001 - £50,000		30	(2)	30	(2)
£50,001 - £100,000		20	(1)	20	(1)
£100,001 - £150,000		10		10	
£150,001 - £200,000		2		2	
£200,001 - £250,000		1		1	
£250,000 +		1		1	
Total number of exit packages by type		96	(5)	96	(5)
Total cost £		4,171,903	(175,318)	4,171,903	(175,318)

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

Compensation in lieu of notice payments are not included.

Exit costs are accounted for in full in the year of departure. All payments have been made in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4.4 Senior manager salary and pension entitlements

For details of Executive Directors' salary, fee and pension entitlements see Remuneration Report on pages 24 to 27.

4.5 Superannuation

Most Government Procurement Service staff are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 (and subsequent amendments) apply and are covered by the provisions of the Principal Civil Service Pension Scheme which is non contributory.

For the 12 month period ended 31 March 2012, contributions of £2,236,000 (2011: £2,619,000) were paid to Civil Superannuation Vote at rates determined from time to time by the Government Actuary and advised by the Treasury. Rates for the 12 month period to 31 March 2012 were between 16.7% and 25.8% depending upon the pay band of each employee.

5 Other Operating Income

	31 March 2012	31 March 2011
	£000	£000
Income		
Grant from Department of Health brought forward	1,027	4,677
Released during year	(965)	(3,650)
Deferred to 2012/13	<u>62</u>	<u>1,027</u>

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

6 Other Operating Charges

	31 March 2012	31 March 2011
	£000	£000
Charges Include:-		
Auditor's remuneration	73	74
Charges for plant and machinery operating leases	3	9
Charges for other operating leases	429	552
Travel and subsistence	1,003	1,203
Accommodation and utilities	1,146	1,283
Marketing	180	458
Training	241	359
Other operating and external charges	4,799	4,752
Restructuring	5,229	-
TOTAL	<u>13,103</u>	<u>8,690</u>

Notes to the accounts continued

7 Finance income

	31 March 2012	31 March 2011
	£000	£000
Bank and short term investment interest	<u>60</u>	<u>46</u>
TOTAL	<u>60</u>	<u>46</u>

8 Property, plant and equipment

	31 March 2012	31 March 2012	31 March 2012	31 March 2012
	Computer Equipment	Plant & Equipment	Fixtures & Fittings	
	£000	£000	£000	£000
TOTAL				
Cost				
At beginning of period	280	16,579	-	16,859
Additions in period	43	-	819	862
Disposals	(24)	-	-	(24)
Revaluation	-	-	-	-
At end of period	<u>299</u>	<u>16,579</u>	<u>819</u>	<u>17,697</u>
Depreciation				
At beginning of period	191	5,541	-	5,732
Amount provided in period	77	849	41	967
Revaluation	-	-	-	-
Disposals during period	(21)	-	-	(21)
At end of period	<u>247</u>	<u>6,390</u>	<u>41</u>	<u>6,678</u>
Net book value at April 2011	89	11,038	-	11,127
Net book value at March 2012	52	10,189	778	11,019

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

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

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

8 Property, plant and equipment continued

	Restated 31 March 2011 Computer Equipment £000	Restated 31 March 2011 Plant & Equipment £000	Restated 31 March 2011 Fixtures & Fittings £000	Restated 31 March 2011 TOTAL £000
Cost				
At beginning of period	316	12,148	-	12,464
Additions in period	7	-	-	7
Disposals	(43)	-	-	(43)
Revaluation	-	4,431	-	4,431
At end of period	280	16,579	-	16,859
Depreciation				
At beginning of period	149	1,883	-	2,032
Amount provided in period	85	849	-	934
Revaluation	-	2,809	-	2,809
Disposals during period	(43)	-	-	(43)
At end of period	191	5,541	-	5,732
Net book value at April 2010	167	10,265	-	10,432
Net book value at March 2011	89	11,038	-	11,127

9 Intangible assets

	31 March 2012 Software licences £000	1 April 2011 Software licences £000
Cost		
At beginning of period	35	35
Additions in period	21	16
Disposals in period	-	(16)
At end of period	56	35
Amortisation		
At beginning of period	19	24
Amount provided in period	12	11
Disposals in period	-	(16)
At end of period	31	19
Net book value at April 2011	16	11
Net book value at March 2012	25	16

10 Inventories

	31 March 2012 £000	1 April 2011 £000
Fuel inventory for the Whitehall Systems	126	134
TOTAL	126	134

Notes to the accounts continued

	31 March 2012 £000	1 April 2011 £000
11 Trade and other receivables		
Current receivables		
Trade receivables	8,403	4,492
Less: bad and doubtful receivables provision	(30)	(31)
Net trade receivables	8,373	4,461
Other receivables	33	29
Prepayments and accrued income	6,318	7,267
Total current receivables	<u>14,724</u>	<u>11,757</u>

	31 March 2012 £000	1 April 2011 £000
Aged debt analysis		
Within credit terms	5,580	1,947
Past due date but not impaired:		
0-1 month	2,177	594
1-2 months	449	1,827
More than 2 months	167	93
Total receivables	<u>8,373</u>	<u>4,461</u>

	31 March 2012 £000	1 April 2011 £000
Bad and doubtful receivables provision analysis		
Provision at the beginning of the year	31	23
Decrease in the provision for the year	(31)	(23)
Increase in the provision for the year	30	31
Provision at the end of the year	<u>30</u>	<u>31</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.

	31 March 2012 £000	1 April 2011 £000
12 Cash and cash equivalents		
National Loans Fund	18,000	15,000
Government Banking Service and cash in hand	3,078	5,987
TOTAL	<u>21,078</u>	<u>20,987</u>

	31 March 2012 £000	1 April 2011 £000
13 Trade and other payables		
Current payables		
Taxation and social security costs	1,782	1,781
Trade payables	746	2,050
Other payables	535	588
Accruals and deferred income	6,721	4,842
TOTAL	<u>9,784</u>	<u>9,261</u>

14 Employment benefit payable

	31 March 2012 £000	1 April 2011 £000
Balance at beginning of period	407	529
Decrease in the period	(12)	(122)
Balance at end of the period	<u>395</u>	<u>407</u>

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

15 Lease obligations

	31 March 2012		31 March 2011	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
Operating lease rentals due within:				
One year	16	691	27	824
Two to five years	16	3,581	-	1,840
Over five	-	3,550	-	1,495
TOTAL	<u>32</u>	<u>7,822</u>	<u>27</u>	<u>4,159</u>

16 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 27 for further information).

	31 March 2012 £000	1 April 2011 £000
Balance at beginning of period	331	321
Utilised in the period	(170)	(101)
Increase in the period	-	111
Balance at end of period	<u>161</u>	<u>331</u>

17 Public dividend capital

	31 March 2012 £000	1 April 2011 £000
Issued Pursuant to Government Trading Funds Act 1973	100	100
Issued upon acquisition of Fuel Branch 1 July 1995	250	250
Balance at end of period	<u>350</u>	<u>350</u>

Notes to the accounts continued

18 Revaluation Reserve

	31 March 2012	1 April 2011
	£000	£000
Revaluation reserve at 1 April	3,357	1,993
Revaluation of plant and equipment	-	1,622
Transfer to general reserve	<u>(280)</u>	<u>(258)</u>
Revaluation reserve at 31 March	<u>3,077</u>	<u>3,357</u>

19 General Reserve

	31 March 2012	1 April 2011
	£000	£000
Balance at beginning of period	30,315	25,913
Retained surplus for the period	2,610	4,144
Transfer from Revaluation Reserve	280	258
Balance at end of period	<u>33,205</u>	<u>30,315</u>

20 Notes to the Statement of Cash Flows

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

	Note	31 March 2012	31 March 2011
		£000	£000
Operating surplus		4,929	6,190
(Decrease) / increase in provision	16	(170)	10
Depreciation charges	8	967	934
Amortisation of intangible assets	9	12	11
Decrease in inventories	10	8	12
(Increase) / decrease receivables	11	(2,967)	7,361
Increase / (decrease) in payables		534	(5,470)
Net cash inflow from operating activities		<u>3,313</u>	<u>9,048</u>

Note (ii): Analysis of changes in net funds

	31 March 2012	31 March 2011
	£000	£000
Net funds at 1 April	20,987	13,972
Net funds change	91	7,015
Net funds at 31 March	<u>21,078</u>	<u>20,987</u>

21 Capital Commitments

Capital commitments contracted for at 31 March 2012 were £nil (2011: £nil).

22 Financial Objective

The financial target was set at an annual average of 6.5% return on capital employed (ROCE) per annum over a five year period (April 2009 to March 2014). ROCE is measured as Government Procurement Service's operating surplus as a percentage of the annual average of opening and closing net assets. Government Procurement Service operating surplus of £4m represents an ROCE of 14% (2011 19%). Government Procurement Service has a five year financial plan that aims to deliver this target. The 6.5% ROCE dividend figure due to the Cabinet Office is £2,379,000 (2011 £2,092,000).

23 Related Party Transactions

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

Government Procurement Service is an Executive Agency, within the Cabinet Office. Cabinet Office is regarded as a related party. During the year ending 31 March 2012, Government Procurement Service has had various material transactions with this body. In addition, Government Procurement Service had various material transactions with most government departments and other central government bodies, devolved administrations, the NHS and many local authorities.

The main entities within Government with which Government Procurement Service has had dealings are:

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

The Director of Resources has a related party member that has had financial transactions, being salary and related payments with Government Procurement Service during the period totalling £11,218. No other Board member, key management staff or other related parties have undertaken any material transactions with Government Procurement Service.

24 Financial Instruments

Government Procurement Service 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.

Government Procurement Service'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 are included in the monthly operational review document used by the Board and Senior Management Team.

- **Interest Rate Risk** The Agency places funds on short-term deposit with the National Loans Fund at fixed rates of interest. Sums held in the Government Banking Service are deposited overnight on a fixed rate basis.
- **Foreign Currency Risk** The Agency has no foreign currency income. Foreign currency expenditure has not exceeded £5,000 in the financial year. The Agency is not exposed to currency risk. Transactions have not been hedged.
- **Credit Risk** The Agency has little risk in cash and cash equivalents because these are deposited with The Government Banking Service and the National Loans Fund, within government. The Agency has no significant concentration of credit risk from its customers as exposure is spread over a large number of entities, many of which are UK public sector.

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

Notes to the accounts continued

Financial Assets

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2012							
Trade receivables	8,373	-	-	8,373	-	-	-
Cash and cash equivalents	21,078	-	21,078	-	0.35	1.00	-
Gross financial assets	29,451	-	21,078	8,373	-	-	-
31 March 2011							
Trade receivables	4,461	-	-	4,461	-	-	-
Cash and cash equivalents	20,987	-	20,987	-	0.35	0.58	-
Gross financial assets	25,448	-	20,987	4,461	-	-	-

Financial Liabilities

	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed Years	Non-interest bearing weighted average term until maturity
31 March 2012							
Trade payables	746	-	-	746	0.00	0.00	-
Gross financial liabilities	746	-	-	746	-	-	-
31 March 2011							
Trade payables	2,050	-	-	2,050	0.00	0.00	-
Gross financial assets	2,050	-	-	2,050	-	-	-

25 Intra-Government Balances

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

	Total £000	Central Government Bodies £000	Local Authorities £000
31 March 2012			
Receivables	196	196	-
Payables	(23)	(23)	-
31 March 2011			
Receivables	1,632	1,632	-
Payables	(206)	(35)	(171)

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

26 Contingent Liabilities

There are no contingent liabilities as at 31 March 2012 (none at 31 March 2011). There are no ongoing legal cases which could be contingent liabilities.

27 Significant Judgements and Critical Accounting Estimates

The preparation of the financial statements requires Government Procurement Service 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 Ammortisation

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 ammortisation 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 and flexible working hours balances have been applied to employee mid point salary bands to derive a liability cost.

Voluntary Early Retirement (VER) Provision

The calculation of the VER provision is based on an estimate of future pension liability costs until the relevant employees reach age 60.

28 Events after the reporting period

There are no events to report.

Treasury minute dated 26 April 2012

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a Trading Fund established under the Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to that fund it shall be his duty:
 - a. To manage the funded operations so that the revenue of the fund:
 - i. consists principally of receipts in respect of goods and services provided in the course of the funded operations, and
 - ii. is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; 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 was amended to OGCbuying.solutions with effect from 3 April 2001 in pursuance of OGCbuying.solutions Trading Fund Order 1991 (S.I. 2001. No 922). SI 2009/647 then changed OGCbuying.solutions to Buying Solutions from 6 April 2009, which was subsequently changed to the Government Procurement Service Trading Fund by The Buying Agency Trading Fund (Amendment) Order 2011 (SI 2011/2208) from 1 October 2011.
3. The Minister for the Cabinet Office, being the responsible Minister, has determined that a further financial objective desirable of achievement by Buying Solutions Trading Fund for the 5 year period from 1 April 2009 to 31 March 2014 shall be to achieve a minimum return, averaged over the period as a whole, equivalent to 6.5 percent a year in the form of an operating surplus, i.e. before interest (both receivable and payable) and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. the Public Dividend Capital, long term loan capital (if any) and the general reserve.
4. This minute supersedes that dated 24 May 2011.
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 2007 to 31 March 2012

Accounting Convention Applied	IFRS Year 2011/12 £000	IFRS Year 2010/11 Note 1 £000	IFRS Year 2009/10 Note 1 £000	UK GAAP Year 2008/09 Note 2 £000	UK GAAP Year 2007/08 Note 2 £000
Statement of Financial Position					
Non-current assets	11,044	11,143	10,443	11,196	11,813
Total current assets less liabilities	25,749	23,210	18,134	20,800	18,031
Provision for liabilities and changes	(161)	(331)	(321)	(446)	(594)
Assets employed	<u>36,632</u>	<u>34,022</u>	<u>28,256</u>	<u>31,550</u>	<u>29,250</u>
Financed by					
Public dividend capital	350	350	350	350	350
Revaluation reserve	3,077	3,357	1,993	2,136	2,302
General reserve	33,205	30,315	25,913	29,064	26,598
	<u>36,632</u>	<u>34,022</u>	<u>28,256</u>	<u>31,550</u>	<u>29,250</u>
Statement of Comprehensive Income					
Revenue	<u>54,198</u>	<u>76,279</u>	<u>104,430</u>	<u>91,789</u>	<u>75,479</u>
Operating surplus / (deficit)	4,929	6,190	(3,588)	(244)	4,516
Finance Income	60	46	34	508	774
Surplus /(deficit) on ordinary activities	4,989	6,236	(3,554)	264	5,290
Finance Cost	-	-	(1)	-	(135)
Surplus /(deficit) for the year	4,989	6,236	(3,555)	264	5,155
Dividend payable to the Cabinet Office	(2,379)	(2,092)	(2,106)	(2,082)	(1,669)
Retained surplus /(deficit)	<u>2,610</u>	<u>4,144</u>	<u>(5,661)</u>	<u>(1,818)</u>	<u>3,486</u>

Note 1 Operating as Buying Solutions

Note 2 Operating as OGCBuying.solutions

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