



Government
Procurement
Service

Annual Report and Accounts 2013/14

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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 2013/14

In 2013/14, the Government Procurement Service, as an executive agency of the Cabinet Office delivered, as a priority, savings for Central Government and the Wider Public Sector.

Explanatory note

Government Procurement Service was the name of the Executive Agency and Trading Fund for the year 2013/14. Its primary focus was the creation of cost effective contracting vehicles for use by the public sector.

On 1 April 2014 the Executive Agency and the Trading Fund name was changed to the Crown Commercial Service. The Crown Commercial Service brings together a broad range of commercial activities into one integrated organisation to provide direct buying (including a managed procurement service), a commercial advice service and the government's procurement policy including raising commercial capability across the civil service.

Chair's Overview

2013/14 has been a year of significant development and transformation for the Government Procurement Service (GPS). The organisation has played a pivotal role in the implementation of the Commercial Reform Programme to achieve better value for the taxpayer and improve efficiency and I am delighted with the £3.1 billion savings delivered this year. These savings form a significant proportion of the £4.9 billion procurement and commercial savings achieved overall by the Efficiency & Reform Group within the Cabinet Office.

The key strategic focus this year has been to take the ambitious commercial reforms to the next level, bringing together delivery of policy, managed services and advice into a single organisation to become the Crown Commercial Service from April 2014. I have been impressed by the pace of transformational change and encouraged by our commitment in supporting departments to realise the benefits of the reform programme whilst continuing to grow our business with the wider public sector.

A new business model to provide a fully managed end-to-end commercial service for departments' common goods and services has been developed. It is being rolled out across all Government Departments with Cabinet Office, Treasury, Home Office and the Department for Communities and Local Government already on board as part of a client partner relationship. The Ministry of Defence, Department for Work and Pensions and Department for Transport will transition the remainder of their in scope procurement activity on common goods and services by the end of 2014/15 and a plan will then be in place for the remaining Whitehall departments.

This fundamental reform will allow departments to focus their commercial activity on what is truly unique to them, whilst the Crown Commercial Service will focus on delivering improved efficiency and securing better value for the taxpayer by buying once on behalf of government.

Sharing services and expertise will enable us to provide a high quality, flexible and resilient service for departments and customers across the wider public sector. Most importantly, it underpins our commitment to ensuring maximum value is extracted from every commercial relationship. Exceptional customer service will be the key to the success of the Crown Commercial Service and we will continue to focus on improving service delivery at every stage of the customer journey.

Bringing delivery of commercial policy, a direct commercial service and advice into a single place is already yielding benefits. I am delighted that the new advisory service for departments to support them in their complex transactions has generated significant demand from the outset and will prove to be a

credible and highly relevant part of the integrated service offering. This demonstrates the need and benefit of having centralised expertise to support departments and helping to drive commercial common sense.

Our vision is to deliver value for the nation through outstanding commercial capability and quality customer service. As a service organisation, our people are our key asset and fundamental to the success of the organisation. Building a highly skilled, expert team has been and will continue to be a key priority and I would like to thank all our colleagues for their excellent work and tremendous commitment over the past year.

We will continue to build the capability of the organisation at pace and to further develop our service offerings. High quality services and the delivery of savings for departments and customers across the public sector will continue to be the primary focus of the new leadership team as we move forward into the next phase of transformation.

I was greatly encouraged by the CBI's endorsement of the procurement reform agenda in the "Getting a better purchase: CBI 2014 Public Sector Procurement Report", in which it stated that CBI members remain satisfied with the direction of travel by Government. It acknowledged that Government has put in place the right systems to create a fundamental shift in the way it does business.

There is still much work to do as we continue to enhance our capability and capacity, but the development of the Crown Commercial Service in April 2014 is a major milestone in the implementation of the Commercial Reform programme and the Civil Service Capability Plan.

As Head of Government's commercial profession and Chair of GPS, I feel privileged to have been leading the organisation at such an exciting and pivotal point in its development.

The coming year will inevitably present many challenges as we continue on our journey to provide a market leading commercial service and I look forward to working with Non-Executives, the leadership team and our people to deliver value for the taxpayer and improve the quality of commercial services for the whole of the public sector.

Bill Crothers
Chair

Chief Executive's Review of the Year

I have been privileged to lead GPS for part of this significant year. During the year GPS has focused on the delivery of savings for the nation and better commercial outcomes for government as well as undergoing significant transformation.

The year culminated in our relaunch as the Crown Commercial Service in April 2014, an integrated organisation that brings together our existing procurement operations for common goods and services, with key commercial functions that were previously delivered elsewhere in the Cabinet Office. We are now structured to deliver best in class direct buying services, high quality and high impact advisory and intervention services, policy implementation and improvements in commercial capability across central government.

By restructuring the organisation we have enhanced our capability so that we are firmly focused on savings and service. We have also recruited a number of highly experienced and capable senior leaders within the business. These posts are critical to improving our organisational capability and capacity to manage greater volumes of public spend on common goods and services, better support departments in managing their complex commercial transactions through the provision of advisory services, as well as strengthening the commercial profession across central government.

I am particularly delighted that GPS has maintained excellent financial performance and savings which total £3.1 billion. Spend through frameworks was up 9.7% and excluding one off transformation and impairment costs continued to operate profitably. Delivery of savings is through price, demand and spend controls. £1.6 billion in price and demand savings (when compared to 2009/10 spending baselines) for Government from the purchase of common goods and services in central government and the wider public sector. This represents a 33% increase when compared to the £1.2 billion saved in 2012/13. In addition, we have operated the central government consultancy and contingent labour, spend controls and saved £1.55 billion in 2013/14 compared to the 2009/10 baseline.

Other key strategic highlights of the year include:

- Establishing a new streamlined Board which has provided strong insights and challenge to the development of our forward strategy for organisational development and growth. As part of this, we have strengthened the leadership and capability of the organisation, through the recruitment of high calibre staff to lead and to operate key commercial delivery functions within the business.
- Establishing capabilities to provide managed procurement services to central government customers such as Home Office, HM Treasury, core Cabinet Office, Department for Communities & Local Government, Department for Culture

Media & Sport, Department for Transport as well as putting in place plans and transition arrangements for transferring significant amounts of spend from other departments including the Ministry of Defence and the Department for Work and Pensions throughout 2014/15.

- Continuing to service and grow the work we carry out to enable departments and wider public sector customers to make savings from their spend on common goods and services. Last year the organisation transacted £13.1 billion of Central Government and Wider Public Sector spend (£6.8 billion & £6.3 billion respectively) via our centralised agreements and strategic alliances we have in place with partner organisations. This represents 15% growth when compared to 2013/14 and is a major achievement, especially against a backdrop of substantial business transformation.
- Opening up government markets to new suppliers - in particular SMEs. Over the course of the year we have developed and introduced new and innovative contracting models designed to enable wider participation in a number of government supply markets. The GCloud and Digital Services agreements are good examples of this, each with more than 80% of suppliers being SMEs. Working with Cabinet Office, we have continued to challenge departments to change and streamline their procurement practices to make it easier for SMEs to compete for Government contracts, ensuring that all opportunities are published on Contracts Finder, requirements are broken up into lots and that there are increased opportunities in the supply chain for SMEs to win business. These activities are making a significant contribution towards the Government's aspiration for 25% of government spend to go through SMEs by May 2015.
- Implementing innovative commercial approaches within the category teams where for example, we leveraged our position as the UK's largest energy consumer to establish pilot power purchase agreement to buy electricity at a fixed price from 2016. This is set to deliver savings of £97 million and helping to create 750 jobs with the construction of a new biomass plant in the North East. The ICT software team, working in partnership with the Crown Representative for software has also secured an excellent aggregated public sector-wide deal with Microsoft on custom software support saving in the region of up to £20 million in 2014/15. A new Facilities Management contracting model is being procured for the benefit of the public sector. Estimated savings over current model in the region of 10% to 15% (up to £350 million) over the life of the vehicle (4 years). The communications category team has rationalised the number of buying agreements within the category from 27

to five to simplify access to maximise savings and, in doing so, created a diverse and vibrant supply base with 70% of suppliers being SMEs.

- Continuing to work closely with more than a dozen professional buying organisations in Local Government, Health and the Devolved Administrations to drive better value and improved procurement efficiency.
- Gaining recognition at national Government Opportunities (GO) awards in March for our commercial expertise and innovation. I was delighted that we were 'highly commended' in three entry categories with sourcing operations for team of the year, the collaborative insurance services agreement in the partnership category which has saved customers over £3 million in 2013/14 and for our work with the Department for Energy and Climate Change on brokering carbon savings and heating cost reductions via our eAuctions in the best service category.

Looking forward

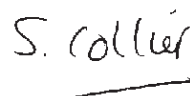
2014/15 will see us continuing to grow and consolidate our capability as the Crown Commercial Service with a greater focus on those commercial activities where the biggest impact can be made; pre-procurement market engagement and post contract award through contract and supplier management. This will ensure our solutions meet customer needs and that we can constantly innovate and improve performance to maintain our focus on service quality and savings delivery.

Throughout the course of the year, we will also have a focus on:

- Developing customer centric services, which are highly responsive, reliable and underpinned by key metrics providing customers with a holistic view of the service and savings being delivered to them.
- Increasing the capability and capacity of the organisation through investment in new technology, recruitment of the very best talent and the development of staff aiming to establish world class category expertise. In addition, we will be benchmarking our organisational capability in order to drive continuous improvement.
- Extending the reach and influence of our Advisory and Intervention Services, through supporting departments in the delivery of their most important and complex commercial projects.
- Continuing to strengthen the Crown's approach to managing strategic suppliers to government with deployment of additional Crown Representatives.

- Transferring in significantly more departmental spend on common goods and services and the development of managed services – enabling departments to focus on their specialist commercial activities.
- Continuing to work closely with our partners and customers in Local Government, NHS, Police and the Devolved Administrations to support them in getting the best value and savings from their spend on common goods and services. As well as improving supplier management in order to obtain better value from commercial arrangements.
- Implementing the Government's procurement policy agenda through the rollout of the new EU directives and associated training for staff across the whole of the public sector. We will also be continuing to implement the Lord Young reforms across the public sector making it easier and simpler for suppliers to do business with public sector organisations.
- Continuing our programme to help and support SMEs in winning more public sector contracts as we move closer towards the aspiration of 25% of central government spend with SMEs by May 2015.
- Building and further strengthening the Commercial Profession across Government and in doing so raising the capability of staff across departments, through the implementation of departmental commercial capability reviews, rollout of targeted training products including commercial masterclasses and the publication of new contract management standards for central government. This year will also see the launch of a Commercial Graduate Fast Stream Programme and Fast Track Modern Apprenticeship Programme.
- Increasing the reach of the Commissioning Academy through increasing the number of Commissioners that have already benefited from participating in it.

The year ahead will be highly challenging and I am very much looking forward to it. We are moving into the next phase of commercial reform as part of the Crown Commercial Service and its first year of operation. This, in itself, marks a highly significant milestone and is an achievement of which all our people and stakeholders should be proud.



S Collier
Accounting Officer
8 July 2014

Accounts for the year ended 31 March 2014

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Part 1: Strategic report

1. Statutory Background

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

The financial objectives of Government Procurement Service are detailed in a Treasury Minute laid before the House of Commons and reproduced on page 54 of this report.

2. GPS as an Agent of Efficiency - Cabinet Office Efficiency and Reform Group (ERG)

Within the Cabinet Office, the Efficiency and Reform Group (ERG) works in partnership with HM Treasury and government departments to deliver efficiencies, savings and reforms on behalf of UK taxpayers. ERG aims to transform the way public services are delivered, improve user experience and support UK growth.

GPS was part of the Efficiency Cluster which included the Procurement Policy & Capability team and the Commercial Relationships team. The Commercial Relationships team was also supported by a network of Crown Representatives, experienced commercial negotiators from the private or public sector, in managing the Government's key strategic suppliers.

3. GPS Aims and Key Objectives

The commercial reform programme lies at the heart of the agenda to reduce government spending on common goods and services and GPS continued to lead and play a pivotal role in the delivery of the reforms. GPS' corporate aims were:

- To ensure a flexible and engaged workforce with the capability and capacity to deliver our objectives.
- To increase savings through category excellence and improved spend and supplier management.
- To deliver service excellence and exceed customer expectations.
- To continuously improve corporate operational and financial efficiency.
- To become the procurement service provider of choice.

These aims were translated into a set of objectives:

- To provide efficient and effective procurement and contract services to Central Government and wider public sector customers complying with relevant public procurement regulations, which offer better value for money than customers could achieve otherwise.
- To deliver expert sourcing and category, data and customer management for centralised procurement.
- To maximise value for money for the taxpayer by aggregating across the whole of the public sector where appropriate.

- To support and influence the Government's commercial agenda.
- To be a good employer, managing its business efficiently and effectively, seeking continuous improvement.
- 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 in the Annual Report and Accounts.

4. Principal Activities

GPS worked with customers from departments and organisations across the whole of the public sector to ensure maximum value is extracted from every commercial relationship and to improve the quality of service delivery for common goods and services.

We worked to ensure that Government acted as a true, single customer; freeing up organisations so they can focus their procurement expertise on what is unique to them.

There are a number of ways customers could access our services:

- Self service use of frameworks via our website;
- Assisted delivery, such as aggregated eAuctions, spot buys and national further competitions, which we run on behalf of multiple customers;
- A fully managed service for departments.

GPS operations included the three following major areas of activity:-

Framework Agreements

Contractual 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 below 0.33%) 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 across common goods and services.

Managed Services

Managed services are ongoing, often sophisticated, services provided by GPS on behalf of its public sector customers. In some cases, GPS acted as the "intelligent customer" to a range of strategic partners.

As part of the development towards Crown Commercial Service we are working with departments to implement a fully managed end-to-end procurement service for all common goods and services: from identifying and shaping demand, through sourcing the best value for money solutions, to ongoing contract and supplier management and the provision of commercial advice.

This enables departments to focus on achieving their core objectives whilst we ensure that maximum value is delivered from every commercial relationship, providing expert advice and strategic management.

Memoranda of Understanding (MoUs)

GPS managed a number of MoUs, with major suppliers, particularly in ICT that provided value from the economies of scale across public sector organisations through recognition of their aggregate spend with individual suppliers. In 2013/14, GPS managed MoUs which covered £480 million of public sector spend.

These commercial agreements provide overarching pricing products for the procurement of commodity goods provided by key suppliers. They enabled GPS to achieve additional savings on existing contracts that have been put in place by public sector customers, which are not covered by our frameworks. The pricing agreement ensures the Government realises a benefit from suppliers in line with the economies of scale that are delivered by the full value of public sector spend.

5. Customer Service

There has been a concerted focus this year on understanding our customers' needs, an imperative for delivering exceptional customer service. We have listened to our customers and have identified three key challenges around:

- The quality of data and information available
- Ease of doing business with us
- The effectiveness of the strategic engagement

In response to some of this feedback we restructured the Customer Service Team into several service clusters, each headed by a Business Partner and supported by Business Delivery Managers. Each Central Government and Wider Public Sector customer now has a dedicated team focused on understanding and delivering their needs.

Underpinning the development of improved customer business relationships, is the creation of a new, Planning & Solutions team. This team's primary role is to support customers through advisory and commercial services by reporting a single view of existing, emerging and future opportunities.

6. Wider Public Sector engagement

The team have been directly supporting the Department of Health's accelerated savings plan for the NHS. A further NHS initiative delivered this year is the establishment of an ICT steering group, sitting below the NHS Customer Board, formed to direct the scope and range of ICT services available.

We also worked with the Strategic Police Procurement Board to ensure that Police forces could take advantage of the savings to be achieved through use of GPS services and products. This Board approved GPS as the procurement route for travel, fuel cards, office products and consultancy categories and continues to identify further opportunities.

Within the Local Government sector we jointly developed a national category management strategy to deliver aggregated procurements. Here again we believe this approach will help deliver enhanced customer savings.

We will continue transforming and enhancing the way the organisation engages with customers, in particular:

- Ensuring customer satisfaction measures remain key to demonstrating and proving success
- Ensuring the brand attracts and retains customer advocates at the highest level
- Positioning new Managed Services within the customer base
- Making a tangible and measurable difference to departmental customer strategy, planning and commercial operations.

Management commentary

Part 1: Strategic report continued

7. Category Management and Enablers

During the year, GPS put in place a new category structure of:

- Technology
- Corporate Services
- People
- Buildings

These four “pillars” bring together and amalgamate common products and services to improve:

- Commercial contract management and commercial accountability – improving the visibility and optimisation of in-life contract commercials and strategic, effective, proactive contract management
- Supplier performance and relationship management – improving performance analysis with rigorous spend and savings tracking
- Supplier innovation – improving innovation programmes and toolkits and SME participation
- Sourcing and service operations – improving tactical procurement and category support including full use of eSourcing and eAuctions where appropriate

8. Performance against targets

i) Savings

Benefits are calculated using guidance provided by the Cabinet Office’s Efficiency and Reform 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. This includes demand savings for all areas apart from consultancy and contingent labour (CCL).
- **CCL demand savings** – measures consumption now compared to 2009/10 consumption using current price paid. Government Procurement Service administers the approvals process and supports Central Government departments in delivering these savings.

See table below.

	2013/14 Price £m	2012/13 Price £m	2013/14 CCL Demand £m	2012/13 CCL Demand £m	2013/14 Total £m	2012/13 Total £m
Central Government	893	741	1,549	1,551	2,442	2,292
Wider Public Sector	678	434	-	-	678	434
Total	1,571	1,175	1,549	1,551	3,120	2,726

ii) OJEU Procurement Process Time

Government Procurement Service is committed to the delivery of procurement service excellence by reducing the average time per procurement to below 95 days.

2013/14	Target	2013/14	2012/13	2011/12
Average days per procurement	<95	67	91	127

iii) Return on Capital Employed

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

ROCE	Target %	2013/14 %	2012/13 %	2011/12 %	2010/11 %	2009/10 %
ROCE in year	6.5	6.2	15.7	14.0	19.9	(5.4)
ROCE Rolling Average	6.5	10.1	11.1	9.5	7.3	(5.4)

iv) Financial Performance and Resource Efficiency

Financial performance is shown in the table below.

Financial Performance	2013/14	2012/13	Restated	
			2011/12	2010/11
Managed Spend (£m)	13,177	11,441	9,123	7,602
Revenue (£000)	47,842	41,613	54,198	76,279
Gross surplus and Other Operating Income (£000)	43,845	37,934	35,785	37,056
Total Operating Costs excluding Restructuring, transformation, Whitehall Depreciation and Impairment and PIF* (£000)	(45,127)	(26,759)	(25,301)	(30,411)
Less Impairment (£000)	9,331	-	-	-
Less Transformation (£000)	3,000	-	-	-
Less Whitehall Depreciation (£000)	932	933	849	849
Total Costs excluding exceptional items (£000)	(31,864)	(25,826)	(24,452)	(29,562)
(Deficit) / Surplus before Restructuring, transformation, Whitehall Depreciation and Impairment and PIF* (£000)	11,981	12,108	11,333	7,494
Restructuring Costs (£000)	-	(12)	(5,229)	(455)
Procurement Investment Fund* (£000)	-	(3,020)	(2,239)	-
Operating (Deficit) / Surplus (£000)	(1,282)	8,143	3,016	6,190
Comprehensive income/(expenditure) for the year (£000)	(3,814)	2,741	697	4,144

*Procurement Investment Fund (PIF)

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 2013/14	2013/14	2012/13	2011/12	2010/11
Staffing Full Time Equivalent (FTE)		430	378.2	359	392
Managed Spend per FTE (£m)	>30	30.64	30.27	25.41	19.39
Gross surplus and Other Operating Income per FTE (£000)		101.97	100.35	99.68	94.53
Total Costs excluding exceptional items (£000)	<75	74.10	68.32	68.11	77.46
Average Commission Rate (%)	>0.30 <0.35	0.33	0.33	0.39	0.49

Management commentary

Part 1: Strategic report continued

9. Financial and Accounting Arrangements

The Buying Agency Trading Fund Order 1991 imposed 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, GPS could also negotiate loans of up to 12 months duration.

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

GPS was able to generate its own cash via supplier commission and managed services fees and, as such, did not receive funding from the public purse. Any surplus cash was, 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 was paid annually to the Cabinet Office.

10. Financial Performance

The financial objective equivalent was to make a return on capital employed of 6.5% averaged over a five year period commencing 1 April 2009 to 31 March 2014. Please see Treasury Minute on page 54.

This year, an actual ROCE of 6.2% was achieved. The five year average ROCE from 2009/10 to 2013/14 was 10.1%.

Overall the financial health and performance of the organisation continues to be strong.

Revenue increased by 15% in the year to £42.8 million reflecting a year of intense activity. The operating deficit of £(1,282)k (2012/13 surplus £8,143k) is stated after charging £9,331k relating to the impairment of Whitehall district heating system (see also paragraph 14) and also after payment of £3,000k to Cabinet Office as GPS' contribution to the costs of commercial reform, of which transformation to crown commercial service is a key strand, without these one off costs GPS surplus was comparable to that achieved in 2012/13.

Finance income for the period was £109k (2012/13 £93k) and the deficit on ordinary activities was £(1,173)k (2012/13 surplus £8,236k).

The comprehensive income deficit was £(3,814)k, (2012/13 surplus £4,623k) and is stated after dividend of £2,641k (2012/13 £2,615k) payable to the Cabinet Office.

The balance sheet position remains strong with net assets of £37.4 million (2012/13 £41.2 million) of which £32.8 million (2012/13 £22.8 million) are cash or cash equivalents.

For more details see notes to the accounts on pages 40 to 53.

11. Customer Spend

	31 March 2014 £million	31 March 2013 £million
Framework agreements	11,403	10,395
Managed services	1,294	668
Memoranda of understanding	480	378
	<u>13,177</u>	<u>11,441</u>

The above table shows the total value of public sector transactions with GPS suppliers, through framework agreements and enabling contracts. The 2013/14 value is over £1.5 billion above the 2012/13 level, an impressive 15% increase.

12. Payments to Creditors

GPS was 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 2013 - 31 March 2014, GPS paid 91% of payments due (94% in the year ended 31 March 2013) within the 30 day credit period allowed.

13. Register of Interests

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

14. Significant Changes in Non-Current Assets

The Whitehall district heating system and the associated stand by system has been previously stated at depreciated replacement cost. During the year there have been significant breakdowns in service and reliability of the system which have resulted in 150 hours of system downtime. The maintenance contract with Cofely expires in 2 years time and the system requires significant investment for it to be efficient and effective in the longer term. This, together with the associated system failures meant that the system value was reviewed and impaired this year, reducing the asset value to zero.

15. Research and Development

GPS did not undertake pure research. GPS carried out a programme of development relevant to the present and future requirement of its activities and the needs of its customers.

16. Personal Data Related Incidents

Nil return.

17. Events after the Reporting Period

A statutory instrument dated 6 March 2014, coming into effect on 1 April 2014, formally renamed the organisation as the Crown Commercial Service.

18. 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 11 July 2014.

Management commentary

Part 1: Strategic report continued

19. Sustainability Report

Government Procurement Service was 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		2010/2011	2011/2012	2012/2013	2013/2014
Non - Financial indicators (tonnes CO2e)	Total gross emissions for scopes 1&2	475	470	360	332
	Total net emissions for scopes 1 & 2 (i.e. less reductions for - e.g. green tariffs)	475	470	360	332
	Scope 1 (Direct) GHG emissions	43	25	31	18
	Scope 2 (Energy Indirect)	432	445	329	314
	Scope 3 (Official business travel emissions)	61	43	69	128
Related energy consumption (million kWh)	Electricity: Non-renewable	-	-	-	-
	Electricity: Renewable	0.79	0.75	0.56	0.65
	Gas (Rosebery Court office, Norwich only)	0.21	0.12	0.15	0.08
	LPG	-	-	-	-
	Other	-	-	-	-
Financial indicators (£k)	Expenditure on energy	60	61	43	47
	CRC gross expenditure (2010 onwards)	-	-	-	-
	Expenditure on accredited offsets (e.g. GCOF)	-	-	-	-
	Expenditure on official business travel (£k)	867	739	797	1,021

Performance Commentary

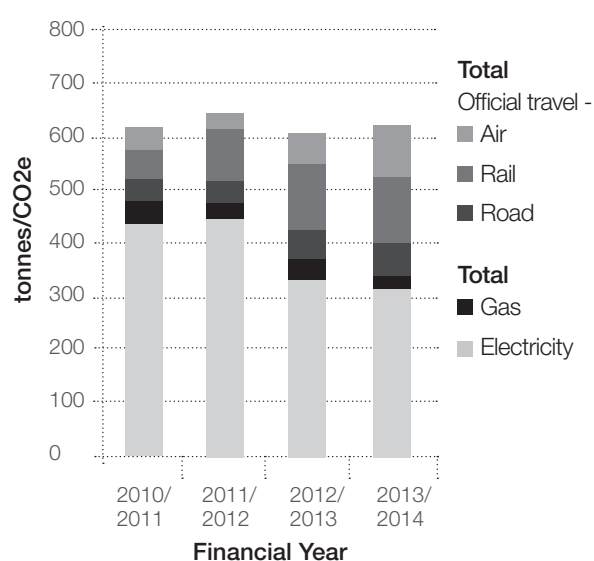
Government Procurement Service reduced total GHG emissions by 9.95% from 2009/10.

The Agency was located over three sites – The Capital Building in Liverpool, Rosebery Court in Norwich and Concept House in Newport. Government Procurement Service was a tenant in all of its offices and pays a service charge for facilities management and accommodation services.

GPS occupied approximately 10.6% of the office space in Rosebery Court so utilities costs were based on 10.6% of the building total. In Liverpool, utilities costs were based on estimates for the Capital Building (until such time as separate meter readings are available). For Concept House, GPS occupied 2.84% of the building so utilities costs for the whole building are split on a percentage occupation basis.

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.



Direct Impacts Commentary

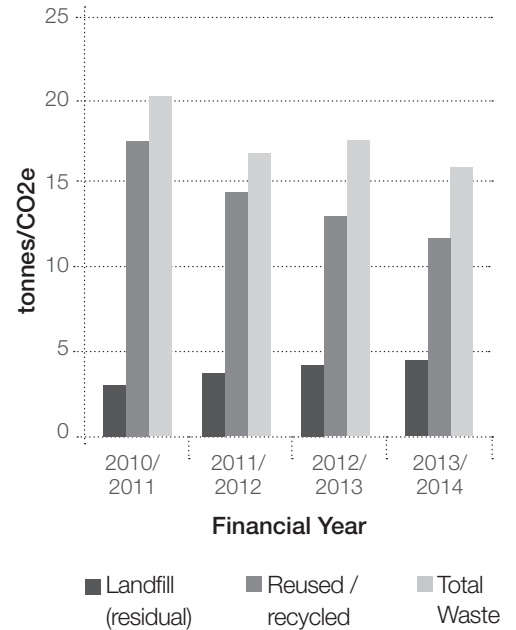
Within all offices, energy consumption was due to heating, cooling, lighting and ICT equipment usage. Electricity supplies were on green tariffs. Gas was used at Rosebery Court only.

Our procurement role and three site location does mean that business travel is necessary. We constantly keep our travel policy under review 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.

Waste Commentary

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

Waste		2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	
Non Financial indicators (t)	Total waste (not including construction)	20.30	16.78	17.18	16.34	
	Proportion of total waste recycled	90%	87%	77%	75%	
	Hazardous waste	Total	-	-	-	-
	Non hazardous waste	Landfill (residual)	2.01	2.12	3.96	4.13
		Reused / recycled	18.29	14.66	13.22	12.21
		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.)	1.45	1.66	0.91	0.75	
	Hazardous waste - Total disposal cost	-	-	-	-	
	Non hazardous waste - Total disposal cost	Landfill	0.54	0.87	0.50	0.45
		Reused / recycled	0.92	0.79	0.41	0.3
		Incinerated / energy from waste	-	-	-	-



Performance Commentary

Total waste disposed by Government Procurement Service has reduced by 15.56% compared to 2009/10.

Rosebery Court data is based on 10.6% of the total waste calculations for the building. Data for the Capital Building is not available yet so an average measurement of the previous twelve months has been applied. Concept House data is based on 2.84% of total waste.

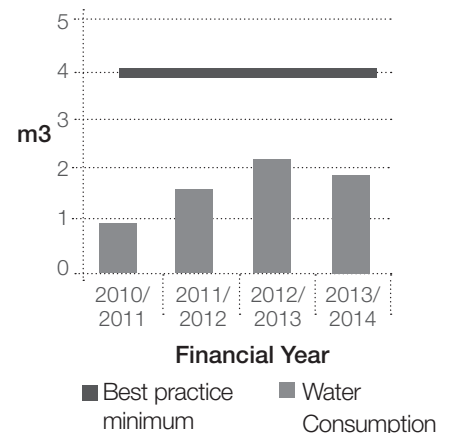
Direct Impacts Commentary

Responsibility for the recycling of waste within the Capital Building rests with UK Border Agency and for Concept House with the Intellectual Property Office. GPS manages waste by separating out all recyclable waste which is placed in separate specified bins for collection.

Water Consumption Commentary

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

Water		2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	
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)	355	489	790	797
	Abstracted	-	-	-	-	
Financial indicators (£k)	Water Supply costs (Rosebery Court, Norwich only)	1.00	0.61	0.49	0.77	
FTE's	Liverpool, Newport and Norwich total FTE's	392	309.9	378.2	419.8	
M³ per FTE	Water Consumption per FTE	0.91	1.58	2.09	1.90	



Performance Commentary

Government Procurement Service's water usage is within best practice benchmarks, achieving 1.90m³ per full time employee (FTE).

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 but it will not happen in the short term.

Management commentary

Part 1: Strategic report continued

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.

During 2013, Government Procurement Service invited 50 key suppliers to report on their organisational performance and sustainability impacts via the SID4GOV online engagement system. 46 suppliers responded and have reported against some or all of the key Government focus areas. The SID4GOV Sustainability questionnaire is used to assess suppliers' performance against a number of key UK government policy areas. The questions set ensured that responsible behaviour was considered and presented by business areas to demonstrate how well policy and practice has been embedded. All percentages quoted in the remainder of this section refer to the 46 suppliers who responded.

The SID4GOV Environmental Sustainability questionnaire provided an overview of our supply chain's commitment to three key areas of the UK Government's Greening Government Commitments:

Reducing Greenhouse Gas (GHG) Emissions

The Government is committed to increasing energy efficiency and reducing GHG emissions, and has set targets to ensure that action is taken.

To meet these targets, a hierarchy of actions to reduce emissions and mitigate against climate change are expected: Calculate, Avoid, Reduce, and Offset.

- **80%** of suppliers have a strategy for reducing GHG emissions within the next 12 months
- **87%** of suppliers have created an internal switch off initiative
- **41%** of suppliers currently source electricity in a way which is low or zero carbon

Reducing Waste Generated

While each year the UK generates over 80 million tonnes of waste, the Government remains committed to reaching the goal of a 'zero waste' economy. In addition to the reality that we are running out of landfill space, our excessive waste causes environmental damage and costs businesses money. However, by following a hierarchy of actions to produce as little waste as possible, value can be recovered from waste and costs can be significantly reduced. Areas of concern include: Waste Prevention, Preparation for Reuse, and Recycling.

- **96%** of suppliers manage hazardous waste appropriately
- **89%** of suppliers have a strategy for waste reduction in place
- **87%** of suppliers provide training on waste reduction
- **52%** of suppliers have set targets to reduce waste within the next 12 months

Reducing Water Use

Climate change, a growing population and our changing consumption patterns are placing increasing pressures on our water supply. The Government has committed to reducing its water consumption, and suggests that all organisations take a systematic approach to reducing their water use by first reviewing and understanding their consumption, and then implementing measures to reduce it.

- **30%** of suppliers have set targets to reduce their water consumption
- **24%** of suppliers have reached their annual water reduction target

Category Specific Initiatives

- a. The Furniture framework agreement includes a lot specifically designed to help customers manage their current furniture assets and gain the best value for money. This is achieved by repairing and renovating furniture where possible and avoiding scrapping furniture to buy new replacements. Services include:
 - Seating re-upholstery: operator pedestal chairs, meeting room chairs, settees, armchairs, dining room chairs
 - General timber repair
 - Epoxy powder re-spraying
 - Desk / table conversion – uplifting furniture and resizing / reshaping into new requirements, for example cutting down corner desks into bench desks with new edges and reshaped legs/base
 - Asset management – to allow best use of furniture assets across the customers estate

Working closely with the Government Property Unit, GPS recently added new functionality to our portal allowing public sector organisations the ability to advertise surplus items of furniture to others that can make use of them.

b. The Energy for Growth programme is a joint initiative between the Cabinet Office and GPS, which aims to save money on government's energy spend, de-risk its energy portfolio, and generate economic growth. It supports the Government's broader strategy to increase energy efficiency and create the right conditions for investment in diverse, secure and sustainable energy production in the UK.

Her Majesty's Government (HMG) is the biggest single energy customer in the UK, spending £1.6 billion on gas and electricity in 2012/13. Energy for Growth uses HMG's purchasing power and guaranteed demand to enter into long-term contracts with electricity generators. By buying over the long-term, HMG can save taxpayer's money and provide opportunities for new energy infrastructure investment in the UK. The first 20 year contract was signed in July 2013 between GPS and Air Products Plc. The deal is projected to save the taxpayer an estimated £97 million over the life of contract.

The guaranteed revenue stream from HMG has supported Air Product's inward investment of £320 million to build a green 'energy from waste' facility in Teesside. This will support up to 750 new jobs. In quarter one of 2014, Crown Commercial Service will launch the second procurement under the Energy for Growth project, this will be similar to the initial project and will target renewable electricity generators. Initial analysis shows that a second deal could save millions of pounds for the taxpayer. It could also help to release new investment in the renewable electricity sector.

20. The Journey towards Crown Commercial Service

From April 2014, the Crown Commercial Service will provide an integrated commercial service to strengthen the government's business like approach to how it buys goods and services, by building an integrated organisation that brings together our existing commercial operations for common goods and services, with key commercial functions that were previously delivered elsewhere in the Cabinet Office. We are now structured to deliver best in class direct buying services, high quality and high impact advisory and intervention services, policy implementation and improvements in commercial capability across central government.

This is a priority project for the Cabinet Office as part of the Commercial Reform Programme, a commitment set out in the Civil Service Reform Plan, to radically transform how Whitehall operates to maximise government buying power, raise commercial capability across the public sector and deliver savings.

The Crown Commercial Service will grow its influence and services gradually, in a phased approach, transferring spend

from departments and introducing new services that place more emphasis on pre- and post-contract activity to extract more value for the taxpayer.

Government Procurement Service changed its name to the Crown Commercial Service on 1 April 2014 and will:

- centrally manage the procurement of common goods and services such as professional services and energy
- improve the management of common but complex procurements
- enable departments to focus their commercial efforts on their own strategic requirements
- further strengthen commercial leadership within government
- further strengthen the procurement profession and improve overall commercial awareness across the Civil Service
- improve supplier and contract management across Government
- continue to work closely with the wider public sector and share the benefits of aggregation and centralisation to maximise savings for the taxpayer.

The Crown Commercial Service vision for commercial delivery is to provide outstanding service and superior savings through:

- a deep understanding of our market place, leveraging and driving this knowledge for the benefit of our customers
- capturing, analysing and segmenting spend to develop category strategies and deliver improved savings
- the provision of a world class customer service ethos that benefits customers in all interactions with our people and systems
- the recruitment, development and retention of outstanding staff with the knowledge and skills to deliver specialist, customer focused services.

Management commentary

Part 2: Directors' report

1. Directors responsibilities

The management of GPS was directed by the Board, comprising the Chair (Bill Crothers), Managing Director, latterly Chief Executive Officer (CEO) (Sally Collier), Executive Directors and Non-Executive Directors (NEDs). The Managing Director, latterly CEO, was also the Accounting Officer for the trading fund.

A list of all GPS Directors employed during the year is shown on page 27 of the remuneration report.

B Crothers and M Thorp were employees of the Cabinet Office throughout the year. S Collier was an employee of the Cabinet Office until 5 February 2014.

The following table details potential areas of conflict of interest, as advised by the Board Members. No actual conflict of interest has arisen.

Name	Position	Conflict of Interest	Live or Removed
Martin Bryant	Non-Executive	Wesleyan Insurance	Closed no longer Non-Executive
John Watkinson	Non-Executive	Anglian Water Group	Live
Rob Wilmot	Non-Executive	Appointed as a Crown Representative for CCS	Live

The Comptroller and Auditor General is the auditor of GPS' accounts. The charge for the year is £55,000. All of this cost is related to audit services. No additional non-audit work was undertaken.

2. Pension Entitlements

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 salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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 Pensions Increase legislation. 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.

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 worked out in accordance with The Occupation Pension Schemes (Transfer Values) Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Pension liabilities within GPS' accounts

Please refer to notes 4.2 and 4.5 within the accounts on pages 43 and 44.

3. People

Our people strategy and responding to change

Our strength and operational success is a direct consequence of the skills, capability, drive and commitment of our people.

We have continued to invest in their development and have enhanced their access to a broader and more comprehensive range of development solutions through the creation of a learning and development framework. This framework presents a map

of the expectation of the skills and knowledge of all employees and is designed in a cumulative manner so that learning and experience grows in line with an individual's career path.

Commercial Capability

We have continued to develop commercial capability within the organisation to ensure we create a centre of commercial excellence within Central Government and the Wider Public Sector.

There are now over 3000 commercial professionals registered on our learning management system, which provides access to commercial and procurement training courses and learning materials including:

- Commissioning Academy
- The Procurement Skills framework and curriculum
- CIPS qualification training
- Category Management training and resources
- EU Procurement training and resources
- LEAN Sourcing training and resources

We have embedded the Procurement Skills framework within our organisation to support the standardisation of role profiles, recruitment selection criteria, developmental assessments and training and development plans.

We have strengthened our commercial capability with the appointment of 47 additional operational staff, and a number of key senior level roles from the private sector, most notably; Commercial Delivery Director, Head of Technology, and have refocused the requirements of 30% of our roles to develop commercial skills in these areas.

Staff Survey

During FY13/14, staff again participated in the annual Civil Service People Survey, a civil service wide project run by the Cabinet Office. The survey ran from 1-31 October, and was completed by 270,793 people in 98 organisations, with 74% of our staff responding, of which 58% considered themselves to be fully engaged with the organisation. This is comparable with other civil service departments.

Improvements were seen in a number of areas, most notably around 'Inclusivity and Fair Treatment' (which increased by 3%) and line manager's consideration of life outside work (a remarkable 8% increase on last year), demonstrating the strides we have made in this area.

Management commentary

Part 2: Directors' report continued

Recruitment and Staffing Levels

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

Over the last year, the following staff have been recruited:

Table 1: Staffing Figures as at 31 March 2014

Band	Permanent Male	Permanent Female	Temporary Male	Temporary Female
Band 1	10	18	1	2
Band 2	39	43	0	0
Band 3	39	51	0	0
Band 4	74	57	1	0
Band 5	37	38	4	0
Band 6	29	13	0	2
Band 7	4	3	0	0
SCS	8	10	0	0
Total	240	233	6	4

Table 2: Government Procurement Service new recruits 2013/14

Band	Male	Female	Total
Band 1	2	5	7
Band 2	12	11	23
Band 3	9	15	24
Band 4	20	10	30
Band 5	10	11	21
Band 6	8	8	16
Band 7	2	0	2
SCS	7	5	12
Total	70	65	135

Table 3: Staff Breakdown by age as at 31 March 2014

Age Range	Male	Female	Total
16 - 20	1	1	2
21 - 30	33	43	76
31 - 40	72	76	148
41 - 50	76	76	152
51 - 60	53	39	92
61 - 70	10	3	13
Total	245	238	483

Health, Safety and Welfare

The health, safety and welfare of our staff remains a key priority for us.

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 2,745 (2,277 for 2013) with the average number of days per employee 5.75 (6.0 for 2013) against a reduced target of 7.5.

In support of our approach to employee health, safety and welfare, we have introduced a number of key initiatives with a preventative rather than a reactive focus.

Working with the Community

We are committed to engaging with our local communities and having a positive impact through supporting education and young people, employment and enterprise.

We continue to encourage and support staff to undertake volunteering work in their communities and our corporately sponsored volunteering policy allows staff to take two days paid leave for such work.

We continue to extend our support to the same regional programmes as in previous years (Liverpool Compact Employability and Business in the Community) and participated in the national volunteer 'Give and Gain' day in Liverpool which focused on promoting healthy lifestyles to local school children. In addition we have broadened our work with the community to include strengthening our involvement with Civil Service Local to support their programme for engaging with young people.

4. Personal Data Related Incidents

Nil return.

- No incidents have been reported to the Information Commissioner by or on behalf of Government Procurement Service, involving Protected Personal Data during the year.
- 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.

Table 1: Summary of Protected Personal Data related incidents formally reported to the Information Commissioner's Office in 2013/14				
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 2013/14		
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

S. Collier

S Collier
Accounting Officer
8 July 2014

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 (until 4.12.13), 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 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 retire. 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

Senior Management Salary Entitlements FY 13-14

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.

	To the 31 March 2014					To the 31 March 2013				
	Salary	Bonus	Compensation payments	Benefits in kind to nearest	Pension benefits to nearest	Total	Salary	Bonus	Pension benefits (Restated) to nearest	Total
	(Note 1)	(Note 3)	(Note 2)	£100	£1000	£'000	£'000	£'000	£1000	£'000
	£'000	£'000	£'000			£'000	£'000	£'000		£'000
B Crothers (Note 5) Chairman	No remuneration paid						No remuneration paid			
S Collier (Note 6) Managing Director (from 21.5.13 until 4.2.14) Full Year Equivalent	65-70 100-105	10-15				80-85				
S Collier Chief Executive (from 5.2.14) Full Year Equivalent	15-20 115-120				19,000	35-40				
D Shields Managing Director (until 20.5.13) Full Year Equivalent	35-40 140-145		70-75		8,000	120-125	140-145	10-15	49,000	195-200
D Murray Director of Corporate Services (until 31.5.13) Full Year Equivalent	15-20 100-105	5-10			1,000	30-35	100-105	5-10	50,000	160-165
J Lawler (Note 7) Commercial Delivery Director (from 14.10.13 until 14.2.14) Full Year Equivalent	85-90 275-280					85-90				
M Denham Commercial Delivery Director (from 3.2.14) Full Year Equivalent	25-30 155-160				10,000	35-40				
M James Director of Commercial Advice (from 11.10.13) Full Year Equivalent	40-45 95-100			16,600	6,000	65-70				
M Thorp (Note 5) Transformation Director (from 1.11.13) Full Year Equivalent	No remuneration paid									
I Smillie Director of Finance and Governance (on The Board from 1.8.2013 until 4.12.13) Full Year Equivalent	25-30 75-80				20,000	45-50				
H MacCarthy Director of Customer Services (on The Board until 4.12.13) Full Year Equivalent	55-60 85-90				3,000	60-65	85-90		30,000	115-120
M Brennan Director of Procurement Services (on The Board until 4.12.13) Full Year Equivalent	60-65 90-95				150,000	210-215	35-40		108,000	145-150
L Charlesworth-Hart Director of Human Resources (on The Board until 4.12.13) Full Year Equivalent	45-50 70-75	0-5			4,000	55-60	25-30			25-30
							65-70			

Remuneration report continued

	To the 31 March 2014					To the 31 March 2013				
	Salary	Bonus	Compensation payments	Benefits in kind to nearest £100	Pension benefits to nearest £1000 (Note 8)	Total	Salary	Bonus	Pension benefits to nearest £1000 (Note 8)	Total
	(Note 1)	(Note 3)	(Note 2)							
	£'000	£'000	£'000			£'000	£'000	£'000		£'000
R Clegg Non-Executive Director	15-20					15-20				15-20
M Bryant Non-Executive Director (until 31.7.13) Full Year Equivalent	5-10					5-10				10-15
J Watkinson Non-Executive Director	15-20					15-20				15-20
R Wilmot Non-Executive Director Full Year Equivalent	10-15					10-15	5-10			5-10
D Thomas (Note 5) Non-Executive Director (until 30 Sept 13)	No remuneration paid						No remuneration paid			
J Fernau (Note 5) Non-Executive Director (until 17.3.14)	No remuneration paid						No remuneration paid			
Band of Highest Paid Directors						275-280				155-160
Total Remuneration (£'000)										
Median Total Remuneration						35,525				36,050
Ratio						7.83				4.35

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 Compensation for loss of office Compensation payment include compensation in lieu of notice to D Shields. No compensation payments were made in the year to 31 March 2013.

Note 3 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013/14 relate to performance in 2012/13.

Note 4 Benefits in kind were provided for M James £16600 p.a. (accommodation allowance). No benefits in kind were provided to any other member of the board during this year. No benefits in kind were made in the year 31 March 2013.

Note 5 No remuneration was paid to the following members of the Board:- B Crothers (Chairman), D Thomas (Non-Executive Director until 30.9.13), J Fernau (Non-Executive Director until 17.3.14) and M Thorp (Transformation Director from 1.11.13). B Crothers and M Thorp were employees of the Cabinet Office. Amounts paid to M Thorp by the Cabinet Office from 1.11.13 to 31.3.14 were £25-30k, a full year equivalent of £65-70k.

Note 6 S Collier was on Secondment from Cabinet Office from 21.5.13 until 4.2.14. Payment for the period 21.5.13 to 28.2.14 was made directly to the Cabinet Office.

Note 7 The amount shown reflects payments to a third party for J Lawler's services.

Note 8 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Senior Management Pension Entitlements FY 13-14

The pension entitlements of the Executive Directors of GPS were as follows

	Accrued pension and lump sum at pension age as at 31 March 2014	Accrued pension and lump sum at pension age as at 31 March 2013	Real increase in annual pension and lump sum at pension age	CETV at 31 March 2014 (Note 1 & 2)	CETV at 31 March 2013 (Restated)	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000
S Collier Managing Director (from 21.5.13 until 4.2.14) Chief Executive (from 5.2.14)	114		2.5-5	428	413	12
D Shields Managing Director (until 20.5.13. Left GPS 28.6.13)	19	30	0-2.5	250	236	10
D Murray Director of Corporate Services (until 31.5.13)	37	36	0-2.5	479	452	11
M Denham Commercial Delivery Director (from 3.2.14)	1		0-2.5	6		3
M James Director of Commercial Advice (from 11.10.13)	26		0-2.5	312	296	3
I Smillie Director of Finance (from 1.8.13 until 4.12.13)	1		0-2.5	13		9
H MacCarthy Director of Customer Services (on the Board until 4.12.13)	77	113	0-2.5	279	259	
M Brennan Director of Procurement Services (on the Board until 4.12.13)	180	149	25-27.5	908	728	131
L Charlesworth-Hart Director of Human Resources (on the Board until 4.12.13) opted into Nuvos pension wef 1.2.14	1		0-2.5	2		2

Note 1 Last year's benefits quoted for D Shields showed current and preserved benefits combined. However, revised guidance this year has advised that we do not need to include the preserved benefits. The opening balance this year does not match the closing balance for last year due to the benefits now being recorded for current service only. As the real increase from last year related to the combined increase, last year's benefits have been re-calculated to enable correct reporting of the real increase in current benefits only.

Note 2 There has been a reduction in benefits quoted for H MacCarthy. There has been a change in circumstances, this was not deducted from the benefits last year. As this has now been reflected in this year's calculations, the benefits have reduced and this has also resulted in the opening balance for this year not matching the closing balance for last year.

Note 3 L Charlesworth-Hart opted into Nuvos pension scheme with effect from 1.2.14.

Note 4 For an explanation of pension benefits and Cash Equivalent Transfer Values (CETV), please refer to the Directors' report on page 23.

S. Collier

S Collier
Accounting Officer
8 July 2014

Statement of Government Procurement Service's and Chief Executive'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 Chief Executive 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 13/14

Introduction and Context

The Government Procurement Service (GPS) was, until 31 March 2014, an executive agency and Trading Fund of the Cabinet Office¹. On 1 April 2014, the Trading Fund order was amended as described on page 6. Our overall priority during the year was the delivery of commercial savings for the UK Public Sector as a whole and specifically the delivery of centralised procurement for Central Government Departments. Another significant priority was the design and build of a more integrated organisation – the Crown Commercial Service. The purpose of the Crown Commercial Service is to ‘deliver value for the nation, through outstanding commercial capabilities and quality customer service’, and the new organisation’s role is very much at the heart of Commercial Reform in Government.

Key Outcomes for GPS in 2013/14 were:

- Continued focus on delivering sustainable savings for customers in central government and the wider public sector
- Development of a forward looking transformation programme to enhance our value to Central Government and the tax payer as part of the Government’s Commercial Reform agenda

Corporate Governance

As a Trading Fund, GPS was required to have a Framework Document in place which outlined key activities and governance. The document set out GPS’s roles and responsibilities and the framework within which it operated. The Framework Document was presented to and approved by the GPS Board in December 2011 and submitted to Cabinet Office.

The management of GPS was directed by the Board, comprising the Chair, Managing Director, latterly Chief Executive Officer (CEO), Executive Directors and Non-Executive Directors (NEDs). The Managing Director, latterly CEO, was also the Accounting Officer for the Trading Fund.

Following the scheme of scheduled appointment reviews for NEDs, three NEDs stepped down during the year. The Board membership changed during the year in anticipation of the formation of the Crown Commercial Service. In the transition phase an appropriate blend of GPS “business as usual” Board Meetings and NED reviews took place. The attendance list for the formal Board meetings is provided below.

The primary responsibility of the GPS Board was to support and challenge the Chair and Accounting Officer on matters of strategic importance to GPS. In addition the Board was responsible for:

- Defining GPS’s strategic aims, objectives and target setting
- Reviewing and agreeing the Annual Business Plan which sets out the financial targets and human resources required to deliver. The plan is submitted to the Efficiency & Reform Group and Cabinet Office
- Reviewing the Annual Report and Accounts prior to sign-off by the Accounting Officer
- Monitoring the operational performance of the business and any actions needed to keep performance on plan
- Setting GPS’s vision, standards and values; and providing a scheme of delegated authority
- Maintaining a transparent system of prudent and effective controls (including internal controls)
- Reviewing the Risk Register; staff survey results; Major Project reviews and Annual Health & Safety reviews
- Considering major business of above £1 million prior to Managing Director/CEO sign-off

In 2013/14 there was one sub-committee of the Board, the Audit Committee. The principal role of the Audit Committee was to advise the Board and Accounting Officer on the adequacy of the system of internal control. The Committee was chaired by an Independent Non-Executive Director and included the other two Independent Non-Executive Directors as members. A representative from the Cabinet Office also attended the Committee, along with a representative from the National Audit Office as the external Auditor. The Accounting Officer, Head of Internal Audit and the Director of Finance participated as invitees to the meetings as well as other members of the Executive as required.

The Executive team was led by the Accounting Officer and included representatives from all the key areas of the organisation. The principle role of the Executive is to support and challenge the delivery of the strategic aims and to provide leadership of the organisation. The constitution of the Executive team altered during the year to reflect more fully the integrated nature of the Crown Commercial Service. Since the year end, the Executive team leadership has been further reviewed and will include a new director level Chief Operating Officer, incorporating the role of Chief Finance Officer, who will be a member of the board.

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 13/14 continued

Government Procurement Service Board attendance:

Name		Attendance	
Mr B Crothers	Chair	6/6	
Mr D Shields	Managing Director & Accounting Officer	1/1	(to 24 May 2013)
Mrs S Collier	Managing Director/Chief Executive Officer & Accounting Officer	5/5	(from 25 May 2013)
Mr D Murray	Director of Resources	1/1	(to 31 May 2013)
Ms H MacCarthy	Director of Customer Services	3/4	(to 4 December 2013)
Mrs L Charlesworth-Hart	Director of Human Resources	3/4	(to 4 December 2013)
Ms I Smillie	Director of Finance & Governance	3/3 as member	(from 1 August 2013)
		2/2 as attendee	(from 4 December 2013)
Mrs M Brennan	Director of Sourcing Operations	3/4	(to 4 December 2013)
Mr J Lawler	Commercial Delivery Director	2/2	(from 14 October 2013 to 4 February 2014)
Mr M Denham	Commercial Delivery Director	1/1	(from 3 February 2014)
Mr M James	Commercial Advice Director	3/3	(from 11 October 2013)
Ms M Thorp	Transformation Director	3/3	(from 1 November 2013)
Mr J Watkinson	Independent Non-Executive Director and member of the Audit Committee	6/6	
Mr R Clegg	Independent Non-Executive Director and Chair of the Audit Committee	6/6	
Mr R Wilmot	Independent Non-Executive Director and member of the Audit Committee	6/6	
Mr J Fernau	Commercial Non-Executive Director	6/6	(to 31 March 2014)
Mr D Thomas	Commercial Non-Executive Director	3/4	(to 30 September 2013)
Mr M Bryant	Independent Non-Executive Director	2/2	(to 24 June 2013)

Code of Corporate Governance

GPS undertook a fundamental review of its compliance with the Corporate Governance Code of Good Practice 2011, abiding with the principle of “comply or explain”, during 2012/13. The only matters arising are reproduced below with an update as at the end of 2013/14. No additional changes to the corporate governance structure or framework were made during 2013/14 due to the impending transition to a new organisation, which has a new corporate governance structure and framework.

Government Procurement Service Board

GPS had a high degree of Code compliance and four questions were raised with the Board in December 2011 under the “comply or explain” principle. These were further debated during 2013/14 and it was agreed that only three of these were outstanding;

1. Is it still appropriate for the Board to subsume oversight of risk management in the absence of a Risk Committee?

The Board decided this approach is still appropriate. Risk Management is firmly the Board’s responsibility. The Board’s view is that it would complicate and reduce the efficiency of executive processes if a discrete Risk Committee was set up. This remained the position during 2013/14.

2. Should a Governance and Nominations Committees be established?

The Board agreed that Governance formed a key part of the Audit Committee’s role and so no additional committee was required.

It was agreed that a Human Resources/Nominations committee should be established. This was agreed at the March 2013 Board meeting and was taken forward into the design phase of the Crown Commercial Service, in which a Remuneration Committee (whose remit will include HR strategy) has been established.

3. Does a process need to be established for the regular review of skills and understanding requirements of Board members?

As part of the Audit Committee self assessment, performed in January 2014, this was considered once again with agreement made that it should be taken forward as an action for the new Crown Commercial Service Board to consider.

A further question was raised during the year as the structure of the Board changed:

4. Does the Board have representation of all key areas of management as set out in the Code?

The Board noted that, whilst between December and the end of the financial year the Director of Finance did not hold a Board position, the Director of Finance was present at Board meetings and so was able to participate as needed. Subsequent to the year end, a review of the Executive Team created a new full Board member post of Chief Operating Officer incorporating the Chief Finance Officer role.

Government Procurement Service Audit Committee

A review of the Code of Corporate Governance 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 GPS Audit Committee conducted an annual self-assessment of its efficiency and effectiveness. The Chair of the Audit Committee requested a review to be completed in Q3 2013/14 and to report its initial findings to the extra meeting of the Audit Committee convened on 29 January 2014. The self-assessment questionnaire was revised and developed to review the performance of the Audit Committee against both outcomes, effectiveness and impact, rather than simply process.

Contributions were sought and received from Audit Committee members, internal and external invitees including National Audit Office and their contractors. The review recognised the high performance of the Audit Committee and focused on enhancing its value adding activities to GPS. One of the key matters for discussion was the profile and skills mix of the Audit and Assurance Unit, bearing in mind the move to the Crown Commercial Service, and a number of actions were agreed.

Corporate governance statement 13/14 continued

Work of the Audit Committee

The committee meets a minimum of four times a year.

In 2013/14 it met five times; the additional meeting held on 29 January 2014, discussed the findings of the self-assessment process described above as well as business updates covering governance, finance, risk management and audit.

The work of the Audit Committee was not limited to its five meetings and was an ongoing process across the year. The Chair of the Audit Committee had regular dialogue and meetings with the Head of Internal Audit. Together they met with the Accounting Officer approximately three weeks prior to an Audit Committee meeting to discuss key areas of governance in relation to the Audit Committee agenda.

All Audit Committee members engaged with GPS senior management on a regular basis, either through onsite meetings, video-conference or phone. In addition the Chair of the Audit Committee maintained 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.

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 deep dives into areas of risk consistent with the Corporate Risk Log, and ongoing review of the development proposals for the Crown Commercial Service.

Government Procurement Service Audit Committee attendance

Mr R Clegg	Independent Non-Executive Director and Chair	5/5
Mr J Watkinson	Independent Non-Executive Director	5/5
Mr M Bryant	Independent Non-Executive Director (to 24 June 2013)	1/1
Mr R Wilmot	Independent Non-Executive Director	5/5

Work of Internal Audit

GPS had 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 and the Audit Committee and the Head of Internal Audit.

Mike Wood retired as Head of Internal Audit (Sept 2013) and Lydia Brown was appointed as his replacement, Lydia started in November 2013.

An independent assessment against Public Sector Internal Audit Standards (replacing Government Internal Audit Standards from 1 April 2013) was commissioned by the HIA and was performed in February 2014, the results of which were discussed at the March 2014 Audit Committee with a set of actions agreed to take forward.

In December 2013 HM Treasury published its 'Review of financial management in government' and established medium term plans for a single, integrated internal audit service for government as a standalone Executive Agency. This builds upon the successes of the current Cross Departmental Internal Audit Service (XDIAS) which has been providing consortium services to a number of departments for the last year. During this time, GPS has participated in the consortium at a 'collaborative level' (the lowest level of three) and it is expected that during 2014/15 initial plans will be made to understand how the GPS audit team will transition into the new Executive Agency in the medium term future.

The Internal Audit Plan for 2013/14 was developed with full reference to GPS's risk register and was reviewed, discussed and subsequently approved at the 25 March 2013 Audit Committee meeting. Throughout the year there was a review of the appropriateness of the plan and updates in terms of timings and detailed scope were made. In January 2013 some significant changes were agreed that brought a focus upon core control systems in light of the changing environment as the organisation geared up to transform.

The core systems reviewed included payroll, travel and subsistence, use of Government Procurement Cards and the ordering and payments process. More broadly, the team have reviewed the processes for reporting spend and savings, governance of strategic partnerships and have led significant developments to the risk management framework.

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

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

Head of Internal Audit Opinion

The Head of Internal Audit's annual report concludes that the Government Procurement Service had limited systems of risk management governance and internal control in place throughout the year. The organisation is responding robustly to these findings. Some of the key findings of reports identified some governance and process issues whereby documentation and process was not clear and visible.

Some policies and procedures require update and given more prominence across the organisation.

This is a fair and accurate assessment and comes as no surprise given the organisation was not in a steady state. The scale, scope and pace of change demanded from the business and the way it has been required to adapt accordingly has been highly challenging. In particular:

- The Executive Team has changed significantly, both in size and in shape, over the year in response to a number of key staff departures, and in recognition of the change in strategic focus required to prepare GPS for its transformation to the Crown Commercial Service.
- Structural changes, coupled with the need to deliver business as usual whilst also investing in building the foundations for the new organisation, has meant that some plans and priorities have been re-focused (reflected, for example, in the postponement of the three IT-related audit reviews from the original 2013/14 plan).
- The Executive is challenging itself to lead a first class commercial organisation with higher standards for its control systems. Some of these underlying systems and processes had not been reviewed for some years. The rapid change has highlighted that systems and processes in place were not as solid a foundation as expected and that these require remedial action to ensure that they are robust, as well as requiring to be expanded and enhanced to meet the needs of a transforming organisation. This shift has been reflected in the 'limited' opinions on the more recent audit reviews (such as T&S and GPC, Ordering and Payments and Procurement) where we have sought to benchmark GPS's current practices against good-practice from the wider public and private sectors, and against its own aspirations. The Non-Executive composition of the Board has remained largely constant. The Board and the Audit Committee have been responsive and flexible: fully aware and challenging of the changing environment, but also clearly mindful of the 'business as usual' requirements.

In order to accommodate the discussion required to provide real oversight and challenge to the organisation, the Board and Audit Committee have been proactive in requesting additional meetings (i.e. those which took place on 29 January and 3 March 2014), to ensure they maintained capacity to cover all required GPS business.

Risk Management

The organisation has placed great importance on having a robust risk management framework embedded throughout the organisation. The appetite for, and pace of development of a fit-for-purpose framework, was significant. The embedding of the framework, from Board and Executive, through to individual teams and projects, was well underway at the beginning of the year. However, the changes that came about structurally across the organisation from mid 2013/14 resulted in a weakening of some of the supporting processes. The Accounting Officer recognised the weakening and put in place temporary mitigating controls and process, ensuring that key risks continued to be identified and managed throughout the year.

An example of swift action taken by the Accounting Office and Audit Committee included addressing a legacy issue; heightened safety and reputational risks posed by GPS's work with locum health (including doctors and nurses) suppliers. The Audit Committee requested that the NAO carry out an independent study of the risks and controls. This resulted in the development of the new 'Health Assurance Team' and a substantial programme of inspection work. The revised programme design was reviewed by the NAO, and the Audit Committee has expressed its satisfaction at the levels of assurance it is now receiving, as well as the speed with which the executive responded to this risk. The Internal Audit Team has commenced a review of the existing Risk Management Policy and Framework, and has plans to roll out and embed a refreshed approach during the first quarter of 2014/15.

Principal areas of risk and control

The focus of corporate risk management in 2013/14 reflected the outcomes of the business planning process. Specifically the business has been actively managing risks in relation to the following key areas:

1. Achievement of key corporate targets and in particular spend and savings
 - There has been ongoing engagement with departments who are on-boarding spend (and therefore savings) to GPS.
 - Strong operational focus has been given to exceed the original business plan targets and to meet the stretch targets established during the year. A number of new initiatives and projects were established and completed in response to this.

Corporate governance statement 13/14 continued

2. Management of suppliers
 - A framework of supplier Key Performance Indicators was developed and was rolled out as appropriate.
 - A tool was developed which enabled Category teams to analyse supplier data to ascertain its reliability, and to probe as required.
3. Health Assurance
 - The NAO issued a management letter in February 2014, following fieldwork conducted in Summer 2013, which made some suggestions for improvement to the current assurance arrangements, although was very supportive of work already undertaken.
 - The Health Assurance team has been restructured and well resourced to provide a programme seeking a high level of assurance over supplier compliance with framework requirements relating to the provision of locum health professionals.
 - Findings are reported to management and the Audit Committee on a regular basis.
4. Recruitment and Organisational Development
 - Key strategic roles have been recruited to, with much experience brought into GPS from the wider public sector and the private sector.
 - Identification of skills gaps between those in place now and those needed to take forward the organisation into the Crown Commercial Service are under review.
 - Improvement of capability and skills appropriate to a revised operating model identified as part of the transition towards Crown Commercial Service.
 - A specific programme team leading the transition to Crown Commercial Service initially sat outside of the organisation. In order to maximise the efficiency of transformation, the programme team were subsequently embedded into the core organisation. Additionally a review of the creation of the Crown Commercial Service highlighted some leadership and Governance points that are being addressed in the coming year, to ensure the most optimal senior management team for the business during transformation and once the operating model is embedded. A review of the number of Independent Non-Executives that sit on the Board will also take place, to ensure robust challenge and scrutiny.
5. IT Systems
 - A Non-Executive Director and the Accounting Officer were involved in the recruitment of GPS's new Chief Technology Officer, whose remit is to ensure that the organisation can offer a world-class service, enabled through technology.

- New IT Strategy has been developed and work on achievement started in February 2014.
6. Supplier Challenge
 - Ongoing focus has been given to reviewing the robustness of the sourcing controls in place to ensure that, where challenges are received, GPS is able to fully demonstrate compliance.
 - Sourcing processes are more streamlined and efficient.
 - Internal Audit report on this issue gave positive assurances in year.

There have been no ministerial directions given.

Fraud, Bribery and Whistle blowing

GPS took its responsibility to manage the risk of fraud and bribery seriously in 2013/14. An internal audit review was commissioned and provided limited assurance of processes and policies

The next cyclical review is scheduled for 2014/15, as is the next fraud risk identification workshop which will result in a refresh of the risk log. One attempted fraud was reported during 2013/14 and this was investigated by AAU, with findings and recommendations reported to Audit Committee and confirmation of timely management remedial action. There has been no requirement for investigation into actual fraud.

Data Security Lapses

GPS has a full suite of policies and guidance in place, all of which is subject to ongoing review. Towards the end of 2013/14 the Data Security Breach guidance was updated, with input from external professionals.

There have been no material breaches.

S. Collier

S Collier
Accounting Officer
8 July 2014

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 2014 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive 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 Government Procurement Service circumstances 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 Government Procurement Service affairs as at 31 March 2014 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1 W 9SP
11 July 2014

Statement of comprehensive income year ended 31 March 2014

	Note	2013/14 £000	2012/13 £000
Revenue	2	47,842	41,613
Cost of sales		(5,581)	(4,542)
Gross Surplus		42,261	37,071
Staff costs	4.2	(22,385)	(19,811)
Depreciation of property, plant and equipment	8	(1,094)	(1,083)
Whitehall Impairment	8,3	(9,331)	-
Amortisation of intangible assets	9	(22)	(13)
Crown Commercial Service Transformation	3	(3,000)	
Other operating charges	6	(9,295)	(8,884)
Total operating costs		(45,127)	(29,791)
		(2,866)	7,280
Other operating income		1,584	863
Operating (deficit) / surplus		(1,282)	8,143
Finance income	7	109	93
(Deficit) / Surplus for the financial year		(1,173)	8,236
Dividend to be payable to Cabinet Office	23	(2,641)	(2,615)
Contribution to Cabinet Office ERG	24	-	(2,880)
Retained (deficit) / surplus for the financial year		(3,814)	2,741
Adjustment to reserves PCoE* transfer	20	-	874
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment	19	-	1,008
Comprehensive (expenditure) / income for the financial year		(3,814)	4,623

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

*Procurement Centre of Excellence.

Statement of changes in taxpayers' equity at 31 March 2014

	General Reserve £000	Revaluation Reserve £000	PDC £000	Total £000
Taxpayers' equity at 1 April 2012	33,167	3,077	350	36,594
Recognition in statement of comprehensive income	2,741	1,008	-	3,749
Revaluation reserve transfer to general reserve	371	(371)	-	-
Reserve adjustment PCoE*	874	-	-	874
Taxpayers' equity at 31 March 2013	37,153	3,714	350	41,217

	General Reserve £000	Revaluation Reserve £000	PDC £000	Total £000
Taxpayers' equity at 1 April 2013	37,153	3,714	350	41,217
Recognition in statement of comprehensive income	(3,814)	-	-	(3,814)
Revaluation reserve transfer to general reserve	3,714	(3,714)	-	-
Reserve adjustment PCoE*	-	-	-	-
Taxpayers' equity at 31 March 2014	37,053	-	350	37,403

Statement of financial position as at 31 March 2014

	Note	31 March 2014		31 March 2013	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	8		681		11,058
Intangible assets	9		47		12
Long term receivable	10		<u>1,087</u>		<u>1,508</u>
			1,815		12,578
Current assets					
Inventories	11	109		115	
Trade and other receivables	12	15,886		12,052	
Cash and cash equivalents	13	<u>32,793</u>		<u>22,856</u>	
		48,788		35,023	
Current liabilities					
Trade and other payables	14	(12,559)		(5,783)	
Employee benefit payable	15	<u>(566)</u>		<u>(482)</u>	
		(13,125)		(6,265)	
Net current assets			35,663		28,758
Non-current assets plus net current assets			37,478		41,336
Provisions	17		(75)		(119)
Total assets less liabilities			<u>37,403</u>		<u>41,217</u>
Capital and reserves					
Public dividend capital	18		350		350
Revaluation reserve	19		-		3,714
General reserve	20		<u>37,053</u>		<u>37,153</u>
Total capital and reserves			<u>37,403</u>		<u>41,217</u>

The Notes to the accounts on pages 40 to 53 form an integral part of these accounts.

S. Collier

S Collier
Accounting Officer
8 July 2014

Statement of cash flows for the year ended 31 March 2014

	2013/14	2012/13
	£000	£000
Net cash inflow from operating activities	10,278	7,276
Cash flows from investing activities		
Finance income	103	93
Purchases to acquire intangibles	(57)	-
Purchases of property plant and equipment	(48)	(114)
Net Cash outflow from investing activities	(2)	(21)
Net Cash inflow before financing	10,276	7,255
Cash flows financing activities		
Dividend paid	(339)	(2,597)
Contribution to Cabinet Office ERG activities		(2,880)
Net Cash outflow from financing activities	(339)	(5,477)
Net increase in cash and cash equivalents	<u>9,937</u>	<u>1,778</u>

See Note 21 in the Notes to the accounts, in which operating surplus (as shown in the Statement of Comprehensive Income) is reconciled to net cash flows from operating activities. The Notes to the accounts on pages 40 to 53 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 in issue but not in force

Certain standards, amendments and interpretations to existing standards have been published that may be mandatory for GPS's accounting periods beginning on or after 1 April 2013 or later periods. GPS has not early adopted the standards, amendments or interpretations described below:

1.1.1 Amendments to IAS 1 Presentation of Financial Statements - Other Comprehensive Income (effective for annual periods beginning on or after 1 June 2012)

The amendments change the groupings of items presented in other comprehensive income (OCI). Items that might be reclassified (or recycled) to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The change will assist users of the financial statements to identify more easily the potential impact that OCI items may have on future profit and loss. The standard will be applied by government departments and agencies for the 2013/14 financial year.

1.1.2 Amendments to IAS 19 Post-Employment Benefits - Pensions (effective for annual periods beginning on or after 1 January 2013)

The amendment eliminates the option for recognising deferred gains and losses resulting from defined benefit plans and also presenting those gains and losses in financial statements. It also improves disclosure requirements as characteristics of the plans are more accurately reflected. The amendment also modifies accounting for termination benefits, including distinguishing between benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affects the recognition and measurement of termination benefits. The standard will be effective for government departments and agencies for the 2013/14 financial year.

Notes to the accounts continued

1.1.3 IFRS 13 Fair value measurement (consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS except where IFRS 13 explicitly states otherwise, effective on or after 1 January 2013)

The standard defines fair value and provides guidance on fair value measurement techniques and sets out disclosure requirements. The standard has established a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3). GPS will be required to maximise the use of relevant observable inputs when determining fair value. The inference is that the more observable the inputs, the higher the quality of the reported value.

1.1.4 Other amendments to the FReM due to come into effect on or after 1 April 2013 are considered to have no impact on GPS.

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.

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 Services** – Income is recognised through invoices billed directly to customers for services received.
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 assets is shown as the historic purchase cost adjusted for the value of subsequent revaluations (as applicable to the period of ownership by the GPS). This results in the net book value representing the revalued historic cost net of adjusted accumulated depreciation. 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 an adjusted depreciation is calculated based on this assessment. The useful economic life and residual value including any impairments is considered by the Audit Committee annually in between these independent assessments. During the year there have been significant breakdowns in service and reliability of the system which have resulted in 150 hours of system downtime. The maintenance contract with Cofely expires in 2 years time and the system requires significant investment for it to be efficient and effective in the longer term. This, together with the associated system failures meant that the system value was reviewed and impaired this year, reducing the asset value to zero. Please see note 8 on page 46.

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 20 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.

Notes to the accounts continued

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 17 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.

2 Segmental Analysis**2013/14**

	Frameworks Procurement 31 March 2014	Energy Procurement 31 March 2014	Managed Services Procurement 31 March 2014	Whitehall District Heating Systems 31 March 2014	Transformation Costs 31 March 2014	TOTAL 31 March 2014
	£000	£000	£000	£000	£000	£000
Statement of comprehensive income						
Revenue from external sales	38,019	4,231	1,187	4,405	-	47,842
Gross surplus	36,400	4,231	(74)	1,704	-	42,261
Operating costs less other operating income	(23,102)	(3,720)	(2,093)	(10,398)	-	(39,313)
CCS Transformation Costs	-	-	-	-	(4,230)	(4,230)
Operating surplus	13,298	511	(2,167)	(8,694)	(4,230)	(1,282)
Statement of financial position						
Non-current assets	1,659	106	50	-	-	1,815
Current assets	41,140	3,342	519	1,365	2,422	48,788
Total assets	42,799	3,448	569	1,365	2,422	50,603

Transformation costs reflect amounts incurred as part of Crown Commercial Service set up costs.

	Frameworks Procurement 31 March 2013	Energy Procurement 31 March 2013	Managed Services Procurement 31 March 2013	Whitehall District Heating Systems 31 March 2013	PIF & Restructuring 31 March 2013	TOTAL 31 March 2013
	£000	£000	£000	£000	£000	£000
Statement of comprehensive income						
Revenue from external sales	31,892	4,193	829	4,699	-	41,613
Gross surplus	30,864	4,193	288	1,726	-	37,071
Operating costs less other operating income	(19,387)	(3,491)	(1,957)	(1,061)	-	(25,896)
Procurement Investment Fund and restructuring costs	-	-	-	-	(3,032)	(3,032)
Operating surplus	11,477	702	(1,669)	665	(3,032)	8,143
Statement of financial position						
Non-current assets	2,132	128	55	10,264	-	12,579
Current assets	30,070	2,688	381	1,884	-	35,023
Total assets	32,202	2,816	436	12,148	-	47,602

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

3 Exceptional items

Total operating costs includes the following exceptional items:

	2013/14 £000	2012/13 £000
Whitehall Impairment	9,331	-
Crown Commercial Service transformation costs	3,000	-
TOTAL	<u>12,331</u>	<u>-</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:

	2013/14	2012/13
Board	5	4
Operational	349	302
Administration	46	52
Agency and contract staff	30	20
TOTAL	<u>430</u>	<u>378</u>

4.2 Total staff costs

Superannuation costs relate to staff participation in the Principal Civil Service Pension Scheme (PCSPS) defined benefit scheme. Further details about the pension benefits can be found on page 22. Details of the underlying liabilities applicable to the Agency employees are not separately identifiable.

	2013/14 £000	2012/13 £000
Wages and salaries	16,311	14,300
Bonus	229	454
Social security	1,425	1,254
Superannuation	3,098	2,637
Voluntary early retirement	-	106
Agency and contract staff costs	1,322	1,060
TOTAL	<u>22,385</u>	<u>19,811</u>

Notes to the accounts continued

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

	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Exit package cost band:	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
<£10,000	-		-		-	
£10,000 - £25,000	-		-	(1)	-	(1)
£25,001 - £50,000	-		-		-	
£50,001 - £100,000	-		-		-	
£100,001 - £150,000	-		-		-	
£150,001 - £200,000	-		-		-	
£200,001 - £250,000	-		-		-	
£250,000 +	-		-		-	
Total number of exit packages by type	-		-		-	
Total cost £	-		-	(6,501)	-	(6,501)

There were no exit packages in the reporting year.

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 the Remuneration Report on pages 26 to 29.

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.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but GPS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For the 12 month period ended 31 March 2014 contributions of £3,098,000 (2013: £2,637,000) 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 2014 were between 16.7% and 25.8% depending upon the pay band of each employee. The Scheme Actuary (the Government Actuary's Department) reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account which is a stakeholder pension with an employer contribution. There are currently five (2013: three) stakeholder pension accounts within GPS. Employer contributions are age-related and GPS paid £6,725 during the reporting year (2013: £5,893).

5 Other Operating Income

	2013/14 £000	2012/13 £000
Income		
Grant from Department of Health brought forward	-	63
Home Office funding for the running of Procurement Centre of Excellence	1,000	800
Department for Communities and Local Government funding	285	-
HM Treasury funding	230	-
Commissioning Academy course fees	69	-
Released during year	(1,584)	(863)
Deferred to 2014/15	<u>-</u>	<u>-</u>

The grant received from the Department of Health was in relation to the transfer of NHS Purchasing and Supply Agency activities.

On 1 October 2012, the Procurement Centre of Excellence was transferred from the Home Office in Newport as an integral part of GPS. The Home Office agreed to provide initial funding for two years.

In advance of providing Managed Services, GPS transitioned a number of employees from DCLG and HMT. A recharge agreement was reached with both departments to support the cost of these transition arrangements.

The Commissioning Academy is a development programme for senior commissioners of public services. GPS funds the programme and charges a fee to departments for each participating delegate.

6 Other Operating Charges

	2013/14 £000	2012/13 £000
Charges Include:		
Auditor's remuneration	55	74
Charges for plant and machinery operating leases	-	-
Charges for other operating leases	757	624
Travel and subsistence	1,601	1,342
Accommodation and utilities	158	47
Marketing	17	5
Training	387	559
Other operating and external charges	6,320	6,221
Restructuring	-	12
TOTAL	<u>9,295</u>	<u>8,884</u>

Notes to the accounts continued

7 Finance income

	2013/14 £000	2012/13 £000
Bank and short term investment interest	109	93
TOTAL	<u>109</u>	<u>93</u>

8 Property, plant and equipment

2013/14

	31 March 2014 Computer Equipment £000	31 March 2014 Plant & Equipment £000	31 March 2014 Fixtures & Fittings £000	31 March 2014 TOTAL £000
Cost				
At beginning of period	414	26,614	819	27,847
Additions in period	48	-	-	48
Whitehall impairment	-	(26,614)	-	(26,614)
Disposals	-	-	-	-
At end of period	<u>462</u>	<u>-</u>	<u>819</u>	<u>1,281</u>
Depreciation				
At beginning of period	298	16,351	140	16,789
Amount provided in period charged to SCI	63	932	99	1,094
Whitehall impairment charge to SCI	-	9,331	-	9,331
Whitehall impairment	-	(26,614)	-	(26,614)
Disposals during period	-	-	-	-
At end of period	<u>361</u>	<u>-</u>	<u>239</u>	<u>600</u>
Net book value at March 2013	116	10,263	679	11,058
Net book value at March 2014	101	-	580	681

8 Property, plant and equipment continued

2012/13	31 March 2013 Computer Equipment £000	31 March 2013 Plant & Equipment £000	31 March 2013 Fixtures & Fittings £000	31 March 2013 TOTAL £000
Cost				
At beginning of period	300	23,630	819	24,749
Additions in period	114	-	-	114
Disposals	-	-	-	-
Revaluation	-	2,984	-	2,984
At end of period	414	26,614	819	27,847
Depreciation				
At beginning of period	247	5,884	41	6,172
Depreciation 1 April 2012 charged to revaluation reserve	-	7,558	-	7,558
Amount provided in period charged to SCI	51	933	99	1,083
Amount charged to revaluation reserve in period	-	1,976	-	1,976
Disposals during period	-	-	-	-
At end of period	298	16,351	140	16,789
Net book value at April 2012	53	10,188	778	11,019
Net book value at March 2013	116	10,263	679	11,058

9 Intangible assets

	2013/14 Software licences £000	2012/13 Software licences £000
Cost		
At beginning of period	37	56
Additions in period	57	-
Disposals in period	-	(19)
At end of period	94	37
Amortisation		
At beginning of period	25	31
Amount provided in period	22	13
Disposals in period	-	(19)
At end of period	47	25
Net book value at April 2013	12	12
Net book value at March 2014	47	

10 Long term receivable

GPS provided an advance of funds to the Cabinet Office for the Public Sector Network project. These amounts are repayable via an additional supplier commission levy.

	2013/14 £000	2012/13 £000
Balance at beginning of period	1,508	-
(Decrease) / increase in period	(421)	1,508
Balance at end of period	1,087	1,508

Notes to the accounts continued

11 Inventories	31 March 2014	31 March 2013
	£000	£000
Fuel inventory for the Whitehall Systems	109	115
TOTAL	<u>109</u>	<u>115</u>

12 Trade and other receivables	31 March 2014	31 March 2013
	£000	£000
Current receivables		
Trade receivables	5,611	5,064
Less: bad and doubtful receivables provision	(2)	-
Net trade receivables	5,609	5,064
Other receivables	50	34
Prepayments and accrued income	10,227	6,954
Total current receivables	<u>15,886</u>	<u>12,052</u>

Aged debt analysis	31 March 2014	31 March 2013
	£000	£000
Within credit terms	4,193	3,448
Past due date but not impaired:		
0-1 month	1,163	816
1-2 months	184	185
More than 2 months	69	615
Total receivables	<u>5,609</u>	<u>5,064</u>

Bad and doubtful receivables provision analysis	2013/14	2012/13
	£000	£000
Provision at the beginning of the year	-	30
Decrease in the provision for the year	-	(30)
Increase in the provision for the year	2	-
Provision at the end of the year	<u>2</u>	<u>-</u>

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

13 Cash and cash equivalents	31 March 2014	31 March 2013
	£000	£000
National Loans Fund	25,000	20,000
Government Banking Service and cash in hand	7,793	2,856
TOTAL	<u>32,793</u>	<u>22,856</u>

14 Trade and other payables

	31 March 2014 £000	31 March 2013 £000
Current payables		
Taxation and social security costs	1,403	759
Trade payables	648	1,110
Other payables	3,046	642
Accruals and deferred income	7,462	3,272
TOTAL	<u>12,559</u>	<u>5,783</u>

15 Employment benefit payable

	31 March 2014 £000	31 March 2013 £000
Balance at beginning of period	482	395
Increase/ (decrease) in the period	84	87
Balance at end of the period	<u>566</u>	<u>482</u>

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

16 Lease obligations

	2013/14		2012/13	
	Other £000	Land & Buildings £000	Other £000	Land & Buildings £000
Operating lease rentals due within:				
One year	1	1,058	-	1,029
Two to five years	1	3,779	-	3,754
Over five	-	1,733	-	2,656
TOTAL	<u>2</u>	<u>6,570</u>	<u>-</u>	<u>7,439</u>

17 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 22 for further information).

	2013/14 £000	2012/13 £000
Balance at beginning of period	119	161
Utilised in the period	(44)	(148)
Increase in the period	-	106
Balance at end of period	<u>75</u>	<u>119</u>

18 Public dividend capital

	2013/14 £000	2012/13 £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

19 Revaluation Reserve

	2013/14	2012/13
	£000	£000
Revaluation reserve at 1 April	3,714	3,077
Revaluation of plant and equipment	-	1,008
Transfer to general reserve	-	(371)
Whitehall Impairment Adjustment - transferred to general reserve	(3,714)	-
Revaluation reserve at 31 March	<u>-</u>	<u>3,714</u>

20 General Reserve

	2013/14	2012/13
	£000	£000
Balance at beginning of period	37,153	33,167
Retained surplus/(deficit) for the period	(3,814)	2,741
Transfer from PCoE	-	874
Transfer from Revaluation Reserve	3,714	371
Balance at end of period	<u>37,053</u>	<u>37,153</u>

21 Notes to the Statement of Cash Flows

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

	Note	2013/14	2012/13
		£000	£000
Operating (deficit) / surplus		(1,282)	8,143
(Decrease) / increase in provision	17	(44)	(42)
Depreciation charges	8	1,094	1,083
Whitehall impairment	8,3	9,331	-
Amortisation of intangible assets	9	22	13
Decrease in inventories	11	6	11
(Increase) / decrease receivables	12	(3,407)	1,164
Increase / (decrease) in payables		4,558	(3,970)
Non cash adjustment PCoE		-	874
Net cash inflow from operating activities		<u>10,278</u>	<u>7,276</u>

Note (ii): Analysis of changes in net funds

	2013/14	2012/13
	£000	£000
Net funds at 1 April	22,856	21,078
Net funds change	9,937	1,778
Net funds at 31 March	<u>32,793</u>	<u>22,856</u>

22 Capital Commitments

Capital commitments contracted for at 31 March 2014 were £nil (2013: £nil).

23 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 had a five year financial plan that aims to deliver this target. The 6.5% ROCE dividend figure due to the Cabinet Office is £2,641,000 (2013 £2,615,000).

24 Related Party Transactions

In accordance ISA24 Related Party Disclosures, as interpreted by the FReM, 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 2014, 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.

Government Procurement Service has had dealings with all government departments during the year.

25 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 is 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 2014							
Trade receivables	5,609	-	-	5,609	-	-	-
Accrued income	9,573	-	-	9,573	-	-	-
Cash and cash equivalents	32,793	-	32,793	-	0.32	1.00	-
Gross financial assets	47,975	-	32,793	15,182	-	-	-
31 March 2013							
Trade receivables	5,064	-	-	5,064	-	-	-
Accrued income	6,333	-	-	6,333	-	-	-
Cash and cash equivalents	22,856	-	22,856	-	0.32	1.00	-
Gross financial assets	34,253	-	22,856	11,397	-	-	-

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 2014							
Trade payables	648	-	-	648	0.00	0.00	-
Accruals and other payables	9,926	-	-	9,926	0.00	0.00	-
Gross financial liabilities	10,574	-	-	10,574	-	-	-
31 March 2013							
Trade payables	1,110	-	-	1,110	0.00	0.00	-
Accruals and other payables	3,245	-	-	3,245	0.00	0.00	-
Gross financial liabilities	4,355	-	-	4,355	-	-	-

26 Intra-Government Balances

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

	Total £000	Central Government Bodies £000	Local Authorities £000
31 March 2014			
Receivables	1,270	1,234	36
Payables			
31 March 2013			
Receivables	168	168	-
Payables	-	-	-

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

27 Contingent Liabilities

There were no contingent liabilities.

28 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.

29 Events after the Reporting Period

A statutory instrument dated 6 March, coming into effect on 1 April 2014, formally renamed the organisation as the Crown Commercial Service. The Crown Commercial Service will provide a new integrated commercial service with an integrated organisation that brings together our existing procurement operations for common goods and services, with key commercial functions that were previously delivered elsewhere in the Cabinet Office. We are now structured to deliver best in class direct buying services, high quality and high impact advisory and intervention services, policy implementation and improvements in commercial capability across central government.

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 2009 to 31 March 2014

Accounting Convention Applied	Restated				
	IFRS Year 2013/14 £000	IFRS Year 2012/13 £000	IFRS Year 2011/12 £000	IFRS Year 2010/11 Note 1 £000	IFRS Year 2009/10 Note 1 £000
Statement of Financial Position					
Non-current assets	1,815	12,579	11,044	11,143	10,443
Total current assets less liabilities	35,663	28,757	25,711	23,210	18,134
Provision for liabilities and changes	(75)	(119)	(161)	(331)	(321)
Assets employed	<u>37,403</u>	<u>41,217</u>	<u>36,594</u>	<u>34,022</u>	<u>28,256</u>
Financed by					
Public dividend capital	350	350	350	350	350
Revaluation reserve	-	3,714	3,077	3,357	1,993
General reserve	37,053	37,153	33,167	30,315	25,913
	<u>37,403</u>	<u>41,217</u>	<u>36,594</u>	<u>34,022</u>	<u>28,256</u>
Statement of Comprehensive Income					
Revenue	<u>47,842</u>	<u>41,613</u>	<u>54,198</u>	<u>76,279</u>	<u>104,430</u>
Operating (deficit) / surplus	(1,282)	8,143	3,016	6,190	(3,588)
Finance Income	109	93	60	46	34
Surplus / (deficit) on ordinary activities	(1,173)	8,236	3,076	6,236	(3,554)
Finance Cost	-	-	-	-	(1)
Surplus / (deficit) for the year	(1,173)	8,236	3,076	6,236	(3,555)
Dividend payable to the Cabinet Office	(2,641)	(2,615)	(2,379)	(2,092)	(2,106)
Contribution to Cabinet Office ERG activities	-	(2,880)	-	-	-
Retained surplus / (deficit)	<u>(3,814)</u>	<u>2,741</u>	<u>697</u>	<u>4,144</u>	<u>(5,661)</u>

Note 1 Operating as Buying Solutions

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